Thanet District Council

Draft Statement of Accounts

2011/12

June 2012

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 2011/12 and an explanation of the overall financial position.

Accounting Statements

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

The statements comprise:

The Core Statements

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

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

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

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

Notes to the Core 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.

Context for the 2011/12 Accounts

Current Economic Climate

The current economic climate and that of recent years has had considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Council has continued to see 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 continued to be affected by the economic downturn, particularly planning fees, building control and land charge income, car parking and green waste income.

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's cut in Formula Grant for 2011/12 was 5.3% (after receipt of transitional grant) and there will be a further cut of 16.9% in 2012/13.

A range of saving options has been developed to try to mitigate the impact of these cuts and enable the Council to deliver a balanced budget. These include a corporate restructure which has resulted in savings of £1m 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 11% of the net revenue budget. The general reserves as at 31 March 2012 are £2.177m (11% of the 2011/12 net revenue budget) and are therefore in line with the Council's optimal reserve level. In addition to the general reserve, a number of earmarked reserves exist. These are sums set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves is reviewed regularly. The outturn for 2011/12 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.

Summary of the 2011/12 financial year

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

Revenue Outturn

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 encouraging managers to find efficiency savings where possible, has managed to deliver an underspend against budgeted spend .This has enabled the Council to make the required transfers to earmarked reserves as planned in the budget and during in-year budget monitoring.

In February 2011 the Council approved a net revenue budget for 2011/12 of £21.771m. This enabled the Council to implement a council tax freeze in line with Government's recommendations and therefore qualify for Section 31 council tax freeze grant funding. The outturn against this budget is shown in the following table.

	2011/12 Gross Expenditure £'000s	2011/12 Gross Income £'000s	2011/12 Net Expenditure £'000s	2011/12 Net Original Budget £'000s	2011/12 Variance £'000s
Net Cost of Services	**143,786**	**(123,550)**	**20,236**	**23,579**	**(3,343)**
Precepts paid to Parish Councils			744	-	744
Payments to the Housing Capital Receipts Pool			425	425	-
Gains/losses on disposal of fixed assets			281	281	-
Other Operating Expenditure			**1,450**	**706**	**744**
Interest payable and similar charges			1,601	-	1,601
Impairment of Financial Instruments			117	117	-
Pension interest costs			8,115	8,115	-
Expected return on pension assets			(6,621)	(6,621)	-
Interest receivable & investment income			(185)	(154)	(31)
Gains/losses on trading undertakings			(50)	17	(67)
Changes in the fair value of Investment Properties			(368)	(50)	(318)
Gains/losses on Investment Properties			16	(368)	384
Finance & Investment Inc Expenditure			**2,625**	**1,056**	**1,569**
Income from the Collection Fund			(10,651)	(9,907)	(744)
Distribution from NDR Pool			(8,058)	(8,058)	-
Non-ringfenced government grants			(4,515)	(4,387)	(128)
Capital grants & contributions			(6,183)	(6,183)	-
Taxation & Non Specific Grant Income			**(29,407)**	**(28,535)**	**(872)**
(Surplus)/Deficit on Provision of Services			**(5,096)**	**(3,194)**	**(1,902)**

Cabinet received regular budget monitoring information throughout the year. The last report in March 2012, based on information to the end of January, showed a projected underspend on the General Fund for the year of £427.1k. Further efficiency savings of £258.8k across a number of service areas were subsequently reported to the Senior Management Team based on budget monitoring for March. The total projected underspend was therefore £685.9k. Further savings were identified at year end of £493.1k, mainly in respect of savings on postage; corporate marketing and promotions; homelessness; sports and leisure; payments to voluntary organisations and vacant post savings. The final outturn for the year therefore shows a total underspend of £1.179m. This was a direct result of managers trying to find savings in year to help relieve future budget pressures. This was achieved via strict controls over recruitment, encouraging managers to identify efficiency savings and delaying spending where possible.

A number of contributions to earmarked reserves have been made at 31 March 2012 to bring the impact on the General Fund to a balanced budget position. These are detailed in the following table:

Movement on Reserves	2011/12 £'000s
Waste Reserve: Underspends delivered within the waste service have been set aside in this reserve to be utilised on future service enhancements.	200
Insurance Risk Management: Monies have been set aside to meet the cost of expected increased premiums.	97
Maritime Reserve: Savings delivered from maritime activities have been set aside in this reserve and will cover further works to the Port and Harbour as well as supporting further work around the wind farm industry.	198
Housing Intervention Reserve: Monies have been set aside to fund future housing intervention initiatives.	250
Economic Development & Regeneration Reserve: Monies have been set aside to fund one-off service improvements and initiatives.	338
Priority Improvement Reserve: Senior Management agreed that any underspends arising in-year (other than those allocated as above) would be set aside in this reserve to pump-prime projects.	96
Total	**1,179**

In addition, the LABGI Reserve and the Corporate Plan Reserve have been closed and the monies sitting in these reserves have been moved to the Priority Improvement Reserve.

Unallocated New Homes Bonus monies at year end (£434k) have also been put into a new earmarked reserve. These monies have not been reflected in the above outturn position.

The outturn position has enabled the Council's general fund balances to be maintained at 11% of its net revenue budget requirement which is in line with its financial risk assessment of reserve levels as approved by Members in February 2012. Earmarked reserves have been reviewed as part of the year end process and are considered adequate to meet the on-going needs and plans of the authority.

Material or unusual charges or credits to the Accounts

Housing finance reforms were introduced in April 2012. These enable local housing authorities to be self-financing from rental income and other direct service charges. Most authorities had to effectively 'buy out' of the old subsidy system, however, this council actually received a one-off reduction in its PWLB loans of £925k from Government instead. This has been reflected in the Housing Revenue Account as 'Capital Grants and Contributions Receivable.'

Major Changes to Services

A shared service arrangement (EK Services) 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 has enabled 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 improving resilience. Staff in these service areas were transferred across to Thanet District Council's terms and conditions with effect from 1 February 2011. 2011/12 is the first full financial year of operation for EK Services. This council is acting as the host authority, meaning that the transactions in relation to the arrangement are passed through the Council's financial management system.

Responsibility for housing management functions across the East Kent authorities of Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council were delegated to East Kent Housing Limited (an Arms Length Management Organisation) with effect from 1 April 2011. This has enabled improvements to customer services whilst also realising greater efficiencies and savings for reinvestment back into the housing service. It has also ensured the longer term resilience for the individual Housing

Revenue Accounts. It is considered this arrangement constitutes a Group Accounting arrangement, further details of which can be found in Note 47.

As detailed earlier, significant cuts in government funding were made in 2011/12, with further cuts to follow in 2012/13. In order to respond to this, the Council has had 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 have come from staffing cuts. In addition, the shared service arrangements outlined above have resulted in over 200 staff leaving the direct management of the Council. The Council has therefore reconfigured 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 and was implemented with effect from 1 April 2011. This restructure has delivered savings of approximately £1m in 2011/12.

Future Service Delivery Plans

The Council has recently approved a new Corporate Plan. The plan sets out the Council's programme of priorities for the next four years. The aim is to improve the Council and ensure that the priority services identified by residents will be delivered efficiently, while ensuring the limited budgets are spent wisely.

The Council faces cuts in government funding of 16.9% in 2012/13 (£1.97m) with further cuts expected over the next few years. The Council is looking at ways to make further efficiency savings and is also reviewing different service delivery methods in order to be able to continue to deliver key priority services to residents and ensure delivery of the Corporate Plan objectives.

Housing Revenue Account

The increase in the Housing Revenue Account balance for the year was £688k. The main reasons for the increase are detailed below:

Major Variances on the Housing Revenue Account	**2011/12 £'000s**
Adjustment to ALMO management fee	(125)
Increased rental income due to better void management	(88)
Increased shop rental income	(28)
Increased aerial rental income	(54)
Reduced cost of HRA pension contributions	(135)
Savings in electricity costs	(32)
Increase in bad debt provision due to an increase in former tenant arrears	70
Reduction in insurance premiums	(62)
Reduction in Council Tax costs due to better void management	(13)
Savings against legal fee budget	(12)
Reduction in disturbance grant payments	(14)
Savings on accountancy recharges	(36)
HRA self financing settlement	(925)
Impairment of housing stock	899
Increase in rechargeable repairs	(25)
Miscellaneous under-spends	(108)
	(688)

The accumulated HRA reserve balance at 31 March 2012 is £9.71m. The balance provides flexibility for delivery of the Housing Business Plan which has recently been reviewed. During the year, Members approved the set up of a HRA New Properties Reserve for the purchase and refurbishment of new HRA properties. A sum of £500k has been appropriated to this reserve at year end.

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

Reforms to the housing finance system came into effect from 1 April 2012. Local authorities are now to be self-financing from rental income and other direct service charges. Councils effectively had to 'buy out' of the existing subsidy system. The income and costs of running the HRA over the next 30 years were assessed by the Government and the difference was used to establish each authority's HRA value. In most cases, this was more than the HRA debt supported by the subsidy system and therefore such authorities needed to make a payment to the Government. However, for this council, the amount calculated was less than the HRA subsidy debt and therefore the Government made a payment to the Council to clear the debt difference. The amount of the payment was £925k.

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 £12.049m, of which £11.011m was met by capital grants and other contributions, £0.442m from revenue resources and £0.596m from capital receipts.

As at 31 March 2012, capital receipts of £1.598m were carried forward. This will all be required to fund the 2012/13 programme. Unapplied capital grants of £3.857m and a balance of £495k on the Capital Project Reserve have been carried forward, of which £104k is committed in 2012/13.

The main items of capital expenditure are set out below:

	2011/12 £'000s
Fixed Assets	
Council Dwellings	3,256
General Fund assets	5,992
Expenditure not resulting in assets	2,801
Total Capital Expenditure	**12,049**

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 £895k will be spent in 2012/13 for major works to the crematorium to ensure they are environmentally compliant.
- Disabled Facilities – these are provided to residents as a financial contribution for adaptations to their homes. Funding of £1.079m will be provided by the Department of Communities and Local Government with the Council providing additional funding of £300k.
- Coastal protection works – grant funding of £4m was awarded from the Environment Agency for coast protection works within Margate Old Town. Works totalling £1.2m are expected to be funded from this grant in 2012/13.

- 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 and from the Heritage Lottery Fund.

- Yacht Valley – A sum of £380k will be spent from Interreg funding towards the Yacht Valley project. This project aims to restore the Military Road Arches; explore the creation of a fully serviced Marine Yacht and Boat Facility; and to explore the restoration of the Georgian Smeaton Dry Dock.

Material Acquisitions/New Assets

The following new assets have been recognised in the balance sheet as at 31 March 2012:

- The Hotel Leslie was purchase during the year for £386k.
- 19 Hawley Square was purchased during the year for £75k.
- 34 Bellevue Road was recognised on the balance sheet at a value of £31.5k.
- 1 Godwin Road was purchased via a Compulsory Purchasing Order for £1. It has been recognised on the balance sheet at a value of £20k.
- Rides were purchased for the Dreamland development at a cost of £620k.

Heritage Assets

The Council is now required to disclose separately its heritage assets. Heritage assets can be defined as a tangible or intangible asset that is intended to be preserved in trust for future generations because of it's historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture. The Council has identified heritage assets to a value of £767k as at 31 March 2012. These relate to war memorials, public statues, artefacts or collections within museums, art collections and civic regalia. Further details are provided in notes 48 to 50.

New Liabilities

In March 2012 Thanet Leisure Force (TLF), the company engaged to run the authority's leisure facilities, entered into an arrangement with Alliance Leisure to secure the funding for the provision of a new swimming pool facility, café and spa and associated equipment at Ramsgate. The estimated capital costs of the development are £3.9million. The Council is acting as guarantor for this agreement. However, the Council's position as guarantor has been protected by the inclusion of an additional clause within the agreement which stipulates that were Alliance Leisure to intend to terminate the agreement, they would give the Council 30 days in which to agree a new party to take on all TLF's trusts and obligations under the agreement. The Council's risk exposure is therefore considered to be minimal. This arrangement has been reflected as a contingent liability within these accounts.

Treasury Management

During 2011/12, 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 2012, the Council had £19.276m 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 £25.637m of internally managed funds. The internally managed funds earned an average rate of 0.78%. This compares with a budget assumption of £16.8m investment balances earning an average rate of 0.75%.

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 £4m. The Council's total debt outstanding as at 31 March 2012 was £27.1m. The budget assumption was borrowing at an interest rate of 5.19%, however, the Council was able to take out this new borrowing at lower rates reducing the average borrowing rate to 5.16%.

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 2011/12 is shown in the following table:

2010/11 Actual £'000s		**2011/12 Estimate £'000s**	**2011/12 Actual £'000s**
5,707	Non-HRA capital expenditure	10,065	8,760
4,330	HRA capital expenditure	3,266	3,289
10,037	**Total capital expenditure**	**13,331**	**12,049**
	Resourced by:		
755	Capital receipts	1,110	596
7,239	Capital grants	8,218	10,582
613	Capital reserves	-	429
25	Revenue	1,000	442
1,405	**Unfinanced capital expenditure**	**3,003**	**-**

The Council's CFR as at 31 March 2012 was £42.250m, calculated as follows:

31 March 2011 Actual £'000s	**CFR**	**31 March 2012 Original Indicator £'000s**	**31 March 2012 Actual £'000s**
43,133	Opening balance	44,162	43,864
1,405	Add unfinanced capital expenditure (as above)	4,003	-
(674)	Less MRP/*	(697)	(689)
-	Less PFI and finance lease payments	-	-
-	Less adjustment for HRA reform	-	(925)
43,864	**Closing balance**	**47,468**	**42,250**

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

The implementation of housing finance reform at the end of 2011/12 abolished the housing subsidy system financed by central government and, consequently, all housing debt has been reallocated nationally between housing authorities. The result of this reallocation is that this Council received a repayment of debt from the Department of Communities and Local

Government (DCLG) of £925k which has lead to a corresponding decrease in the CFR. The DCLG also paid the breakage costs associated with this of £152k.

Net borrowing should not, except in the short term, have exceeded the CFR for 2011/12 plus the expected changes to the CFR over 2012/13 and 2013/14. Net borrowing as at 31 March 2012 was £7.829m (total debt outstanding of £27.105m less total investments of £19.276m) 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.

As a result of moving a proportion of the Council'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 tables in note 39.

Thanet's net liability on the Kent County Council Pension Fund as at 31 March 2012 is £73.4m (£52.2m as at 31 March 2011), giving a significant increase in liability of £21.2m. The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £73.4m has a substantial impact on the net worth of the Council as recorded in the Balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

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

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

Provisions

The Council has made a provision of £369k in respect of the income received for its selective licensing scheme as this is subject to a judicial review and if unsuccessful, this money will have to be repaid.

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. As a result a public inquiry took place between 10th January 2012 and 26th March 2012. The authority will find out if it has been successful with the CPO by August 2012 and if successful the land will be in legal ownership of the authority in September/October 2012.

Approval

In accordance with the Accounts and Audit (England) Regulations 2011, the Governance and Audit Committee approved the 2011/12 Statement of Accounts on xxxxxxxxxxx 2012.

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 2012 and of its income and expenditure for the year ended on that date.

Sue McGonigal CPFA
Chief Executive & Section 151 Officer
Date:

Independent Auditors Report to the Members of Thanet District Council

TO FOLLOW

Movement in Reserves Statement

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 6	Note 7	Note 6	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	58	-	(37,904)	-	-	-	(37,846)	-	**(37,846)**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	34,345	**34,345**
Total Comprehensive Expenditure and Income	**58**	**-**	**(37,904)**	**-**	**-**	**-**	**(37,846)**	**34,345**	**(3,501)**
Adjustments between accounting basis & funding basis under regulations	2,022	-	38,824	80	(2,026)	-	38,900	(38,900)	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**2,080**	**-**	**920**	**80**	**(2,026)**	**-**	**1,054**	**(4,555)**	**(3,501)**
Transfers to/from Earmarked Reserves	(1,979)	1,414	84	700	2,291	(142)	2,368	(2,368)	**-**
Increase/ Decrease (movement) in Year	**101**	**1,414**	**1,004**	**780**	**265**	**(142)**	**3,422**	**(6,923)**	**(3,501)**
Balance at 31 March 2011 carried forward	**2,177**	**9,381**	**9,022**	**1,924**	**2,402**	**88**	**24,994**	**69,576**	**94,570**

For the Year Ended 31 March 2012	General Fund Balance	Ear-marked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 6	Note 7	Note 6	Note 23A	Note 3 to the HRA	Note 23	Note 23	Note 24	
Balance at 1 April 2011	**2,177**	**9,381**	**9,022**	**1,924**	**2,402**	**88**	**24,994**	**69,576**	**94,570**
Surplus or (deficit) on provision of services	4,282	-	814	-	-	-	5,096	-	**5,096**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(18,508)	**(18,508)**
Total Comprehensive Expenditure and Income	**4,282**	**-**	**814**	**-**	**-**	**-**	**5,096**	**(18,508)**	**(13,412)**
Adjustments between accounting basis & funding basis under regulations	(1,571)	-	115	(182)	(865)	(12)	(2,515)	2,515	**-** **-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**2,711**	**-**	**929**	**(182)**	**(865)**	**(12)**	**2,581**	**(15,993)**	**(13,412)**
Transfers to/from Earmarked Reserves	(2,711)	2,665	(241)	(144)	-	-	(431)	431	**-**
Increase/ Decrease (movement) in Year	**-**	**2,665**	**688**	**(326)**	**(865)**	**(12)**	**2,150**	**(15,562)**	**(13,412)**
Balance at 31 March 2012 carried forward	**2,177**	**12,046**	**9,710**	**1,598**	**1,537**	**76**	**27,144**	**54,014**	**81,158**

Comprehensive Income and Expenditure Statement

31 March 2011 Expenditure £'000s	31 March 2011 Income £'000s	31 March 2011 Net £'000s		31 March 2012 Expenditure £'000s	31 March 2012 Income £'000s	31 March 2012 Net £'000s
			Gross expenditure, gross income and net expenditure on continuing operations			
7,857	1,677	6,180	Cultural and Related Services	5,952	923	5,029
10,933	2,785	8,148	Environment and Regulatory Services	10,887	4,041	6,846
7,998	3,172	4,826	Planning Services	6,478	3,128	3,350
12,582	7,989	4,593	Highways and Transport Services	7,226	6,947	279
70,723	68,347	2,376	Other Housing Services	76,413	73,889	2,524
6,957	11,280	(4,323)	Local Authority Housing (HRA)	10,722	11,877	(1,155)
38,904	-	38,904	Exceptional Items – HRA Impairment (Note 37)	-	-	-
19,210	17,345	1,865	Central Services to the Public	23,016	21,543	1,473
2,936	347	2,589	Corporate and Democratic Core	3,050	871	2,179
7,381	-	7,381	Non Distributed Costs	42	331	(289)
(12,803)	-	(12,803)	Exceptional items - Non Distributed Costs (note 39)	-	-	-
172,678	**112,942**	**59,736**	**Cost of Services**	**143,786**	**123,550**	**20,236**
		3,134	Other Operating Expenditure	Note 8		1,450
		3,475	Financing and Investment Income and Expenditure	Note 9		2,625
		(28,499)	Taxation and Non-Specific Grant Income	Note 10		(29,407)
		37,846	**(Surplus) or Deficit on Provision of Services**			**(5,096)**
		(8,789)	Surplus or Deficit on revaluation of non current assets			(3,313)
		(25,556)	Actuarial (gains)/losses on pension assets/liabilities			21,821
		(34,345)	**Other Comprehensive Income and Expenditure**			**18,508**
		3,501	**Total Comprehensive Income and Expenditure**			**13,412**

Balance Sheet as at 31 March 2012

31 March 2011 £'000s			31 March 2012 £'000s	31 March 2012 £'000s
	Property, Plant & Equipment	Note 11		
84,499	Council Dwellings		85,076	
39,603	Other land and buildings		39,330	
3,433	Vehicles, plant, furniture and equipment		2,746	
11,481	Infrastructure		13,028	
1,148	Assets under construction		3,170	
-	Heritage Assets		767	
3,121	Surplus assets not held for sale		3,312	
21,822	**Investment Property**	Note 13	22,190	
	Intangible Assets	Note 14	-	
59	**Long Term Debtors**	Note 18	50	
165,166	**Long Term Assets**			**169,669**
-	**Short Term Investments**	Note 43	11,678	
211	**Inventories**	Note 16	238	
17,289	**Short Term Debtors**	Note 18	13,952	
(3,387)	**Impairment Provision**	Note 18	(3,957)	
13,515	**Cash and cash equivalents**	Note 19	7,908	
605	**Assets held for sale (< 1year)**	Note 20	179	
28,233	**Current Assets**			**29,998**
3,455	**Short Term Borrowing**	Note 15	983	
9,223	**Short Term Creditors**	Note 21	9,332	
231	**Provisions**	Note 22	369	
1,550	**Revenue Grants Receipts in Advance**	Note 33	1,201	
				11,885
14,459	**Current Liabilities**			
23,646	**Long Term Borrowing**	Note 15	26,122	
55,434	**Other Long Term Liabilities**	Note 40	76,721	
5,290	**Capital Grants Receipts in Advance**	Note 33	3,781	
84,370	**Long Term Liabilities**			**106,624**
94,570	**Net Assets**			**81,158**
	Represented By:			
	Usable Reserves			
2,177	General Fund	Note 23	2,177	
9,381	Earmarked Reserves	Note 7	12,046	
9,022	Housing Revenue Account	Note 23	9,710	
1,924	Capital Receipts Reserve	Note 23A	1,598	
2,402	Major Repairs Reserve	Note 23	1,537	
88	Capital Grants Unapplied	Note 23	76	
	Unusable Reserves			
12,750	Revaluation Reserve	Note 24A	14,319	
(97)	Accumulated Absences Reserve	Note 24G	(170)	
(52,249)	Pensions Reserve	Note 24E	(73,454)	
109,097	Capital Adjustment Account	Note 24B	113,230	
38	Deferred Capital Receipts	Note 24D	25	
37	Collection Fund Adjustment Account	Note 24F	64	
94,570	**Total Reserves**			**81,158**

Signed: Sue McGonigal CPFA

Date: Section 151 Officer

Cash Flow Statement

Restated 2010/11 £'000s			2011/12 £'000s	£'000s
37,846	**Net (surplus) or deficit on the provision of services**			**(5,096)**
(49,158)	Adjust net surplus or deficit on the provision of services for noncash movements	Note 25		(12,308)
2,811	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			2,964
(8,501)	**Net cash flows from Operating Activities**			**(14,440)**
2,713	Investing Activities	Note 26		20,047
-	Financing Activities	Note 27		-
(5,788)	**Net increase or decrease in cash and cash equivalents**	Note 19		**5,607**
7,727	Cash and cash equivalents at the beginning of the reporting period			13,515
(13,515)	**Cash and cash equivalents at the end of the reporting period**			**(7,908)**

Notes to the Core Financial Accounts

1. Accounting Policies

General

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) and the Service Reporting Code of Practice 2010/11 (SERCOP), supported by the International Financial Reporting Standards (IFRS).

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

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

Qualitative Characteristics of Financial Information

Relevance

In accordance with IAS1, 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 IAS1, the accounts have been prepared in such a way to aid the understanding of the reader. We do, however, recognise the complexities contained within the Statement of Accounts. The Statements are prepared in accordance with accounting concepts, treatments and terminology that require reasonable knowledge of accounting and local government if they are to be properly understood. Technical terms have been avoided where possible, in favour of plain language. There is also a Glossary of Terms included, which can be found on pages 107 - 111.

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.

Estimation Techniques

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

Cash and Cash Equivalents

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

Exceptional Items

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

Prior Period Adjustments

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

Changes in Accounting Policy

The Code from time to time requires Local Authorities to amend their accounting policies. For the 2011/12 Financial Statements the Council has reviewed and consolidated changes in respect of the transition to IFRS and introduced new accounting policies in respect of Heritage Assets.

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.

Employee Benefits

Benefits Payable During Employment

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

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

Pensions General

The Accounting Standards, IAS19 and 26 regarding Employee Benefits and Retirement Benefits, require recognition of pension assets and liabilities in the Balance Sheet and the operating costs of providing retirement benefits together with changes in the value of assets and liabilities to be reflected in the Comprehensive Income and Expenditure Statement. In order that IAS 26 requirements do not impact upon council tax levels, the movement on the net assets and liabilities (net of the employer's contributions and actuarial gains and losses) is reversed out to the Pension Reserve through the Movement in Reserves Statement.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Events After the Balance Sheet Date

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

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

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 Instruments - Financial Assets

Financial assets are classified into two types:

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

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

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

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

Government and Non Government Grants and Contributions

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

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. If a grant has been received but not applied to fund capital expenditure the grant will be shown on the balance sheet within the 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 under Taxation and Non–Specific Grant Income.

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

Heritage Assets

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

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

- War Memorials, Public statues etc,
- Artefacts and or collections within Museums
- Art Collections
- Civic Regalia

The Council has reviewed its asset holdings, including its Museum artefacts and has identified only five items within its ownership as Heritage Assets that have an individual valuation in excess of £10,000. The aggregate value of these assets is £208,500 and the Council has decided that this sum is not material and so has not amended any prior year balance sheets but has recognised these assets in the 2011-12 statement of accounts and disclosed the nature and value of the assets in a note to the Core Financial Statements

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

The assets are generally held to have indefinite lives hence the authority does not consider it appropriate to charge depreciation. Acquisitions are initially recognised at cost or if bequeathed or donated at nil cost, at valuation.

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

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

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

Intangible Assets

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

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

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

Group Accounts

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

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

During 2011/12 the Council transferred the management of its Housing stock into an Arms Length Management Organisation along with similar arrangements from Canterbury, Dover and Shepway Councils. It is considered that this arrangement constitutes a Group Accounting arrangement as the Council will "own" 25% of the new organisation The ALMO was incorporated during 2010/11 but was not officially "live" until April 2011 and is expected to prepare its own accounts for the period to March 2012 early in the 2012/13 financial year.

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

Inventories, Rechargeable Works and Long Term Contracts

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

The Code and 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.

Jointly Controlled Operations and Jointly Controlled Assets.

Jointly Controlled Operations are activities undertaken by the Authority in conjunction with other bodies that involve the use of the assets and resources of all of the organisations rather than the establishment of a separate entity. The Authority recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of the income it may earn from the activity of the operation.

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

Leases

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

Where the Council is a Lessee

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

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

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

Where the Council is a Lessor

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

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

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

Overheads

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

Departments	-Time spent by staff
Buildings	-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.

Property Plant and Equipment

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

Recognition: 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
   - Heritage Assets
   - Infrastructure assets

- Vehicles Plant and Equipment
- Community Assets
- Assets under Construction

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 Operational Buildings** – The lower of net current replacement cost or net realisable value (as certified by the Estates Surveyor).

b) **Council Dwellings** – Existing use value for social housing, including regional adjustment factors as amended from time to time.

c) **Heritage Assets** – (See separate accounting policy)

d) **Infrastructure Assets** – Historical costs net of depreciation.

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

f) **Community Assets** – Historic cost.

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

Net current replacement cost is assessed as:

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

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

Revaluation - Revaluations of Non Current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Council Dwellings are revalued annually using the Beacon principle. Identified material changes to asset valuations will be adjusted in the interim period, as they occur. The Asset Valuations in these accounts have been prepared by the Council's internal Estates Surveyor, 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% 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 2012.

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 accounts for components for assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. The component proposals for the HRA dwelling stock differ from that above. Guidance allows for the ongoing use of the MRA as a proxy for depreciation and if the Council continues this policy it is allowed to defer the application of component accounting to the dwelling stock. The Housing Finance system is likely to change from April 2012 and this accounting policy will need to be reviewed at that time.

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

Where impairment losses are identified, the accounting entries are

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

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

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

Disposals:. Income from the disposal of Non current assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance

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

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

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

Council Dwellings	The Major Repairs Allowance (MRA) is used as a proxy for depreciation.
Infrastructure	Up to 40 years
Heritage Assets	Varies on asset type, see separate accounting policy
Other Buildings	Specifically determined by Estates Officer
Vehicles	Up to 12 years
Plant	Up to 10 years
Surplus assets	Up to 40 years

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

Newly acquired assets are depreciated in the year following acquisition unless 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.

Provisions

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

HRA Leasehold Service Charge accounts are raised after the accounts have closed as they are based on actual cost in order to comply with Leasehold conditions. A provision is made on the

Leasehold Maintenance Holding Account for the estimated cost of services, day to day repairs, recurring maintenance and major works incurred during the financial year.

Reserves

Amounts set aside for purposes falling outside of the definition of provisions are considered as reserves. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. The IFRS standards require details of Reserves to be reported in the Movement in Reserves Statement, in the Core Financial Statements. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year within the Cost of Services in the Comprehensive Income and Expenditure Statement and an equal amount is appropriated back to the General Fund from the 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 Statement of Accounts also clearly separates the usable and non-usable reserves in the Financing section of the balance sheet.

Contingent Gains/Liabilities

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Current assets held for sale

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

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

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

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with IAS 1, i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.
Debts due to the Council are recorded as they become due and the item Debtors shown in the Balance Sheet represents the amounts due during the year which remain unpaid at the year-end, from which a sum is deducted as a provision for bad debts.
Interest payable is accrued to 31 March on all loans outstanding at the balance sheet date. Interest on short-term investments due, but not received as at 31 March is also accrued where this is material.
Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.
Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

Provision for Bad and Doubtful Debts (Impairment)

Provisions are made for bad and doubtful statutory debts and these are charged to the appropriate revenue 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 are subject to a flat rate percentage based on historical trends. All other HRA related debts over £2,500 are analysed and a provision made depending on individual circumstances, with the exception of leaseholder accounts as the Housing Act states that tenants should not subsidise Leaseholders, therefore no bad debt provision is made within the HRA. Housing benefit overpayment debt provision is subject to a range of specific percentages dependant on whether the debt is to be collected from ongoing benefit.

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

Collection Fund

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Statute determines the amount required to be transferred from the Collection Fund to the General Fund (an authority's precept for the year plus/minus its share of the surplus/deficit on the Collection Fund for the previous year). The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this amount and the amount required by regulation is taken to the Collection Fund Adjustment Account, and is included as a reconciling item in the Movement in Reserves Statement to negate the effect on the taxpayer. Council Tax is collected on an agency basis, so the Balance Sheet reflects debtor/creditor position between the Council and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council taxpayers.

With effect from 1 April 2009 it was 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.

Value Added Tax

In accounting for VAT, the Council complies 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.

2. Accounting Standards issued, Not Adopted

Financial Instruments

Amendments to IFRS7 Financial Instruments: Disclosures (transfers of financial assets) have been issued and will be adopted in the 2012/13 accounts. This replaces the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets, e.g. through the use of derivatives. This is not a common transaction for local authorities, and so the Council does not anticipate having to make these additional disclosures

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 Council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends

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 2012 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	If the useful life of assets is reduced, depreciation

	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.	increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £269k for every year that useful lives had to be reduced
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.69m and an increase of one year to the mortality rate would result in a decreased pension liability of £3.65m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors for £948k. 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 £475k) would require an additional £47.5k to be set aside as an allowance
Dreamland CPO	The development of the Dreamland site began during 2010/11. 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: • The Council has served an urgent works notice on the Cinema and has proceeded to undertake the urgent	If the CPO decision was not in the Council's favour the capital expenditure to date would need to be written off to Revenue and any grants received may need to be repaid, in addition to any legal costs incurred.

	works; • 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; • 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'	
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 £15.07m have not been revalued in 2011/12. In general, the asset valuations for investment properties have gone up by 5.45% in 2011/12. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £821k to the asset valuation

5. Post Balance Sheet Events

Dreamland CPO

The current land owner failed to co-operate in transferring the site and a CPO was served in May 2011. As a result a public inquiry took place between 10th January 2012 and 26th March 2012.

The Authority will find out if it has been successful with the CPO by August 2012 and if successful the land will be in legal ownership of the authority in September/October 2012.

Housing Intervention

As part of a national government scheme designed to tackle the problem of empty homes in England, the Council has been awarded £4,131m for a funding bid submitted for parts of Cliftonville West and Central Margate wards, aimed at bringing 160 housing units back into use.

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

Housing Revenue Account Acquisition

On 28 March 2012 The Housing Regeneration Team were successful in bidding at auction for the property known as 26 Ethelbert Crescent for £194k. The property has been purchased to increase the Council's existing housing stock. During 2012-13 major works will be undertaken on the property to convert it into family size units for the Housing Revenue Account.

6. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

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	5,991	35,929	-	41	-	(41,961)
Revaluation Losses on Property Plant and Equipment	5,065	838				(5,903)
Movements in the market value of investment properties	(557)	266	-	-	-	291
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 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 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
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an	29					(29)

accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						
Total Adjustments	**2,022**	**38,824**	**80**	**(2,026)**	**-**	**(38,900)**

2011-12	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	3,224	899				(4,123)
Revaluation Losses on Property Plant and Equipment	1,284					(1,284)
Movements in the market value of investment properties	(366)	(2)				368
Amortisation of intangible assets	55					(55)
Capital grants and contributions applied	(5,105)	(1,077)	152			6,030
Revenue expenditure funded from capital under statute	217					(217)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	98	872				(970)
Statutory provision for the financing of capital investment	(689)					689
Capital expenditure charged to revenue		(34)				34
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CI&E Statement	-	-	-	-	(12)	12
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(117)	(572)	689			
Contribution to disposal cost of capital sales	2		(2)			
Use of the CRR to finance new capital expenditure			(596)			596
Use of the CRR to finance the payments to the Government capital receipts pool	425		(425)			-
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Depreciation				2,390		(2,390)
Use of the MRR to finance new capital expenditure	-	-	-	(3,255)	-	3,255
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	4,224	91				(4,315)
Employer's pension contributions and direct payments to pensioners payable in the year	(4,869)	(62)				4,931
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(27)					27
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	73					(73)
Total Adjustments	**(1,571)**	**115**	**(182)**	**(865)**	**(12)**	**2,515**

7. Earmarked Reserves

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

	1 April 2010 £'000s	Transfers Between Reserves £'000s	Revenue Appropriations £'000s	1 April 2011 £'000s	Transfers Between Reserves £'000s	Revenue Appropriations £'000s	31 March 2012 £'000s
Insurance Risk Management	39	-	50	89	-	98	187
Capital Projects	475	147	72	694	(325)	126	495
Local Development Framework	329	-	48	377	-	26	403
General Fund Repairs	108	(50)	81	139	-	163	302
Slippage Fund - GF	500	(50)	278	728	(47)	785	1,466
Slippage Fund – HRA	85	-	(36)	49	-	(40)	9
Information Technology	233	-	21	254	(9)	140	385
Environmental Action Plan	188	-	41	229	-	-	229
Office Accommodation	130	50	(117)	63	-	22	85
Planning Delivery Grant	182	-	(121)	61	-	(14)	47
Cremator Works	470	(120)	149	499	23	156	678
Decriminalisation	146	-	(35)	111	-	(23)	88
Priority Improvement	302	-	462	764	(52)	511	1,223
Corporate Plan	260	30	(111)	179	(106)	(73)	-
LABGI	505	(30)	(104)	371	(354)	(17)	-
Customer Services	527	(250)	669	946	9	67	1,022
Area Based Grants	1,791	-	(73)	1,718	-	(945)	773
Waste Reserve	300	-	250	550	-	-	550
Council Election	31	-	60	91	-	(36)	55
Homelessness	96	-	3	99	-	49	148
Renewal Reserve	13	-	20	33	-	5	38
Performance Reward Grant	192	142	(72)	262	-	(7)	255
Maritime	865	(340)	31	556	115	39	710
VAT Reserve	-	-	299	299	-	123	422
Pensions Earmarked	200	-	20	220	-	441	661
East Kent Services	-	-	-	-	-	292	292
New Homes Bonus	-	-	-	-	(75)	509	434
Housing Intervention	-	-	-	-	-	250	250
Economic Development & Regeneration	-	-	-	-	339		339
HRA Properties Reserve	-	-	-	-	-	500	500
	7,967	**(471)**	**1,885**	**9,381**	**(482)**	**3,147**	**12,046**

Revenue Appropriations	3,147
Funding for Capital Programme	(482)
Contributions from Reserves as per Movement in Reserves Statement on page 19	**2,665**

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.

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

Cremator 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 – The balance on this reserve was transferred to the Priority Improvement Reserve

LABGI – The balance on this reserve was transferred to the Priority Improvement Reserve.

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

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

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

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

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 £255k. It is proposed to use these monies on future East Kent working and empty properties. The monies held in this reserve will therefore be used to minimise the demands on the General Fund, while remaining in line with the original aims of the grant.

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

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.

Pensions Earmarked Reserve - Due to the uncertainty around Pensions any pension underspends identified are transferred to this reserve in order to mitigate future risk.

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

New Homes Bonus – This reserve holds the unallocated balance of monies from the New Homes Bonus to support one-off projects.

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

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

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

8. Other Operating Expenditure

2010/11 £'000s		2011/12 £'000s
757	Parish Council Precepts	744
279	Payments to the Housing Capital Receipts Pool	425
2,098	(Gains)/losses on the disposal of non-current assets	281
3,134	**Total**	**1,450**

9. Financing and Investment Income and Expenditure

2010/11 £'000s		2011/12 £'000s
1,505	Interest Payable and Similar Charges	1,601
136	Impairment of Financial Instruments	117
2,409	Pensions interest cost and expected return on	1,494

	pensions assets	
(157)	Interest Receivable and similar income	(185)
76	(Gain)/Loss on Trading Operations (see below)	(50)
(203)	Income and Expenditure on investment properties	16
(291)	Changes in fair value of investment properties	(368)
3,475	**Total**	**2,625**

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:

2010/11 (Surplus)/Deficit £'000s	Trading Service	2011/12 Expenditure £'000s	2011/12 Income £'000s	2011/12 (Surplus)/ Deficit £'000s
76	**Building Control**	**276**	**(326)**	**(50)**

Building Control	2009/10 (Surplus)/Deficit £'000s	2010/11 (Surplus)/Deficit £'000s	2011/12 (Surplus)/Deficit £'000s
Turnover	(300)	(296)	(326)
Expenditure	377	372	276
Surplus	**77**	**76**	**(50)**

10. Taxation and Non-Specific Grant Income

2010/11 £'000s		2011/12 £'000s
10,586	Council Tax Income	10,651
11,622	Non Domestic Rates	8,058
3,341	Non Ring Fenced Government Grants	4,515
2,950	Capital Grants and Contributions (see note 33)	6,183
28,499	**Total**	**29,407**

11. Property, Plant and Equipment

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construc-tion	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2010	**120,416**	**47,910**	**7,664**	**15,585**	**1,769**	**-**	**1,203**	**194,547**
Additions	4,138	1,147	275	917	74	1,148	-	**7,699**
Disposals	(2,175)	(175)	-	-	-		(36)	**(2,386)**
Reclassifications	(530)	(1,896)	-	-	-		1,801	**(625)**
Revaluation and Restatements	1,554	1,756	-	-	-		390	**3,700**
Downward Revaluation and Impairment charged to CI&E	(38,904)	(5,591)	-	-	(74)		(184)	**(44,753)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	-	(777)	-	-	-		-	**(777)**
Other Charges	-	-	-	-	(1,769)		-	**(1,769)**
Gross Asset Valuation	**84,499**	**42,374**	**7,939**	**16,502**	**-**	**1,148**	**3,174**	**155,636**
Depreciation b/fwd	-	6,594	3,444	4,395	87	-	24	14,544
Depreciation 2010/11	2,332	1,795	1,057	413	-	-	25	5,622
Write out Accumulated Depreciation on Revaluation	(2,332)	(5,124)	-	-	-	-	-	(7,456)
Write out acc dep charged to Revaluation Reserve	-	(743)	-	-	-	-	-	(743)
Other depreciation adj	-	249	5	213	(87)	-	4	384
Gross Depreciation c/fwd	**-**	**2,771**	**4,506**	**5,021**	**-**	**-**	**53**	**12,351**
Net Book Value:								
Balance Sheet amount at 31 March 2011	**84,499**	**39,603**	**3,433**	**11,481**	**-**	**1,148**	**3,121**	**143,285**
Balance Sheet at 31 March 2010	**120,416**	**41,316**	**4,219**	**11,191**	**1,682**	**-**	**1,179**	**180,003**

	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Assets Under Construc-tion	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2011	**84,499**	**42,374**	**-**	**7,939**	**16,502**	**-**	**1,148**	**3,174**	**155,636**
Additions	3,289	920	620	191	2,011		2,022	182	**9,235**
Disposals	-	(75)							**(75)**
Reclassifications	(2,125)	371	209	4		117			**(1,424)**
Revaluation and Restatements	2,702	871						37	**3,610**
Downward Revaluation and Impairment charged to CI&E	(3,289)	(1,286)				(117)		(5)	**(4,697)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	-	(7)							**(7)**
Gross Asset Valuation	**85,076**	**43,168**	**829**	**8,134**	**18,513**	**-**	**3,170**	**3,388**	**162,278**
Depreciation b/fwd	-	2,771	-	4,506	5,021	-	-	53	12,351
Depreciation 2011/12	2,389	1,903	62	882	464	-	-	27	5,727
Write out Accumulated Depreciation on Revaluation	(2,389)	-	-	-	-	-	-	-	(2,389)
Write out acc dep charged to Revaluation Reserve	-	(778)	-	-	-	-	-	(4)	(782)
Other depreciation adjustments		(58)							(58)
Gross Depreciation c/fwd	**-**	**3,838**	**62**	**5,388**	**5,485**	**-**	**-**	**76**	**14,849**
Net Book Value:									
Balance Sheet amount at 31 March 2012	**85,076**	**39,330**	**767**	**2,746**	**13,028**		**3,170**	**3,312**	**147,429**
Balance Sheet amount at 31 March 2011	**84,499**	**39,603**	**-**	**3,433**	**11,481**	**-**	**1,148**	**3,121**	**143,285**

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 2012, there are no capital commitments in relation to acquisition of property, plant and equipment in 2012/13.

Revaluations

For those assets not re-valued as part of the rolling programme or subject to impairment review, the Council is not aware of any material change in value therefore the valuations have not been updated.

Valuations of Non-Current Assets carried at current value

	Council Dwellings £'000	Land and Buildings £'000	Vehicles Plant & Equip £'000	Infrastructure £'000	Investment Properties £'000	Total £'000
Carried at Historic Cost			**2,746**	**13,028**		**15,774**
Carried at Current Value						
Pre 2007		5,713			7,491	**13,204**
2007/08		2,075			55	**2,130**
2008/09		3,100			-	**3,100**
2009/10		6,457			28	**6,485**
2010/11		18,348			-	**18,348**
2011/12	85,076	10,886			14,616	**110,578**
Total Value	**85,076**	**46,579**	**2,746**	**13,028**	**22,190**	**169,619**

12. Heritage Assets

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

	War Memorials Public Statues £'000s	Museum Artefacts £'000s	Art Collection £'000s	Civic Regalia £'000s	Dreamland £'000s	Total £'000s
1st April 2011	-	-	-	-		**-**
Additions (net of depreciation)					559	**558**
Recognitions	82	30	85	11		**209**
31 March 2012	**82**	**30**	**85**	**11**	**559**	**767**

The Authority's Heritage Assets are mainly held in the Authority's Museums but also include War Memorials and Public Statues and the Civic Regalia.

The Museums each have collections of heritage assets which are held in support of the primary objective of the Authority's Museum, i.e. increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are set out in note 1.

The Authority's collections of heritage assets are accounted for as follows.

War memorials and Public Statues

The Council has identified from its insurance records a Bronze statue of a lifeboatman on Margate seafront. This has now been brought onto the Council's asset register. The Council also has recorded several war memorials within its Community asset portfolio, each valued at a notional £1. Further information on the condition of these is to be sought along with any other information from interested parties and this may lead to changes in classification of these assets.

Museum Artefacts and Art Collections

The Council commissioned an independent expert to review its collections at the Old Town Hall Margate, the Dickens House Museum and the Maritime Museum. The asset classification now used is based on the initial report of the expert which has identified an underlying small value of most of the exhibits (approximately 7,000 items in total) but has separately identified those with values above £10k and those below this with specific "collectable" interest.

The Council has determined that these assets have indeterminate lives and so does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the authority's policy.

Civic Regalia

The Council, not unlike many others, has a small collection of civic regalia, mainly comprising the mayors chain. This has been included on the asset register at its insurance valuation.

Dreamland

The Council is involved in a CPO to acquire the Dreamland site in Margate. This site comprises land that has been used as an amusement park/fairground and a cinema complex with associated facilities. The main expenditure incurred to date on the site is shown on the balance sheet as an asset under construction. The Heritage asset disclosure relates to the acquisition during 2011/12 of several historic amusement park rides which will be used on the site subject to a successful resolution of the CPO.

Heritage Assets – General

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

13. Investment Property

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

2010/11 £'000s		2011/12 £'000s
(1,118)	Rental Income from Investment property	(1,263)
915	Direct operating expenses arising from investment property	1,279
(203)	**Net (Gain)/Loss**	**16**

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

2010/11 £'000s		2011/12 £'000s
21,568	Balance at start of the year	21,822
172	Subsequent Expenditure	-
(279)	Disposals	-
291	Net gains/losses from fair value adjustments	368
70	Reclassifications	-
21,822	**Balance at end of the year**	**22,190**

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

14. Intangible Assets

The Authority changed its principal e-mail messaging system and upgraded other software in 2011/12 resulting in £20k and £35k respectively being written down to the relevant service revenue account. The Council's policy is to write down intangible assets to the relevant service revenue account in the year that they occur and hence the opening and closing balances for intangible assets are both nil despite any expenditure on intangible assets during the financial year.

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		
	1 April 2010 £'000s	**31 March 2011 £'000s**	**31 March 2012 £'000s**	**1 April 2010 £'000s**	**31 March 2011 £'000s**	**31 March 2012 £'000s**
Borrowings	24,646	23,646	26,122	2,000	3,000	598
Trade	-	-		4,132	4,837	4,516

creditors						
Deferred liabilities	3,418	3,185	3,266	-	-	
+ Accrued interest	-	-		486	455	385
Financial liabilities at amortised cost	28,064	26,831	29,388	6,618	8,292	5,499
Total financial liabilities	**28,064**	**26,831**	**29,388**	**6,618**	**8,292**	**5,499**
Short term investments	-	-	-	1,750	-	11,678
Cash and Cash Equivalents	-	-	-	7,727	13,515	7,908
Trade debtors	-	-	-	6,451	3,985	3,978
Car Loans	6	-	-	-	1	-
Mortgages	43	37	28	-	2	-
+ Accrued interest on investments	-	-	-	6	11	19
Loans and receivables at amortised cost	49	37	28	15,934	17,514	23,583
Total financial assets	**49**	**37**	**28**	**15,934**	**17,514**	**23,583**

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. A similar arrangement has been entered into for the new Ramsgate Swimming Pool. Further details of these contingent liabilities can be found in note 41. Should payment under the guarantees become probable, the amount of the liabilities will need to be determined under FRS12. As it is not probable that payment by the authority will be required, the guarantees have been recognised as contingent liabilities only and as such have not been recognised as current or long term liabilities in the above table.

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

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

Financial Instruments Gains/Losses

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

2010/11			2011/12	
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**
1,505	-	Interest expense	1,601	-
-	136	Impairment Losses	-	117
1,505	**136**	**Interest payable and similar charges**	**1,601**	**117**
-	(157)	Interest income	-	(185)
-	-	Gains on derecognition	-	-
-	**(157)**	**Interest and investment income**	**-**	**(185)**
1,484		**Net (gain)/loss for the year**	**1,533**	

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:

1 April 2010		31 March 2011			31 March 2012	
Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000s	**£'000s**	**£'000s**	**£'000s**		**£'000s**	**£'000s**
22,574	22,574	22,543	23,882	PWLB debt	22,547	26,260

4,558	4,558	4,558	5,063	Other debt	4,558	4,528
27,132	**27,132**	**27,101**	**28,945**	**Total debt**	**27,105**	**30,788**
3,418	3,418	3,185	3,185	Deferred liabilities	3,266	3,266
4,132	4,132	4,837	4,837	Trade creditors	4,516	4,516
34,682	**34,682**	**35,123**	**36,967**	**Total Financial Liabilities**	**34,887**	**38,570**

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.

1 April 2010		31 March 2011			31 March 2012	
Carrying Amount £'000s	**Fair Value £'000s**	**Carrying Amount £'000s**	**Fair Value £'000s**		**Carrying Amount £'000s**	**Fair Value £'000s**
6	6	1	1	Employee Car Loans	-	-
9,209	9,209	13,525	13,525	Money market loans < 1 year	22,839	22,839
43	43	39	39	Mortgages	28	28
6,451	6,451	3,985	3,985	Trade debtors	3,978	3,978
15,709	**15,709**	**17,550**	**17,550**	**Total Loans and Receivables**	**26,845**	**26,845**

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 2012. 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 2012.

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

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

16. Inventories

		Balance at start of year £'000s	Purchases £'000s	Recognised as an expense in the year £'000s	Balance at year end £'000s
Museum Stock	**2011/12**	2	3	3	2
	2010/11	2	3	3	2
Dane Park Stores	**2011/12**	9	24	24	9
	2010/11	10	20	21	9
Stationery Stores	**2011/12**	3	0	0	3
	2010/11	4	19	20	3
Waste Stock	**2011/12**	190	427	400	217
	2010/11	136	447	393	190

VIC Stock	2011/12	7	7	7	7
	2010/11	9	5	7	7
Total	**2011/12**	**211**	**461**	**434**	**238**
	2010/11	**161**	**494**	**444**	**211**

17. Construction Contracts

As at 31 March 2012 the Authority had two construction contracts in progress. The construction of Margate Coast Protection scheme with J Breheny Contractors Ltd and works to the Dreamland Cinema. Due to the on-going nature and sensitivity of the Dreamland Compulsury Purchase Order a detailed breakdown of the construction contract for the Cinema has not been itemised. The Value of work completed at 31 March 2012 has been established using a stage of completion methodology based on architects'/surveyors' certificates obtained at the year-end. The amount due on Coast Protection works at 31 March 2012 is as follows:

	Margate Coast Protection £'000s
Costs incurred to date	
Revenue recognised During 2011/12	1,747
Advances received	(861)
Gross amount due	**886**
Comprising:	
Amounts not billed	799
Retentions	87

18. Debtors

2010/11 £'000s	Amounts falling due in one year	2011/12 £'000s
1,444	Council Tax	1,004
4,357	Central Government bodies	1,290
2,967	Other Local Authorities	1,205
8,521	Other Entities and Individuals	10,453
(3,387)	Less Impairment Provision	(3,957)
13,902		**9,995**

Generally the Council's debt within its Public Sector arrangements has decreased from 2010/11. However an increase in indebtedness is shown in Other Entities and Individuals mainly due to grant payments due from other bodies (£795k) and general increase in sundry Debtors. There is a debtor due from East Kent Housing Ltd. (£77k) included in Other Entities and Individuals above.

Long Term Debtors

2010/11 £'000s	Amounts falling due after one year	2011/12 £'000s
37	Mortgages	28
8	Charitable Loans	3
14	Home Safety Loans	14
-	Car Loans	5
59		**50**

19. Cash and Cash Equivalents

1 April 2010 £'000s	31 March 2011 £'000s		31 March 2012 £'000s	Movement 2011-12 £'000s
(274)	(813)	Cash held by the Authority	(310)	503
(953)	(1,902)	Bank current accounts	(4,681)	(2,779)
(6,500)	(10,800)	Short Term deposits	(2,917)	7,883
(7,727)	**(13,515)**	**Total cash and cash equivalents**	**(7,908)**	**5,607**

20. Current Assets Held for Sale

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

31 March 2011 £'000s		31 March 2012 £'000s
690	**Balance Outstanding at start of year**	**605**
555	Assets newly classified as held for sale:	2,360
-	Revaluation gains	32
-	Revaluation Loss	(1,687)
(640)	Disposals	(895)
-	Other Movements	(236)
605	**Balance Outstanding at year end**	**179**

21. Creditors

2010/11 Restated £'000s	**Amounts falling due in one year**	2011/12 £'000s
293	Council Tax	309
240	Central Government bodies	478
1,113	Public Corporations and trading funds	161
2,244	Other Local Authorities	1,945
5,333	Other Entities and Individuals	6,439
9,223		**9,332**

The increase in Central Government bodies relates to a payment due in respect of the National Domestic Rate pool. (£305k).

The decrease in Other Local Authority creditors for 2011/12 relates mainly to the arrangements regarding East Kent Shared Services.

The Other Entities and Individuals line above includes £10k in respect of East Kent Housing Ltd.

22.Provisions

	Outstanding Legal Cases £'000s	Other Provisions £'000s	Total £'000s
Balance as at 1 April 2011	231	-	231
Additional Provisions made in 2011/12	369		369
Amounts used in 2011/12	(231)	-	(231)
Balance at 31 March 2012	**369**		**369**

23.Usable Reserves

	1 April 2010 £'000s	Transfers Between Reserves £'000s	Revenue Move-ments £'000s	Restated 1 April 2011 £'000s	Transfers Between Reserves £'000s	Revenue Move-ments £'000s	31 March 2012 £'000s
Usable Capital Receipts Reserve	1,144	780	-	1,924	(1,144)	702	1,598
Major Repairs Reserve	2,137	265	-	2,402	(865)	-	1,537
General Fund Balance	2,076	43	58	2,177	-	-	2,177
Housing Revenue Account Balance	8,018	38,908	(37,904)	9,022	-	688	9,710
Capital Grant Unapplied Reserve	230	(142)	-	88	(12)	-	76
Earmarked Reserves	7,967	1,414	-	9,381	(482)	3,147	12,046
	21,572	**41,268**	**(37,846)**	**24,994**	**(2,387)**	**4,537**	**27,144**

Capital Receipts Reserve – see note 23A below.

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

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

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

Capital Grant Unapplied Reserve – represents accumulated funds in respect of Performance Reward Grant received towards capital projects for which the Council has met the conditions that otherwise may have required repayment of the monies. The movement in the year represents money spent from the capital element of Performance Reward Grant.

Earmarked Reserves - see Note 7.

23A. Usable Capital Receipts Reserve

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

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

2010/11 £'000s		2011/12 £'000s
1,144	Balance at 1 April	1,924
1,833	Capital Receipts in year	702
(755)	Capital Receipts applied during the year	(596)
(279)	Housing Pooled Capital Receipts	(425)
(19)	Cost of sales/Right to buy admin costs	(7)
1,924	Balance at 31 March	**1,598**

24. Unusable Reserves

2010/11 £'000s		2011/12 £'000s
12,750	Revaluation Reserve	14,319
109,097	Capital Adjustment Account	113,230
38	Deferred Capital Receipts Reserve	25
(52,249)	Pensions Reserve	(73,454)
37	Collection Fund Adjustment Account	64
(97)	Accumulated Absences Account	(170)
69,576	**Total Unusable Reserves**	**54,014**

24A. Revaluation Reserve

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

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

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

2010-11 £'000s		2011-12 £'000s
5,983	**Balance as at 1 April**	**12,750**
3,699	Upward revaluation of assets	3,801
(777)	Downward revaluation of assets and impairment losses charged to the reserve	(124)
-	Gains through acquisition/recognition of non-current assets in the year	701
8,905	Surplus or deficit arising on revaluation of non-current	17,128

	assets	
(193)	Difference between fair value depreciation and historical cost depreciation	(290)
5,867	Write off of Accumulated depreciation on upward revaluations	(2,080)
(1,829)	Accumulated gains on assets disposed of	(439)
3,845	Amount written off to the Capital Adjustment Account	(2,809)
12,750	**Balance as at 31 March**	**14,319**

24B. Capital Adjustment Account

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

2010-11 £'000s		**2011-12 £'000s**
153,143	**Balance at 1 April**	**109,097**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(46,624)	Charges for depreciation and impairment of non-current assets	(6,513)
(5,904)	Revaluation losses on Property, Plant and Equipment	(1,284)
-	Amortisation of intangible assets	(55)
57	Revenue expenditure funded from capital under statute	(217)
(3,304)	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	(970)
97,368		**100,058**
2,338	Write out of accumulated depreciation	2,389
2,016	Adjusting amounts written out of the Revaluation Reserve	(3,248)
101,722	Net written out amount of the cost of non-current assets consumed in the year	**99,199**
	Capital Financing applied in the year:	
755	Use of the Capital Receipts Reserve to finance new capital expenditure	596
613	Use of the Capital Projects Reserve	442
2,067	Use of the Major Repairs Reserve to finance new capital expenditure	3,255
2,950	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,722

-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
674	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,614
25	Capital Expenditure charged against the General Fund and HRA balances	34
291	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	368
109,097	**Balance at 31 March**	**113,230**

24C. Financial Instrument Adjustment Account

The Authority has 5 soft loans and as the total impaired cost for these small loans is only £12k over the next 5 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 non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	1 April 2010 £'000s	Income £'000s	1 April 2011 £'000s	Income £'000s	31 March 2012 £'000s
Mortgages	43	5	38	13	25
Manston Road Allotments	667	667	-	-	-
	710	**672**	**38**	**13**	**25**

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.

2010/11		2011/12

£'000s		£'000s
83,165	Balance as at 1 April	52,249
(25,556)	Actuarial (gains) or losses on pension assets and liabilities	21,821
(5,100)	Employers contributions payable in the year	(4,931)
(260)	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	4,315
52,249	**Balance as at 31 March**	**73,454**

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.

2010/11 £'000s		2011/12 £'000s
(46)	**Balance at 1 April**	37
83	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	27
37	**Balance at 31 March**	**64**

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.

2010/11 £'000s		2011/12 £'000s
127	**Balance at 1 April**	**97**
(127)	Settlement or cancellation of accrual made at the end of the preceding year	(97)
97	Amounts accrued at the end of the current year	170
(30)	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	73
97	**Balance at 31 March**	**170**

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000s		2011/12 £'000s
(79)	Interest Received	(111)
1,535	Interest Paid	1,518
-	Dividends Received	-

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

2009/10 £'000s		2010/11 £'000s
(6,007)	Depreciation	(5,668)
(44,189)	Impairment and downward valuations	(2,129)
-	Amortisation	(55)
(54)	Increase in impairment provision for bad debts	(91)
(3,581)	Movement in Creditors	332
1,688	Movement in Debtors	(3,915)
50	Movement in Inventories	27
5,360	Pension Liability	616
(3,304)	Carrying amount of non-current assets sold	(970)
879	Other non cash items charged to the net surplus or deficit on the provision of services	(455)
(49,158)		**(12,308)**

26. Cash Flow Statement - Investing Activities

2010/11 £'000s	**Investing Activities**	2011/12 £'000s
6,970	Purchase of Property, plant and equipment, investment property and intangible assets	9,082
(215)	Purchase of short term and long term investments	13,196
-	Other Payments for investing activities	-
(1,807)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(660)
(79)	Proceeds from short term and long term investments	(111)
(2,156)	Other receipts from investing activities	(1,460)
2,713	**Net cash flows from Investing activities**	**20,047**

27. Cash Flow Statement - Financing Activities

2010/11 £'000s	**Financing Activities**	2011/12 £'000s
(2,000)	Cash Receipts of short and long term borrowing	(4,000)
2,000	Repayments of short and long term borrowing	-
-	Other payments for financing activities	4,000
-	**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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

The 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 & S151	Financial Services and Deputy S151	Director of Community Services	Director of Operations	East Kent Shared Service	Business Services
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, Charges and Other Service Income	(2)	(2,702)	(4,165)	(8,152)	(2,043)	(44)
Interest and Investment Income	-	(61)	-	(1)		
Government Grants	(9)	(80,828)	(1,447)	(60)		
Recharges	(14)	(424)	-	(93)		
Total Income	**(25)**	**(84,015)**	**(5,612)**	**(8,306)**	**(2,043)**	**(44)**
Employee expenses	429	231	3,993	7,392	2,330	922
Other Operating expenses	29	91,095	6,072	7,082	705	207
Total Expenditure	**458**	**91,326**	**10,065**	**14,474**	**3,035**	**1,129**
Cost of Services	**433**	**7,311**	**4,453**	**6,168**	**992**	**1,085**

	East Kent Housing	Corporate and Regulatory Services	Total of General Fund Services	HRA	Comprehensive Income and Expenditure Account
	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, Charges and Other Service Income	-	(3,234)	**(20,342)**	(11,270)	**(31,612)**
Interest and Investment Income	-	-	**(62)**	(95)	**(157)**
Government	-	(484)	**(82,828)**	(10)	**(82,838)**

Grants					
Recharges	-	(214)	**(745)**	-	**(745)**
Total Income	**-**	**(3,932)**	**(103,977)**	**(11,375)**	**(115,352)**
Employee expenses	-	2,884	**18,181**	1,166	**19,347**
Other Operating expenses	-	2,446	**107,636**	4,967	**112,603**
Total Expenditure	**-**	**5,330**	**125,817**	**6,133**	**131,950**
Cost of Services	**-**	**1,398**	**21,840**	**(5,242)**	**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)	50,744
Amounts reported to Management not in cost of services	(7,606)
Cost of Services in Comprehensive Income & Expenditure Account	**59,736**

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	(31,612)	-	(1,414)	-
Interest and Investment Income	(157)	-	(157)	-
Income from Council Tax	-	-	-	-
Government Grants	(82,838)	(2,222)	-	-
Recharges to HRA	(745)	-	-	745
Recharges to Balance Sheet	-	(67)	-	-
Other Income	-	-	-	-
Total Income	**(115,352)**	**(2,289)**	**(1,571)**	**746**
Employee Expenses	19,347	-	-	(386)
Other Operating Expenses	112,603	10,037	7,684	(240)
Removal of recharged amounts in Other Operating Expenses	-	(7,861)	-	-
Support Services	-	(243)	644	(119)
Capital and Financing charges	-	51,100	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**	**53,033**	**9,177**	**(745)**
Surplus or deficit on the provision of services	**16,598**	**50,744**	**7,606**	**-**

	Cost of Services £'000s	Corporate Amounts £'000s	Total Comprehensive Income and Expenditure £'000s
Fees Charges & Other Service Inc	**(30,198)**	(1,414)	**(31,612)**
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	**(115,325)**	**(37,140)**	**(152,465)**
Employee Expenses	**18,961**	-	**18,961**
Other Operating Expenses	**114,716**	417	**115,133**
Removal of recharged amounts in Other Operating Expenses	**(7,861)**	-	**(7,861)**
Support Services	**(1,006)**	1,006	**-**
Capital and Financing charges	**50,251**	1,146	**51,397**
Interest Payments	**-**	1,505	**1,505**
Precepts and Levies	**-**	757	**757**
Payments to Hsg Capital Rec 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	**175,061**	**15,250**	**190,311**
Surplus or deficit on the provision of services	**59,736**	**(21,890)**	**37,846**

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

2011/12 Service Information	**Chief Executive & S151** £'000s	**Financial Services and Deputy S151** £'000s	**Director of Communit y Services** £'000s	**Director of Operations** £'000s	**East Kent Shared Services** £'000s	**Business Services** £'000s
Fees, Charges and Other Service Income	-	(2,947)	(2,482)	(8,299)	(8,077)	(71)
Interest and Investment Income		(94)		(1)		
Government Grants	(2)	(82,601)	(394)	(186)	(15)	(61)
Recharges	(22)	(367)	-	(100)	-	-
Total Income	**(24)**	**(86,009)**	**(2,876)**	**(8,586)**	**(8,092)**	**(132)**
Employee expenses	274	342	3,958	7,096	9,854	1,445

Other Operating expenses	31	87,749	4,075	7,031	2,502	377
Total Expenditure	**305**	**88,091**	**8,033**	**14,127**	**12,356**	**1,822**
Cost of Services	**281**	**2,082**	**5,157**	**5,541**	**4,264**	**1,690**

2011/12 Service Information	**East Kent Housing**	**Corporate and Regulatory Services**	**Total of General Fund Services**	**HRA**	**Comprehensive Income and Expenditure Account**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees, Charges and Other Service Income	(848)	(2,977)	**(25,701)**	(11,876)	**(37,577)**
Interest and Investment Income	-	-	**(95)**	(90)	**(185)**
Government Grants	-	(154)	**(83,413)**	(1)	**(83,414)**
Recharges	-	(210)	**(699)**	-	**(699)**
Total Income	**(848)**	**(3,341)**	**(109,908)**	**(11,967)**	**(121,875)**
Employee expenses	708	2,809	**26,486**	368	**26,854**
Other Operating expenses	158	2,207	**104,130**	6,349	**110,479**
Total Expenditure	**866**	**5,016**	**130,616**	**6,717**	**137,333**
Cost of Services	**18**	**1,675**	**20,708**	**(5,250)**	**15,458**

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	**2011/12 £'000s**
Cost of Services Analysis	15,458
Amounts not reported to Management (incl. in cost of services)	7,959
Amounts reported to Management not in cost of services	(3,181)
Cost of Services in Comprehensive Income & Expenditure Account	**20,236**

Reconciliation to Subjective Analysis 2011/12

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	(37,577		(1,576)	
Interest and Investment Income	(185)		(185)	
Income from Council Tax				
Government Grants	(83,414)	(2,531)		
Recharges	(699)			(699)
Recharges to Balance Sheet		(56)		
Other Income				
Total Income	**(121,875)**	**(2,587)**	**(1,761)**	
Employee Expenses	26,854			(331)
Other Operating Expenses	110,479	9,658	4,077	(256)
Removal of recharged amounts in Other Operating Expenses		(7,365)		
Support Services		112	790	(112)
Capital and Financing charges		8,142	75	
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	**137,333**	**10,546**	**4,942**	**(699)**
Surplus or deficit on the provision of services	**15,458**	**7,959**	**3,181**	

	Cost of Services	Corporate Amounts	Total Comprehensive Income and Expenditure
	£'000s	£'000s	£'000s
Fees Charges and Other Service Income	(36,001)		(36,001)
Interest and Investment Income		(185)	(185)
Income from Council Tax		(10,651)	(10,651)
Government Grants	(85,945)	(18,756)	(104,701)
Recharges to HRA			

Recharges to Balance Sheet	(56)		(56)
Other Income		(6,621)	(6,621)
Total Income	**(122,002)**	**(36,213)**	**(158,215)**
Employee Expenses	26,523		26,523
Other Operating Expenses	115,804		115,804
Removal of recharged amounts in Other Operating Expenses	(8,155)	1,061	(7,094)
Support Services			
Capital and Financing charges	8,066	(1,346)	6,720
Interest Payments		1,601	1,601
Precepts and Levies		744	744
Payments to Housing Capital Receipts Pool		425	425
Gain or Loss on the Disposal of Non-current assets		281	281
Other Expenditure		8,115	8,115
Total Expenditure	**142,238**	**10,881**	**153,119**
Surplus or deficit on the provision of services	**20,236**	**(25,332)**	**(5,096)**

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.

2010/11 £'000s		**2011/12 £'000s**
	Net Cost of Service	
(146)	Brought Forward	(111)
927	Gross Expenditure	925
19	Movement in Provision for unpaid fines	29
(911)	Gross Income	(931)
(111)	Balance Carried Forward	**(88)**

30. Members' Allowances

2010/11 £'000s		**2011/12 £'000s**
343	Allowances	345
3	Expenses	1
346	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.

2010/11 Number of Staff Total	2010/11 Left during year	Remuneration Band £	2011/12 Number of Staff Total	2011/12 Left during year
5	-	50,000 – 55,000	5	-
3	-	55,001 – 60,000	3	1
5	-	60,001 – 65,000	8	-
1	-	65,001 – 70,000	4	2
2	-	70,001 – 75,000	1	-
1	-	75,001 – 80,000	1	-
-	-	80,001 – 85,000	1	1
3	-	85,001 – 90,000	2	1
2	-	90,001 – 95,000	1	-
-	-	95,001 – 100,000	1	-
-	-	100,001 – 105,000	-	-
-	-	105,001 – 110,000	-	-
-	-	110,001 – 115,000	1	-
1	-	115,001 – 120,000	1	1

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	62,227	2,957	65,184	8,774	**73,958**

Director					
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.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for 2011-12.

Post Holder	Salary (incl. fees & allowances)	Other Cash Benefits	Comp. for loss of office	Total Remun. Excl. pension conts	Pension contribs	Total Incl. pension conts
	£	£	£	£	£	£
Chief Executive (1)	28,983	833	97,566	127,382	4,081	**131,463**
Chief Executive and S151 Officer	107,399	5,015	-	112,414	14,487	**126,901**
Shared Services Director (4)	94,131	4,500	-	98,631	12,708	**111,339**
Chief Executive EKH (2)	58,246	2,667	-	60,913	9,086	**69,999**
Commercial Services Manager	86,453	4,000	-	90,453	11,648	**102,101**
Director of Regeneration and Economic Development (3)	14,447	667	68,981	84,095	1,927	**86,022**
Community Services Manager	84,158	4,000	-	88,158	11,341	**99,499**
Corporate and Regulatory Services Manager	77,446	3,500	-	80,946	10,301	**91,247**
Assistant Director Corporate services (4)	62,950	3,208	-	66,158	8,247	**74,405**
Assistant Director Customer Delivery (4)	63,054	3,208	-	66,262	8,247	**74,509**
Business Services Manager	60,527	3,000	-	63,527	8,163	**71,690**
Financial Services	60,108	3,000	-	63,108	8,096	**71,204**

Manager						
Total	**797,902**	**37,598**	**166,547**	**1,002,047**	**108,332**	**1,110,379**

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

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

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

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

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

Bands	Number of Compulsory Redundancies		Number of other departures		Total Number of packages in each band		Total cost of packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£'000	£'000
0 - 20,000	4	9	5	3	9	12	72	130
20,001 - 40,000	-	6	-	2	-	8	-	224
40,001 - 60,000	-	1	-	1	-	2		96
60,001 - 80,000	-	-	-	1	-	1	-	69
80,001 - 100,000	-	-	-	1	-	1	-	98

32. External Audit Costs

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

2010/11 £'000s	Fees payable to the Audit Commission	2011/12 £'000s
145	External audit services carried out by the appointed auditor	134
-	Statutory Inspection	-
40	Certification of grant claims and returns	45
(1)	Other Services	2
184		**181**

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income

2010/11 £'000s	Grant	2011/12 £'000s
(11)	Big Lottery Fund – Playground MUGAs Capital	-
(11)	DCLG – Small Business Rates Entitlement	-
(868)	Environment Agency – Margate Coast Protection	(2,004)
	Feagans-Coleman Crescent	(8)

(75)	HCA – Housing Intervention	(325)
(374)	HCA – New Build	-
(278)	Heritage Lottery Fund – Dreamland	-
(788)	Historic Grants	(2,532)
(128)	Interreg – PATCH	(92)
(33)	KCC – Building Safer Communities	
(25)	KCC – DCMS – Playbuilder	(16)
11	Performance Reward Grant	-
(28)	Private Sector – Secret Garden	(2)
-	Second Homes – Electric Suction Cleaners	(32)
(212)	Section 106	(88)
(130)	SEEDA – Eurokent	-
	Vattenfall	(7)
	HRA Debt Settlement	(1,077)
(2,950)	**Total**	**(6,183)**

Credited to Services

2010/11 £'000s	Grant	2011/12 £'000s
(19)	Arts Council England – Margate Arts Culture Heritage (MACH)	(6)
(123)	Big Lottery Fund-Playground MUGAs	
	Big Lottery Fund-Footprints In The Sand	(20)
	Canterbury City Council	(13)
	DCLG - Antisocial Behaviour Funding	(1)
(1,027)	DCLG - Disabled Facilities Grant	(1,181)
(17)	DCLG - Habitats Grant	
(4)	DCLG - Council Tax Bills	
(8)	DCLG - Horticulture Apprentices	
(8)	DCLG - Housing Planning Delivery Grant	
	DCLG - Mobility Demonstration Projects	(10)
(8)	DCLG - Mortgage Rescue Program	
	DCLG - Planning Delivery Grant	(2)
	DCLG - Preventing Repossessions	(1)
(15)	DCLG - Seaside Grant	(66)
	DCLG - Small Business Rate Relief Grant	(5)
(13)	DCLG - Supporting Town Centres	(11)
(42)	DCMS - Free Swimming	(1)
(50)	DCSF - Parent Practitioner	
(10)	DEFRA - Air Quality Mon Station	
(814)	DFT- Concessionary Bus Fares	
	Dover District Council	(28)
	DWP - Atlas Funding	(10)
(622)	DWP - Future Jobs Fund	(36)
(91)	DWP - Homelessness Grant	
(79,707)	DWP - Housing Benefit Grants	(82,390)
(105)	East Kent Local Strategic Partnership	(14)
-	English Heritage - Heritage Advisor	
(16)	English Heritage - Regional Capacity C/ville	(3)
(43)	English Heritage - Regional Capacity - Margate Arts	(44)

2010/11 £'000s	Grant	2011/12 £'000s
	Culture Heritage	
	FSA - The Fighting Fund	(7)
	FSA - Food Hygiene Rating Scheme	(7)
(3)	GOSE - Connecting Communities	
(94)	GOSE - Migration Impact Fund	(4)
(988)	GOSE - Regional Housing Board	(6)
(23)	HCA -Single Conversation	
(122)	Heritage Lottery Fund – Ramsgate THI	(147)
	Heritage Lottery Fund – Dalby Sq THI	(1)
(2)	Heritage Lottery Fund – Dreamland	
(50)	Home Office - Neighbourhood Crime & Justice	
(20)	Home Office - Victims Champion	(10)
(7)	Interreg-Customer Profiling	(62)
(59)	Interreg-Patch-Revenue	(130)
(4)	Interreg-Tudor House	(5)
	Interreg-Yacht Valley	(24)
(100)	KCC-Building Safer Communities	(80)
(49)	KCC-Margate Renewal Partnership (MRP)	
	KCC-Margate Intervention	(152)
(74)	KCC-Margate Task Force	(19)
(78)	KCC-Margate Task Force Housing	(184)
(6)	KCC-Second Homes Broadstairs seating area	
(9)	KCC-Second Homes Charlotte Square	(1)
(43)	KCC-Second Homes Countdown To Turner	
(11)	KCC-Second Homes Dreamland	(4)
	KCC-Second Homes Knuckles Gardens	(10)
(12)	KCC-Second Homes Marine Gardens	
(15)	KCC-Second Homes Noise Nuisance Equipment	
(7)	KCC-Second Homes Olympics Project	
(8)	KCC-Second Homes Ramsgate Benches	
	KCC-Second Homes Ramsgate Seating	(7)
	KCC-Second Homes Ramsgate Harbour	(12)
	KCC-Second Homes Solar Panels	(1)
(40)	KCC-Second Homes Transport Study	
(40)	Local authorities – HCA Single Conversation Match funding	
	Meanwhile	(3)
(175)	Migration Impact Fun-Customer Services	(93)
(40)	NHS-Free Swimming	
(193)	NNDR	(192)
(77)	Pipeline- Sport 4 NRG	(82)
(26)	Private – Ramsgate Townscape Heritage Initiative	
(129)	Section 106	(481)
(122)	SEEDA - Marks And Spencers	(704)
(54)	SEEDA –Margate Renewal Partnership	
	Technology Strategy Board	(22)
	Volleyball England	(25)

2010/11 £'000s	Grant	2011/12 £'000s
(1,418)	Other Contributions	(2,654)
(86,840)	**Total**	**(88,971)**

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

2010/11 £'000s	Grant	2011/12 £'000s
-	Big Lottery Fund - Playground MUGAs	-
(10)	Children's Society – Secret Garden	(8)
(32)	DCLG - Housing Planning Delivery Grant	(31)
(17)	Environment Agency –Coast Protection	(434)
(69)	ERDF	(69)
(171)	GOSE – Regional Housing Board	(237)
(325)	HCA – Margate Intervention	-
(1,309)	Historic Grants	(459)
-	KCC – Building Safer Communities	-
(1)	KCC – Whitehall Recreation Ground	-
(60)	Second Homes	(128)
(1,493)	Section 106	(1,311)
(1)	SEEDA – Eurokent	-
(698)	SEEDA – Marks and Spencers	-
(1,004)	SFP Bond	(1,012)
(100)	Vattenfall – Pegwell Walkway	(92)
(5,290)	**Total**	**(3,781)**

Revenue Grants Receipts in advance

2010/11 £'000s	Grant	2011/12 £'000s
(27)	Arts Council England – MACH	(21)
(8)	East Kent Local Strategic Partnership	(23)
(33)	Thanet Coast Project	(53)
(7)	Thanet Coast Project – Education	(14)
(21)	Thanet Sports Network	(25)
(40)	DCLG-Support Town Centres	(28)
(2)	DCLG-Anti Social Behaviour	(1)
(17)	DCLG-Habitats Grant	(17)
(64)	DCLG-Mortgage Rescue Programme	(63)
(185)	DCLG-Seaside Fund	(119)
(7)	DCLG – Council Tax Bills	(7)
(34)	DCLG – Land Charges	(34)
-	DCLG – Mobility Demonstrations Project	(46)
-	DCLG – Preventing Repossessions	(43)
(2)	DEFRA – Air Quality Monitoring Station	(2)
(12)	DEFRA – Lower Proms	(12)
	DEFRA – Water Bathing Safety	(6)
	DWP-Housing Benefit Reform	(76)
(36)	DWP-Future Jobs Fund	

2010/11 £'000s	Grant	2011/12 £'000s
(12)	GOSE-Migration Impact Fund	(8)
	HLF – Dalby Square	(17)
(140)	Migration Impact Fund-Customer Services	(47)
(106)	KCC – Margate Task Force	(87)
(423)	KCC – MTF Housing	(239)
(228)	KCC – Margate Intervention	(76)
(8)	KCC – Margate Beach Court	(8)
(37)	Pipeline – Sport 4 NRG	(10)
(5)	Meanwhile – Phase 1A	(2)
(27)	HCA – Single Conversation	(28)
(3)	English Heritage – Cville Appraisal	
(17)	DCMS – Free Swimming Initiative	(16)
(25)	Volleyball England	
	FSA – The Fighting Fund	(2)
	Kent Police – Margate Task Force	(40)
(3)	Second Homes – Olympics	(3)
(21)	Section 106	(28)
(1,550)	**Total**	**(1,201)**

34. Related Party Transactions

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

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

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

Members and Senior Officers - Members of the Council and certain senior officers have direct control over the financial and operating policies of the authority and are therefore in a position of influence. The total of members' allowances paid in 2011/12 is shown in Note 30. During 2011/12 a questionnaire was distributed to the 56 Current Members, 19 former members and 9 relevant officers.

During 2011/12, works and services to the value of £156k were commissioned from companies in which two Members had an interest (of which £155k was paid to a Private Sector Company which one Member had declared an interest in).

Two Members declared an interest relating to grants paid to voluntary and other organisations totalling £97k, the majority of this was a payment to Thanet CAB, the balance being a contribution to the Margate Carnival. Income of £1k has also been received from an external body that one Member declared an interest in.

At the time of preparing this statement returns had not been received from 9 of the 75 Members. Their previous declarations have been reviewed and none of the Members who have yet to return their forms, had previously made any disclosures. In addition one member's interests are currently subject to a legal challenge, so no further details can be disclosed for legal reasons.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 28. Amounts Reported for Resource Allocation Decisions. Grant receipts and amounts outstanding at 31 March 2012 are shown in Note 33.

East Kent Housing Ltd. - Note 47 Interests in Companies and other Entities gives details of the Related Party Transactions that the Council has entered into with East Kent Housing Ltd as part of its operations. Details of inter party indebtedness can also be seen in notes 18 Debtors and 21 Creditors.

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.

2010/11 £'000s		2011-12 £'000s	2011/12 £'000s
43,133	**Opening Capital Financing Requirement**		**43,864**
	Capital Investment		
7,699	Property, Plant and Equipment	9,247	
172	Investment Properties	-	
-	Intangible assets	55	
-	Current Assets Held for sale	-	
2,166	Revenue Expenditure Funded from Capital under statute	2,747	
10,037		12,049	
	Sources of finance		
(755)	Capital Receipts	(596)	
(7,239)	Government Grants and other contributions	(11,011)	
(638)	Direct revenue contributions	(442)	
	HRA Self Financing Settlement	(925)	
(674)	MRP/loans fund principal	(689)	
(9,306)		(13,663)	
43,864	**Closing Capital Financing Requirement**	**42,250**	
	Explanation of movements in year		
1,703	Increase/(decrease) in underlying need to borrowing	(925)	

	(supported by government financial assistance)		
(298)	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	-	
1,405	**Increase/(decrease) in Capital Financing Requirement**		**(925)**

Capital Expenditure and Financing

The total capital expenditure relating to Property, Plant and Equipment in 2011/12 amounted to £9.247m. This included £3.290m in relation to Council Dwellings and Estates which was funded through the Major Repairs Allowance £3.255m and the balance £34k from a Revenue Contribution.

There was expenditure on Other Land and Buildings (£1.114m) and Assets under Construction (£2.022m). This capital expenditure was funded by capital grants and contributions (£1.996m), use of capital reserves (£0.809m) and through use of capital receipts (£0.318m). The expenditure again related mostly to works to enhance assets or prolong their economic useful life.

A total of £2.011m of capital expenditure was incurred on Infrastructure assets. The expenditure was funded completely by capital grants. This expenditure was incurred in replacing coastal defences in Both Margate and Ramsgate.

The capital expenditure for Vehicles, Plant and Equipment related to the purchase of new assets, such as new playground equipment and a new electrical sub-station at the port. The total capital expenditure was £0.191m, funded by capital receipts (£0.089m), capital reserves (£0.075m), and capital grants and contributions (£0.027m).

The balance of the capital expenditure was in respect of Heritage assets purchased in respect of the Dreamland site, this expenditure was funded by capital grant.

36. Finance and Operating Leases

Finance Leases

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

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

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

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

	2010/11 £'000s	**2011/12 £'000s**
Finance lease liabilities (net present value of minimum lease payments)		

Current	-	-
Non-current	570	570
Finance costs payable in future years	72	72
Minimum lease payments	**642**	**642**

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

	2010/11 £'000s	2011/12 £'000s
Less than 1 year	-	-
More than 1 year less than 5 years	1	1
More than 5 years	641	641
	642	**642**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £371k contingent rents were payable by the Authority (2010/11 £377k).

Operating Leases: Council as Lessee

TDC lease a number of photocopiers, 2 high specification printers and a number of smaller printers.

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

2010/11 £'000s		2011/12 £'000s
59	Not later than one year	57
102	Later than one year and not later than five years	61
-	Later than five years	-
161		**118**

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

2010/11 £'000s		2011/12 £'000s
650	Investment Properties HRA	653
21,172	Investment Properties General Fund	21,538
21,822		**22,191**

37. Impairment Losses on Property Plant and Equipment

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

Council Dwellings – Total impairment £3.215m (£38.904m 2010/11)

The Authority's Council Dwelling stock is valued annually on an Existing Use Value – Social Housing basis. The effective valuation date is 31 March each year and so the balance sheet will show the valuation irrespective of any expenditure or depreciation charged to the assets in the year. The value of impairment shown is in respect of the expenditure on maintenance and improvement to the dwelling stock in the year which is deemed not to add any value to the asset at the balance sheet date.

Other Land and Buildings – Total impairment £0.006k

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

Community Assets – Total impairment £0.117m

The impairments that have been recognised for Community Assets is in respect of the recognition of the Ellington park bandstand as an asset separate from the park in which it stands. The valuation of the asset has been reduced as Community Assets are held at the net book value of £1 as they have no marketable value to the Authority. As such, any capital expenditure incurred against them is impaired as it will not change the value of the asset.

38. Termination Benefits

The Authority has no plans to terminate any employees contracts in 2012/13. Details of costs incurred in 2011/12 are disclosed in note 31 to the Core Financial Statements.

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 Movement in Reserves Statement.

In the Budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be updated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements during the year.

2010/11 £'000s		2011/12 £'000s
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
3,647	Current Service costs	3,055
(12,803)	Past Service Costs (see CI&E)	-
6,487	Settlement and Curtailments	37
	Financing and Investment Income and Expenditure	
7,985	Interest costs	8,115
(5,576)	Expected Return on Assets	(6,621)
(260)	***Net Charge to the Income and Expenditure Statement***	4,586
	Movement in Reserves Statement	
260	Reversal of net charges made for retirement benefits in accordance with IAS19	(4,586)
	Actual Amount Charged against Council Tax for pensions in the year	
5,100	Employer's contributions payable to scheme	4,931

Actuarial gains of £21.821m have also been recognised in the Comprehensive Income and Expenditure Statement for 2011/12. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 are £47.245m.

Assets and Liabilities in relation to Retirement Benefits

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

Restated 2010/11 £'000s		2011/12 £'000s
160,364	Balance as at 1 April	152,116
3,647	Current service cost	3,055
7,985	Interest cost	8,115
993	Contributions by scheme participants	1,077
(20,553)	Actuarial gains and losses	19,047
(5,230)	Benefits paid	(6,813)
(606)	Unfunded benefits paid	(616)
58	Curtailments	439
18,261	Liabilities assumed in a business combination	(3,256)

(12,803)	Past service costs	-
152,116	**Closing Defined Benefit Obligation**	**173,164**

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

2010/11 £'000s		**2011/12 £'000s**
77,320	Balance as at 1 April	100,138
5,576	Expected rate of return	6,621
5,003	Actuarial gains and losses	(2,774)
4,494	Employer contributions	4,315
606	Contributions in respect of unfunded benefits	616
993	Contributions by scheme participants	1,077
(5,230)	Benefits paid	(6,813)
(606)	Unfunded benefits paid	(616)
11,982	Receipt/(payment) of bulk transfer value(s)	(2,854)
100,138	**Closing Fair Value of Employer Assets**	**99,710**

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 £3.849m, (2010/11 £6.856m gain).

Scheme History

	2007/08 £'000s	**2008/09 £'000s**	**2009/10 £'000s**	**2010/11 £'000s**	**2011/12 £'000s**
Present value of liabilities	(117,166)	(112,948)	(160,485)	(152,387)	(173,164)
Fair value of assets	73,502	59,270	77,320	100,138	99,710
Surplus/(deficit) in the scheme	**(43,664)**	**(53,678)**	**(83,165)**	**(52,249)**	(73,454)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £73.4m has a substantial impact on the net worth of the Council as recorded in the Balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The contributions expected to be made to the scheme by the Council in the year to 31 March 2013 is £4.027m.

Balance Sheet Disclosure as at 31 March 2012

Net Pension assets as at	**31 March 2010**	**31 March 2011**	**31 March 2012**

	£'000s	£'000s	£'000s
Present value of funded obligation	151,304	144,347	164,878
Fair value of scheme assets (bid value)	(77,320)	(100,138)	(99,710)
Net Liability	**73,984**	**44,209**	**65,168**
Present value of unfunded obligation	9,181	8,040	8,286
Net Liability in Balance Sheet	**83,165**	**52,249**	**73,454**

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 2010.

The principal assumptions used by the actuary have been:

31 March 2011		**31 March 2012**
	Long-term expected rate of return on assets in the scheme:	
7.4%	Equity investments	6.3%
4.4%	Gilts	3.3%
5.5%	Bonds	4.6%
5.4%	Property	4.3%
3.0%	Cash	3.0%
n/a	Target Return Portfolio	4.7%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.8 years	Men	20.0
23.9 years	Women	24.0
	Longevity at 65 for future pensioners:	
21.9 years	Men	22.0
25.8 years	Women	25.9
3.5%	Rate of inflation	3.3%
5.0%	Rate of increase in salaries	4.7%
2.7%	Rate of increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.6%
6.9%	Expected return on assets	
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%
	Members will exchange half of their commutable pension for cash at retirement	
	Active members will retire one year later than they are first able to do so without reduction	

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2011 £'000s	%		31 March 2012 £'000s	%
76,105	76	Equity investments	73,786	74
1,001	1	Gilts	997	1
12,017	12	Bonds	9,971	10
9,012	9	Property	8,974	9
2,003	2	Cash	3,988	4
		Target Return Portfolio		2
-	-		1,994	
100,138			**99,710**	

History of Experience of Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	**(14.39)**	**(32.91)**	**21.35**	**4.99**	**(2.78)**
Experience gains and losses on liabilities	**(1.34)**	**0.06**	**0.80**	**(0.11)**	**(0.22)**

40. Other Long Term Liabilities

Other long term liabilities on the Balance sheet include the multi storey car parks finance lease obligation £0.642m (see note 36 for further detail) and the pension liability £73.454m (see previous note).

The additional £2.624m 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 2012 payments totalling £380k have been made by Thanet Leisure Force.

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". The Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of third parties rather than MMI. This has increased the risk that a solvent run-off will not be achieved. If that were to be the case, councils (and others, such as housing associations) would be liable to clawback of monies paid out to settle claims. As at 31 March 2011 the estimated amount liable to clawback from the Council stands at up to £1.2m.

The main areas for claims that have arisen since the demise of MMI relate to abuse and asbestos. In relation to an asbestos case that the company lost, it is to appeal to the Supreme Court. If this appeal were to be successful, the solvency of the company is assured. If not successful, then clawback of £1.2m becomes likely. On 28 March 2012 the Supreme Court found against the Company. The Judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

The Board of Directors are now seeking legal, financial and actuarial advice from its professional advisors in order to determine the full implications of the judgement and the most appropriate way forward.

In March 2012 Thanet Leisure Force (TLF) entered into an agreement with Alliance Leisure to secure funding for the provision of a new swimming pool in Ramsgate, together with a spa facility and café. The estimated capital costs of the development are £3.9m. The Council is acting as guarantor, however, the agreement includes an additional clause which states that were Alliance Leisure to intend to terminate the agreement, the Council would be given a period of 30 days to agree a new party to take over all TLF's rights and obligations under the agreement. In reality, therefore, in the event of a default under the agreement by TLF, the Council would either find another party to work with or take over the running of this facility itself. A full financial assessment of the agreement has been undertaken which demonstrates that the efficiency savings from the new facility and additional income generated by the spa will be sufficient to cover the costs of the rentals to Alliance Leisure and therefore the risk to the Council is considered minimal

Some local authorities have been challenged about charges levied for the provision of certain information. This is a national issue and the situation is being kept under review

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

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 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 Condé Nast cases. The outstanding claims remained pending throughout 2010/11 whilst HMRC reviewed them.

During 2011/12 HMRC reviewed and reworked the Trade Waste claim based on new documentary evidence and finally settled the claim in addition to paying statutory interest. The final details of the settled claim is as follows:

Description	Total Reworked Claim £'000s	Statutory Interest £'000s	Commission £'000s	Net Total of £'000s
Trade Waste				
Paid during 2011/12	72	104	-	176
Due in 2012/13	84	67	(16)	135
	156	**171**	**(16)**	**311**

The following claims have been rejected by HMRC pending the final litigation on the Isle of Wight case.

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
	3,857	**(12)**	**3,845**

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

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 £1.395m. 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.

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 24 February 2011. The key issues within the strategy were:

- The Authorised Limit for the 2011/12 was set at £51m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £43m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at principal amounts of £51m and £51m based on the Council's debt; £35m and £35m for the Council's investments.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury

Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

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

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

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

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

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

The full Investment Strategy for 2011/12 was approved by Full Council on 24 February 2011 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 2012 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.

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	-	-	-

AA rated counterparties	1,904	0.03	0.03	1
A rated counterparties	2,003	0.08	0.08	2
Bonds – AAA rates	-	-	-	-
Trade Debtors	3,985	15.64	15.64	623
Car Loans (Employee)	1	-	-	-
Mortgages	39	-	-	-
	16,738			**626**

2011/12	**Amount at 31 March 2012 £'000s (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2012 % (c)**	**Estimated maximum exposure to default £'000s (a * c)**
Deposits with banks and financial institutions				
AAA rated counterparties	13,611	-	-	-
AA rated counterparties	1,001	0.03	0.03	-
A rated counterparties	4,683	0.08	0.08	4
Other Counterparties		42.67	42.67	-
Trade Debtors	3,978	15.35	15.35	611
Mortgages	28	-	-	-
	23,301			**615**

This table only shows the credit risk associated with cash equivalent financial instruments, as the remaining £0.310m 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 its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £3.751m of the £3.978m 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 2011 £'000s		**31 March 2012 £'000s**
1,369	Less than three months	1,061
527	Three to six months	426
346	Six months to one year	816
500	More than one year	1,448
2,742	Total	**3,751**

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 2011 £'000s		**31 March 2012 £'000s**
197	Debt brought forward from previous year (more than 1 year old)	159
8	Costs incurred in financial year (less than 1	35

	year old)	
(47)	Debtor invoices raised in year	-
158	Total debt outstanding at year end	**194**

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

Liquidity Risk

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

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

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 2011 £'000s		**31 March 2012 £'000s**
3,455	Less than one year	983
623	Maturing in 1 - 2 years	1,920
3,000	Maturing in 2 - 5 years	960
5,000	Maturing in 5 - 10 years	8,640
18,208	Maturing in more than 10 years	14,602
30,286		**27,105**

(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 2011 £'000s		31 March 2012 £'000s
13,525	Less than one year	19,586
13,525		**19,586**

All trade and other payables (£4.516m) 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 2012 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 Comprehensive 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 Comprehensive 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 2012 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:

2010/11 £'000s		**2011/12 £'000s**
45	Increase in interest payable on variable rate borrowings	45
(229)	Increase in interest receivable on variable rate investments	(257)
(184)	Impact on Comprehensive Income and Expenditure Account	(212)

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 2011/12 £	**Income 2011/12 £**
Kenrick Trust	2.50	2.50
Farrar Award	26.32	26.32
Simpson Bequest	5.16	5.16
Woodward Trust	110.78	110.78

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.

2010/11 (Surplus)/ Deficit £'000s		2011/12 Expenditure £'000s	2011/12 Income £'000s	2011/12 (Surplus)/ Deficit £'000s
4,351	Port of Ramsgate	3,053	(2,187)	866
(131)	Ramsgate Royal Harbour	1,401	(2,213)	(812)
(22)	Broadstairs Harbour	12	(56)	(44)
20	Margate Harbour	7	(4)	3
4,218		**4,473**	**(4,460)**	**13**

46. Jointly Controlled Operations and Jointly Controlled Assets.

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

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

The Council also is a partner in a number of "Shared Service" arrangements principally with other East Kent Local authorities In 2009/10 the HR Partnership was formed incorporating Thanet, Canterbury, Dover and Shepway District Council's and in February 2011 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. Neither arrangements are believed to have any joint account implications and the Council's financial statements include only the costs and liabilities relating to its share of the jointly controlled operations.

47. Interests in Companies and Other Entities

The Council, together with Canterbury City Council, Dover District Council and Shepway District Council jointly owns East Kent Housing Ltd, an Arms Length Management Organisation

(ALMO), whose principal activity is to manage each of the four council's housing stock. For financial accounting purposes, East Kent Housing (the Company) is regarded as being a joint venture under joint control and each authority holds an equal 25% share in the Company.

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

The financial (unaudited) results of the Company for 2011/12 and the Council's share are as follows:

	2011/12 £000 East Kent Housing Ltd £000	2011/12 £000 TDC share (25%) £000
Turnover	8,625	2,156
Expenses	(8,341)	(2,085)
Operational profit	284	71
Profit/(loss) after taxation	(1,350)	(338)
Other comprehensive income and (expenditure)	(3,277)	(819)
Total comprehensive income and (expenditure)	(4,627)	(1,157)
Non-current assets	-	-
Current assets	1,518	380
Current liabilities	(1,079)	(270)
Non-current liabilities	(5,066)	(1,267)
Profit and loss reserve	(439)	(110)
Pensions reserve	5,066	1,267

IAS19 – Retirement Benefits and the management agreement

On the basis of IAS 19 East Kent Housing Limited has an anticipated net pension liability of £4.8m, which it has insufficient other net assets to meet. The Council has a legal obligation to guarantee this liability under the terms of the Management Agreement. This has been determined to be a contingent liability because

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

and

- a reliable estimate cannot be made of the amount required to settle this obligation

Management fee

The ALMO costs apportioned to the Council equate to a simple 25% of their total expenditure. Whereas the management fee for the period ended 31 March 2012 payable by Thanet District Council amounted to £1.561m. This fee is based on the number of housing dwellings and the initial management expenditure relating to them at the commencement of the arrangement. Detail of this is included in the management agreement between the Council and East Kent Housing Limited.

Amounts due to/from Thanet District Council

The balances owed by and to Thanet District Council as at the year end are £10k and £92k respectively (including VAT where applicable). These Debtors and Creditors are included in note 18 (Debtors) and note 21 (Creditors)

48. Heritage Assets – Summary of Transactions

The Code requires that the financial statements shall contain a summary of transactions relating to heritage assets disclosing the following information for the accounting period and each of the previous four accounting periods where it is practicable to do so:

a) the cost of acquisitions of heritage assets
b) the value of heritage assets acquired by donation
c) the carrying amount of heritage assets disposed of in the period and the proceeds received, and
d) any impairment recognised in the period.

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

	2011/12 £'000s
Cost of Recognition/acquisition of Heritage assets	
Art	
- Items with value > £10,000	85
- balance of collection	122
Furniture/Dolls etc	
- Items with value > £10,000	30
- balance of collection	14
Civic Statues	
- Items with value > £10,000	82
Posters	
- balance of collection	16
Civic Regalia	
- Items with value > £10,000	11
- balance of collection	1
Miscellaneous	
- balance of collection	52
Dreamland	
- Items with value > £10,000	620
Total Value of Assets	**1,033**
Total Value shown on Balance sheet (net of depreciation)	**767**

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

War memorials and public statues

There are several 'traditional style' war memorials in varying locations throughout the District, however these memorials have not previously been valued except for estimated valuations for insurance purposes. When official valuations are available for these memorials they will be added to the Balance Sheet.

The public statue is 'The Lifeboatman' sited on the promenade at Margate seafront.

Museum artefacts and Art Collection

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

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

The artefact collection is supported by a large fine art collection including some oils on canvas by notable artists, with the bulk of this collection made up of several hundred engravings of local scenes and seascapes, again, with some works by notable artists. Of particular note and financial value is the Rowe Bequest of engravings including many produced by Phillipe Loutherberg; the large oil on canvas by James Webb currently on loan to Turner Contemporary depicting Margate from the Pier; and significant but lower value oil paintings by Alfred Clint, George Chambers and Arthur Meadows.

This important collection is supported by a large photographic collection, including the Sunbeam Studio collection (tourist portraits) and material from the East Kent Times; an extensive collection of postcards depicting local scenes underlines the strength and importance of visual images of local scenes in the Museum's collection.

Civic Regalia

The District has a collection of various fine civic regalia including regalia deriving from past districts which were subsumed into Thanet in 1974. The most often viewed regalia are the chains and Badges of Office.

A valuation of civic regalia for insurance purposes was last undertaken in 2005.

Dreamland

The Dreamland amusement park was a fundamental element of the Margate seafront and comprised a Cinema, amusement arcades cafes and a traditional collection of fairground rides.

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

Preservation and Management

No specific preservation treatments or action has been taken with regard to any of the Council's Heritage Assets. All items, except the war memorials and public sculptures, are held in civic property and none have been reported as incurring deterioration or impairment.

The paintings are in general on open display and it is therefore trusted that any change in the condition of the assets would be noticed.

Some of the civic regalia has occasionally incurred damage, however this has been commensurate with being actively used on Council business and has been readily repaired.

Acquisitions of new Heritage Assets by direct purchase are not anticipated in the future, however the Council will be happy to consider acceptance of assets offered by donation or gift.

Except for War Memorials and sculptures, all Heritage assets are generally currently insured under the Council's All Risks insurance policy. In order to support this insurance a full valuation of all Civic Regalia items (including furniture and paintings etc.) is periodically undertaken and these are the valuations used in the Balance Sheet.

50. Heritage Assets – Change in Accounting Policy

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet as cost information on the assets had not been sought. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1). In applying the new accounting policy, the Authority has identified that some assets that are held as heritage assets have now been recognised separately and measured at £209k with a corresponding increase in the Revaluation Reserve. These assets relate to a proportion of the Council's Museum collections which were not previously recognised. The balance of the value, £568k were acquired during 2011/12, (Notes 11 and 48 apply)

In accordance with the accounting policy the Council maintains that the recognition of the existing assets is not a material change to any prior year balance sheet and so has presented the change as an adjustment within 2011/12.

51. 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 2012

2010/11 £'000s		2011/12 £'000s
	INCOME	
10,398	Dwelling Rents (gross)	11,026
183	Non-dwelling Rents (gross)	248
246	Charges for services and facilities	314
453	Contributions towards expenditure	289
11,280	Sub-Total income	11,877
	EXPENDITURE	
3,205	Repairs and maintenance	2,964
1,978	Supervision and management – General	2,714
563	Supervision and management – Special	452
127	Rents, rates, taxes and other charges	146
643	Negative Housing Revenue Account subsidy payable to the Secretary of State (including MRA element)	901
199	Increased provision for bad or doubtful debts	189
39,140	Depreciation and impairments of fixed assets	3,350
6	Debt Management Costs	6
45,861	Sub-Total Expenditure	10,722
34,581	**Net Cost of HRA Services per Authority Comprehensive Income and Expenditure Statement**	**(1,155)**
111	HRA Services share of Corporate and Democratic Core	113
34,692	**Net Cost of HRA Services**	**(1,042)**
2,098	(Gain) or loss on sale of HRA non current assets	298
266	Changes in the fair value of Investment properties	-
943	Interest payable and similar charges	1,097
(95)	Interest and investment income	(90)
-	Capital Grants and Contributions Received	(1,077)
37,904	**(Surplus)/Deficit for the year on HRA services**	**(814)**

Movement on the Housing Revenue Account Statement

2010/11 £'000s		2011/12 £'000s
(8,018)	Balance on the HRA at the end of the previous year	**(9,022)**
37,904	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(814)
(38,824)	Adjustments between accounting basis and funding basis under regulations	(115)
(920)	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/from reserves	(929)
(84)	Transfer to/(from) Earmarked Reserves	241
(1,004)	(Increase)/decrease in the year on the Housing Revenue Account	**(688)**
(9,022)	Balance on the HRA at the end of the current year	**(9,710)**
	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	
(36,767)	Depreciation/impairment of non current HRA assets	(899)
-	Capital Grants and Contributions Received	1,077
(266)	Changes in fair value of Investment Properties	-
(2,098)	Gain or Loss on sale of HRA non current assets	(298)
269	Net charges made for retirement benefits in accordance with IAS19	(91)
(38,862)		**(211)**
	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	
13	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	62
25	HRA contribution to finance capital expenditure	34
38		**96**
(38,824)	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**(115)**

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 3,089 dwellings during 2011/12 including the Authority's share of shared ownership dwellings.

The stock as at 31 March 2012 is comprised of the following types of dwellings:

Stock as at 31 March 2011		Stock as at 31 March 2012
1,622	Houses	1,615
191	Low Rise Flats (1 to 2 Storey)	190
874	Medium-Rise Flats (3 to 5 Storey)	876
405	High-Rise Flats (6 Storeys or more)	405
3,092	**Total**	**3,086**

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

31 March 2011 £'000s		31 March 2012 £'000s
84,499	Council Dwellings	85,076
1,554	Operational Land & Buildings	1,669
650	Investment	653
530	Assets Held for Sale	98
87,233		**87,496**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2012 was £266m. 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 2012 is summarised below:

2010/11 £'000s		2011/12 £'000s
(2,137)	Balance on Major Repairs Reserve at 1 April	(2,402)
(2,373)	Amount transferred to the Major Repairs Reserve	(2,389)

41	Amounts transferred from the Major Repairs Reserve to the HRA	-
2,067	Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	3,254
(2,402)	Balance on Major Repairs Reserve at 31 March	**(1,537)**

4. Housing Revenue Account Capital Expenditure

2010/11 £'000s		2011/12 £'000s
1,703	Financed by Borrowing (Supported Borrowing Approval)	-
25	Revenue Contribution to Capital	35
2,067	Financed from Major Repairs Reserve	3,254
535	Funded by Grants and external contributions	-
4,330	Total Housing Revenue Account Capital Expenditure	**3,289**

2010/11 £'000s		2011/12 £'000s
4,138	Houses	3,289
167	Investment properties	-
25	Plant & Equipment	-
4,330		**3,289**

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

2010/11 Total £'000s		2011/12 Usable £'000s	2011/12 Contribution to Gov't Pool £'000s	2011/12 Total £'000s
347	Sale of Dwellings	150	422	572
21	Repayment of Discount	0	(1)	(1)
5	Mortgage Repayments	1	4	5
373		**151**	**425**	**576**

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 2012 are as follows:

2010/11 £'000s		2011/12 £'000s
6,012	Management and Maintenance	6,305
2,332	Major Repairs Allowance	2,389
1,173	Charges For Capital	1,244
4	Other Items of Reckonable Expenditure	4
(3)	Interest on Receipts	(3)

(10,181)	Guideline Rent Income	(10,802)
(663)	Housing Revenue Account Subsidy	**(863)**

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 2012 totalled £885k, 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 2011/12 figures is a debit of £22k relating to the 2010/11 final adjustment.

7. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2012 amounted to £760k. This figure includes the full week rent charge but only payments up to and including 31 March 2012.

At the end of the rent week ended 4 April 2012 the arrears had reduced to £732k.

RENT ARREARS

2010/11 £'000s		**2011/12 £'000s**
262	Current	255
438	Former	477

8. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £599k as at 31 March 2012. The provision in 2010/11 was £551k.

9. Depreciation and Impairment of Fixed Assets

2010/11 Depreciation £'000s	**2010/11 Impairment £'000s**		**2011/12 Depreciation £'000s**	**2011/12 Impairment £'000s**
2,332	36,572	Houses	2,389	3,289
41	195	Other Property - Operational Assets	61	-
-	291	Non-Operational	-	-
2,373	**37,058**		**2,450**	**3,289**

Impairment losses on HRA assets of £3.289m have been debited to the HRA Income and Expenditure Account in accordance with the general provisions of the Code (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.

2010/11 £'000s		2011/12 IAS19 Adjustments £'000s
(282)	Current Service Costs	(153)
269	Movement on Pension Reserve	91
13	HRA contributions payable to scheme	62

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

11. Exceptional Item

On 1 February 2012 the Secretary of State issued the Housing Revenue Self-financing determination under the powers conferred by sections 168 to 175 of the Localism Act 2011. The total proposed allocation of debt to be re-distributed across housing stock owning authorities was £29.1bn. A self-financing valuation of each authority's housing stock was undertaken by Price Waterhouse Coopers using a discounted cash flow model of each authority's social housing business with a net Present Value discount factor of 6.5%.

The settlement for Thanet allows for a subsidy capital financing requirement of £28.349m from prior years, which when compared to the self financing valuation of £27.424m has resulted in a one off repayment of debt of £925k. This was paid by top slicing the authority's existing loan portfolio held by the Public Works Loan Board. The payment took place on the 28 March 2012 prior to self-financing taking place on the 1 April 2012. The authority was required to re-imburse the Department of Communities and Local Government for the loss of 4 day interest estimated at £424, which was adjusted for in the authority's final housing revenue account subsidy entitlement for 2011-12.
The Department of Communities and Local Government funded all premium and discount costs in relation to the early redemption of debt totalling £152k.

Collection Fund Statement for the year ended 31 March 2012

2010/11 £'000s	2010/11 £'000s			2011/12 £'000s	2011/12 £'000s
		INCOME			
55,547		Council Tax (net of Benefits and Transitional Relief)	Note 2	55,845	
		Transfers from General Fund			
15,264		- Council Tax Benefits	Note 3	15,474	
27,961		Income from Business Ratepayers	Note 4	30,163	
	98,772				101,482
		EXPENDITURE			
69,063		Precepts and Demands from County, District, Kent Police and Kent Fire and Rescue	Note 6	69,578	
		Business Rates			
27,768		- Payment to the Pool		29,971	
193		- Cost of Collection Allowance		192	
		Bad and doubtful debts/appeals			
753		- Amounts Written Off in year		459	
758		- Provision for Bad and Doubtful Debts		1,020	
		Contributions			
(341)		- Towards previous years Council Tax surplus		77	
	98,194				101,297
	(578)	(Surplus)/Deficit for Year			(185)
	319	Balance at Beginning of Year			(259)
	(259)	Balance at End of Year			(444)

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	12,396	6/9	8,264
B	16,429	7/9	12,778
C	15,083	8/9	13,407
D	6,716	1	6,716
E	3,494	11/9	4,271
F	1,335	13/9	1,928
G	622	15/9	1,037
H	17	2	34
TOTAL	56,092		48,435
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (3%)			(1,453)
COUNCIL TAX BASE			47,006

Estimated income for 2011/12 was £69.578m, actual income was £71.242m. After set aside and write off of bad debt (£1.479m) the increase in income (£0.185m) has resulted in a surplus on the fund of £0.444m.

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:

2010/11 £'000s		2011/12 £'000s
	Non-domestic Rateable Value £86,803,469	
37,427	Multiplied by the Uniform Business Rate (43.3p for 2011/12)	37,586
(9,041)	Less allowances and other adjustments	(7,191)
(425)	Less bad debt provision	(232)
27,961	Net collectable Business Rates	30,163
(193)	Less cost of collection allowance	(192)
27,768	Net contribution to NDR national pool	29,971

The Non-domestic rate multiplier for 2011/12 was 42.6p for qualifying properties of less than £15,000 rateable value and 43.3p for all others (2010/11 40.7p and 41.4p 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 (£444k) 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 Thanet District Council fund balances (£64k) and precepting authority creditors (£380k) within the Balance Sheet.

6. Precepts and Demands on the Collection Fund

2010/11 £			2011/12 £
48,873,656	Kent County Council		49,251,580
6,468,723	Kent Police Authority		6,518,744
3,169,525	Kent Fire and Rescue		3,194,034
9,794,040	Thanet District Council		9,869,715
68,305,944			68,834,073
	Parishes and Charter Trustees		
3,945	-	Acol	4,452
32,557	-	Birchington	30,925
213,360	-	Broadstairs	218,143
12,589	-	Cliffsend	11,930
11,613	-	Manston	14,180
168,335	-	Margate	112,497
43,378	-	Minster	46,598
7,297	-	Monkton	7,257
257,751	-	Ramsgate	284,128
6,267	-	St Nicholas at Wade	13,640
757,092			743,750

Annually the precepts from major precepting authorities are affected by prior year surpluses or deficits. The figures for 2010/11 and 2011/12 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).

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 Benefits

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

Housing Revenue Account

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

Impairments

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

Income

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

Comprehensive Income and Expenditure 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.

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

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

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

Liability

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

Non-current assets

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

Non-domestic Rate

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

Non-operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Cost

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

Precept

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

Projected Unit Method

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

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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

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