thanet
district council

Thanet District Council Statement of Accounts 2019-20

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Narrative Report

Narrative Report of the Deputy Chief Executive & Section 151 Officer
Financial Year ended 31st March 2020

Dear Reader,

I am pleased to present the Thanet District Council Statement of Accounts (the Accounts) for the financial year 2019-20 and I hope you will find them of interest.

The Accounts

The purpose of the Accounts is to present the financial performance for the year 2019-20 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, Council members and other interested parties.

The Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), and in conjunction with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2019-20 (The Code). The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

Overview

The Council has continued the trend of the past few years of adding to its reserves, with an overall increase of £1m for the General Fund in 2019-20. However, our reserves remain relatively low and this improved position has been achieved despite the overspending or underachievement of income targets against a number of key budget headings.

The strengthening of reserves in 2019-20 is more timely and important than ever, as the Council faces the financial pressure associated with the economic and social strains and restrictions resulting from Covid-19. The Covid-19 crisis has had a significant financial impact on both the Council and across the district. Since March 2020, the Council's focus has been on the immediate coordinated response to support our residents during the lockdown period. Plans are now underway to implement a set of initiatives that are key to managing the recovery of the district and to plan ahead for the longer-term challenges that will begin to emerge as lockdown restrictions are lifted.

These additional costs have not had a dramatic impact on the financial outturn for 2019-20, and these Accounts, as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, Covid-19 will have a dramatic financial effect on all of local government, and Thanet's finances in 2020-21. Given the

uncertainty around the full extent of the economic consequences at this stage, it is difficult to estimate with confidence the likely impact on the Council's financial position. The Government has allocated emergency Covid-19 funding to local authorities but this is unlikely to be sufficient to cover the estimated budget gap. Cabinet recommended to Council that £3m of earmarked reserves be allocated to cover the estimated gap, however as noted above, Thanet's reserves were relatively low prior to Covid-19 and future financial plans will have to reflect a strategy of replenishing and rebuilding of reserves.

Other Local Government Funding Issues

The government has announced that the Fair Funding Review (FFR) and revisions to the Business Rates Retention (BRR) scheme will not be implemented in April 2021 as originally planned. The overall lack of information available on local government finance beyond April 2020 challenges long-term and sustainable financial decision making.

The Narrative Report

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

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

1. Introduction to Thanet
2. Key Information About the Council
3. Financial Overview
4. Financial Performance 2019-20
5. 2020-21 Budget and Future Financial Outlook
6. Our Priorities and Objectives
7. How the Council is performing
8. Governance
9. Risk Management
10. Accounting Statements

Tim Willis

Deputy Chief Executive & Section 151 Officer

31 August 2020

1. Introduction to Thanet

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

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

The district is easily accessible with excellent road links to the national motorway network. It takes just 75 minutes from London's St Pancras International aboard HS1 and rail services link Thanet to other London stations and mainland Europe (Eurostar) via Ashford International. Cross-Channel services are available from the Port of Dover and Eurotunnel.

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

Successful regeneration such as the reimagined Dreamland amusement park and the ongoing success of Turner Contemporary, continue to enhance the district's visitor economy which was worth pre-covid an estimated £320 million to the local economy.

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

Thanet is however the most deprived local authority district in Kent as measured by the Index of Multiple Deprivation and nationally Thanet is ranked at 34 out of 326 authorities (2019).[2] 21.4% of the district's Local Super Output Areas (LSOA) are amongst the most deprived 10% areas in England.

Mosaic Profile for Thanet and Kent

[2] Source of data https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019

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

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

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

2. Key Information About the Council

Council Services

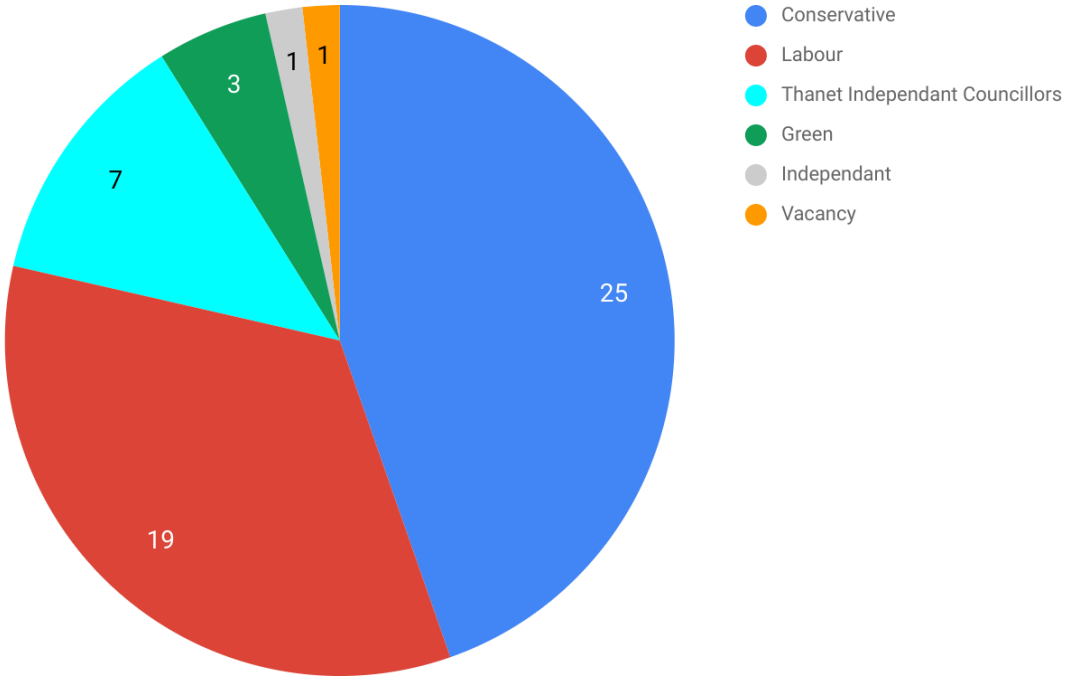
Thanet District Council is the primary local authority in the district, providing key services such as waste collection, housing, leisure and culture, and planning.

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

Thanet District Council	Kent County Council	Town and Parish Councils
• Building Control • Car parks • Collection of Council Tax and Business Rates • Elections • Environmental protection • Grounds Maintenance • Housing Benefit and Council Tax support • Housing* • Licensing* • Local Plans & Planning Applications • Maritime & Harbour Operations • Parks and playgrounds • Public Conveniences • Street cleansing • Tourism • Waste and recycling	• Arts and Museums • Education • Footpaths • Highways • Libraries • Recreation: • Social Services • Strategic Planning • Street Lighting • Trading Standards • Transport • Waste Disposal • Youth Services	• Allotments • Market Stalls • Local Events and Programmes • Civic Events • Christmas Lights and Trees • Additional Grass Cutting • Town and Parish Flower Beds • Britain in Bloom • Neighbourhood Plans

The services marked '' in the table are statutory functions that we are required to provide by law.*

Political Structure



Thanet has 23 Wards and 56 Councillors serve the district and its residents. Local Councillors are elected by the community to decide how the Council should carry out various activities as well as to represent local interests. District elections take place every four years, when all of the Ward Councillors are elected.

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

In October 2019 the leadership of the Council changed from minority Conservative control to minority Labour control. The Leader of the Council is Cllr Rick Everitt and the Deputy Leader is Cllr Helen Whitehead.

Cabinet members are held to account by a system of scrutiny which is set out in the constitution. Committees carrying out this function in 2019-20 were the Overview & Scrutiny Panel and Governance & Audit Committee.

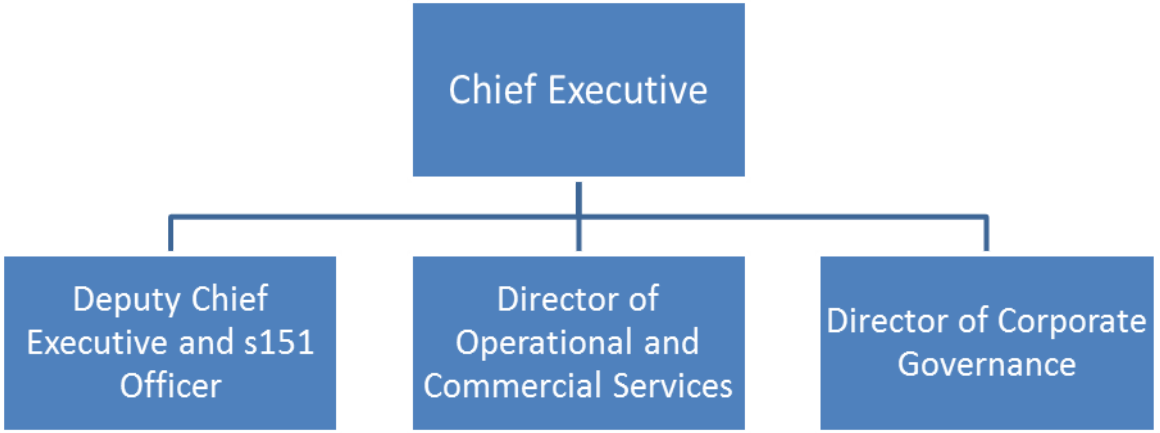
In addition the task groups, advisory groups and scrutiny reviews that took place during 2019-20 included:

- Fees and Charges - Cabinet Advisory Group
- Health and Wellbeing - Cabinet Advisory Group
- Climate Change - Working Party
- Gypsy and Traveller - Scrutiny Review

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

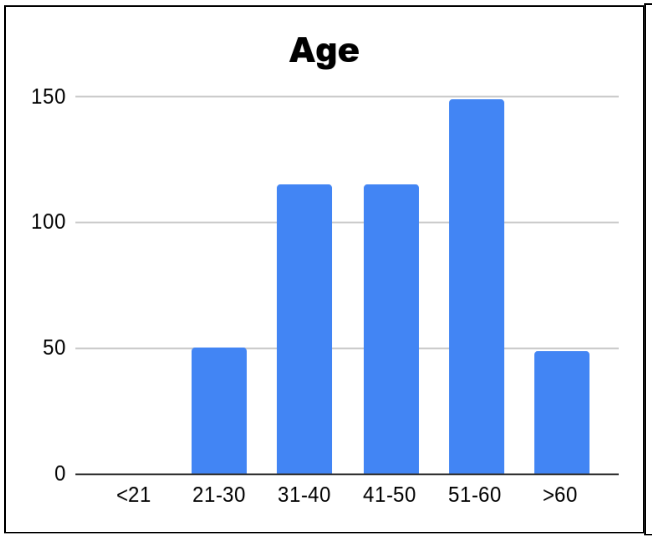
Management Structure

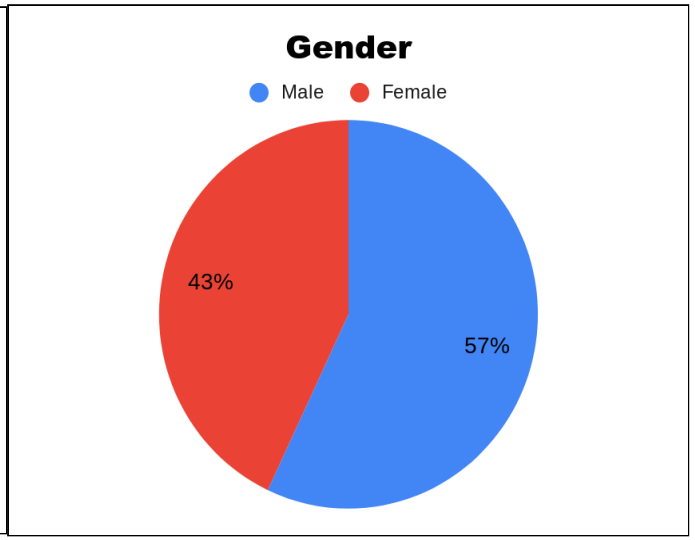
Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team, led by Chief Executive Madeline Homer.



People

The Council employs 478 staff (478 in 2019-20) in full and part time positions and the profile is as follows:



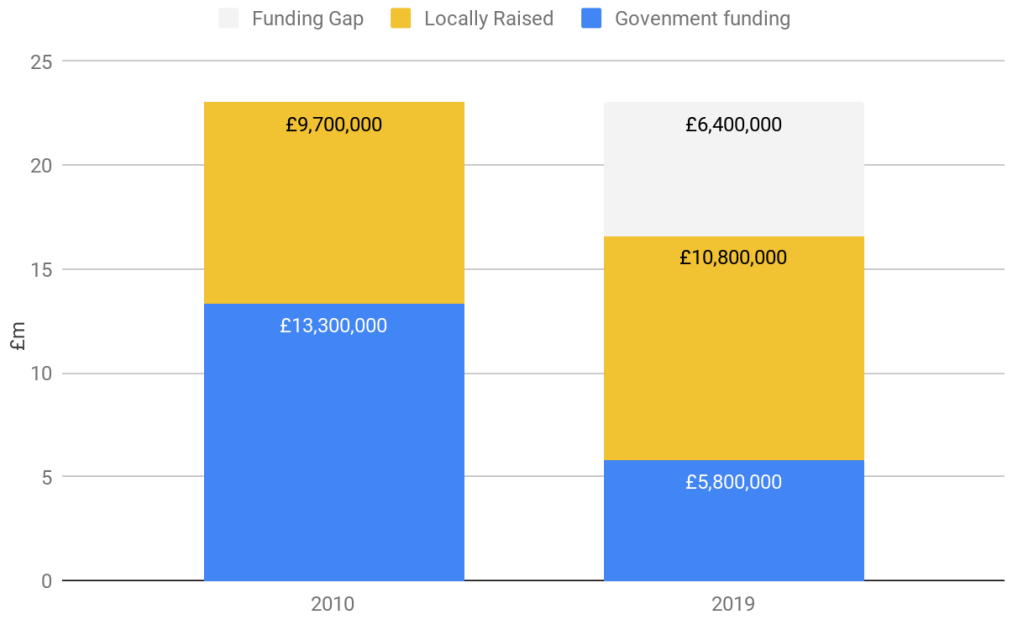


The Council's staff are essential in enabling the achievement of the Corporate Statement. This year, the Council has focused on the Learning and Development element of the People Strategy. As part of this, we have worked to maximise the use of the Apprenticeship Levy and, as a result, 28 new and existing employees have successfully commenced apprenticeship programmes during this period.

The focus towards the end of the financial year moved towards refreshing the People Strategy and ensuring that it continues to support and develop staff in line with the aims of the Corporate Statement and this will continue into the next financial year.

3. Financial Overview

Context and Financial Environment

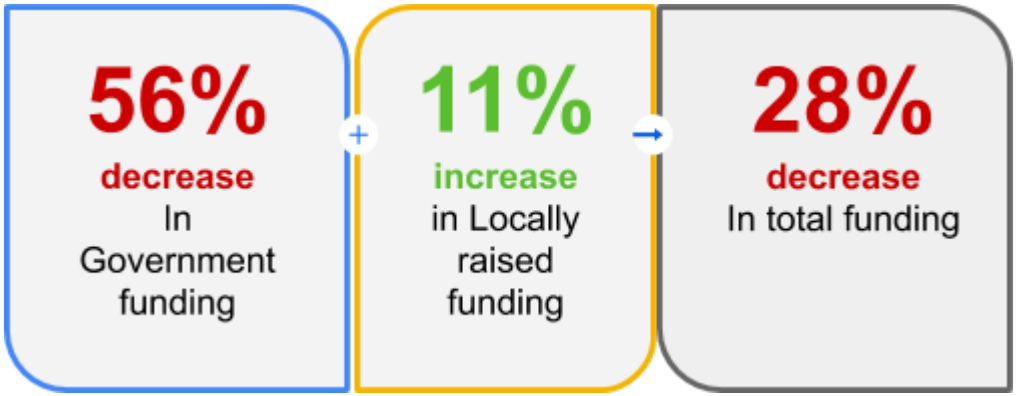


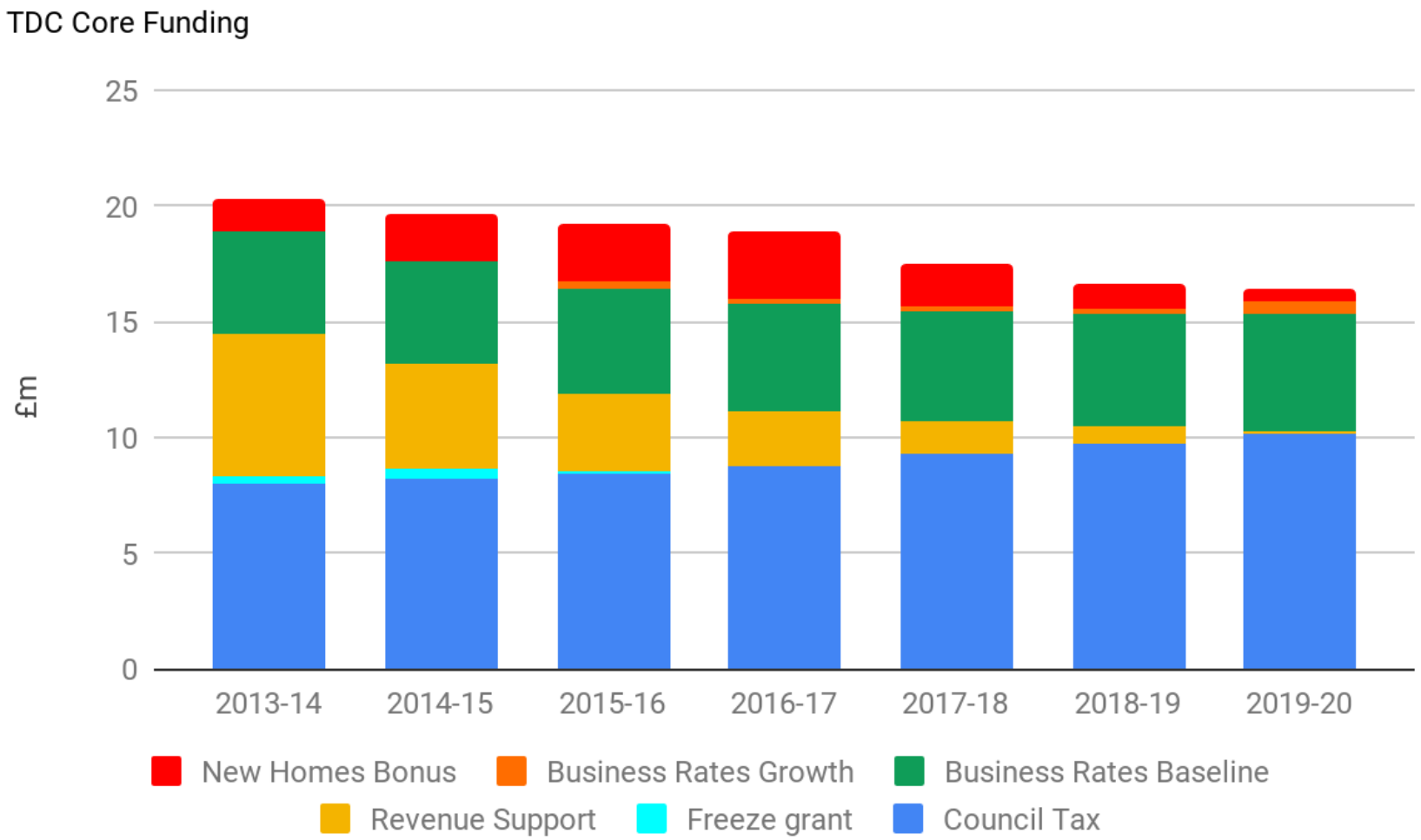
Whilst setting the budget for 2019-20 the Council had to manage further government funding reductions.

This continued a trend of reductions in support for local government during a decade of austerity, with the Council receiving £7.5m less government funding than it did in 2010.

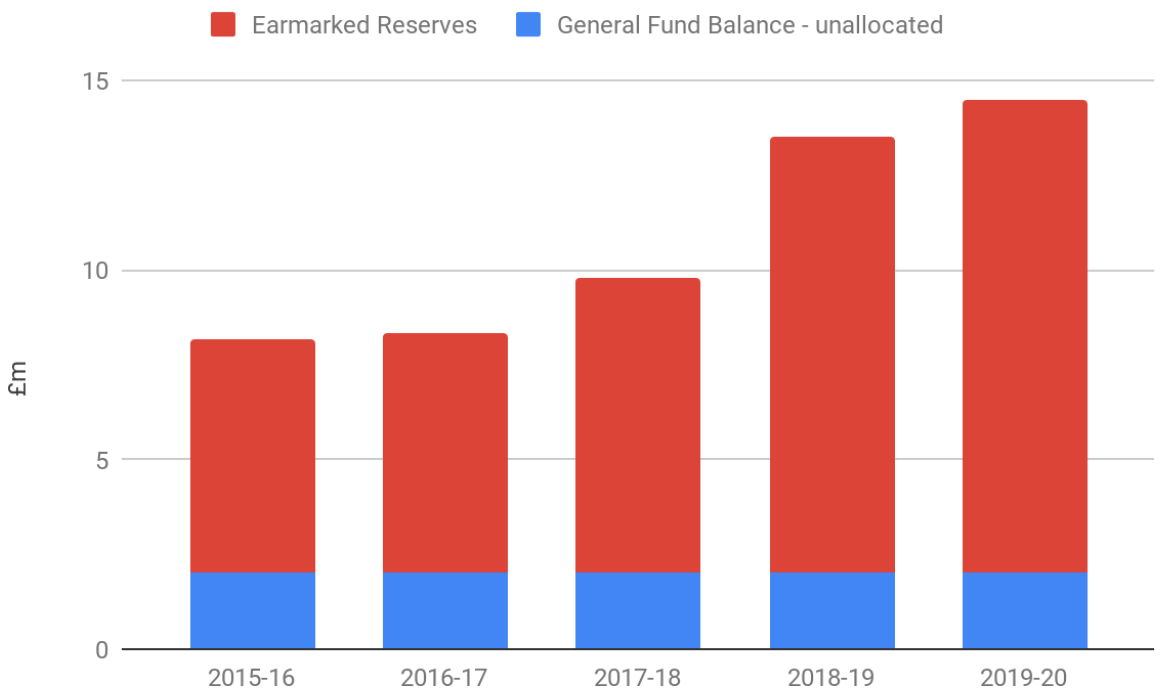
Thanet District Council has had the largest fall in spending power over the last 10 years, compared with every Council in Kent. We now have only 62% of the spending power that we had in 2010.

Furthermore, the budget was set within the context of continuing considerable uncertainty on the future of the local government finance system, making long-term decision making difficult.





The chart above shows how the Council's core funding has reduced in recent years, and also how its makeup has changed over this time. In 2013-14 the Council was receiving more than £6m of Revenue Support Grant, a general grant to support councils' operations, however this has reduced to almost nothing by 2019-20. Also, the Council's New Homes Bonus allocation, a grant intended to provide financial incentives and reward for housing growth, has reduced from £1.9m in 2017-18 to only £600k in 2019-20.

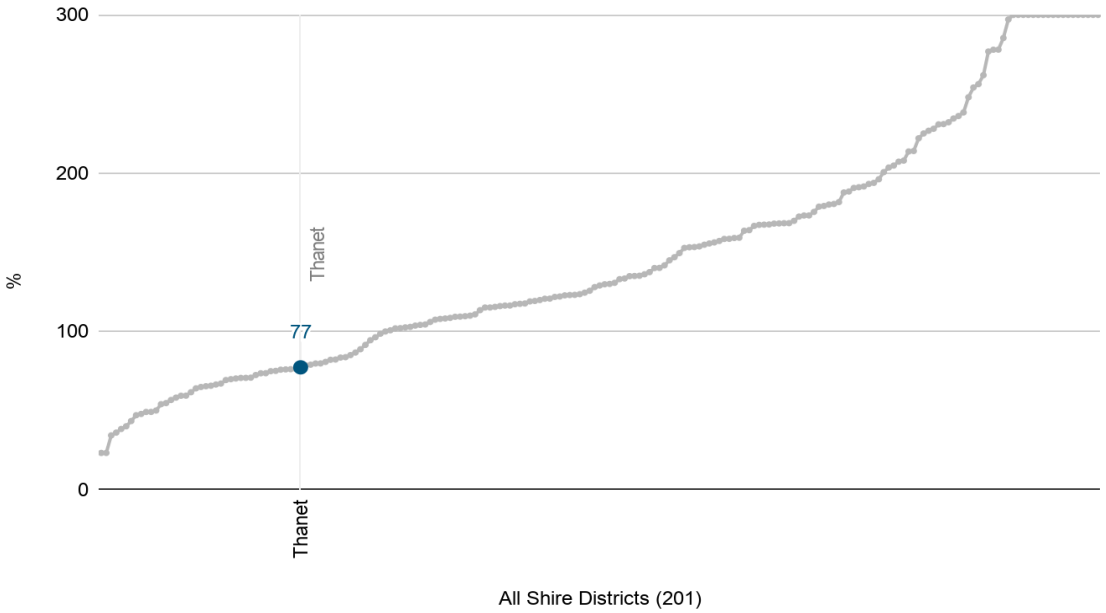


Thanet's reserves holdings have strengthened over the last five years.

The chart above shows the improvement in the Council's General Fund reserves over the past five financial years, with reserves and balances rising to £14.5m at the end of 2019-20, compared to the 2015-16 low water mark of £8.1m. This represents a £6.4m or 79% increase over the five year period.

In particular, 2018-19 saw a £3.7m increase in reserves, largely backed by a one-off windfall arising from additional Business Rates income retained in Thanet, as a result of participating in the Kent 100% Business Rates Retention Pilot. It should be noted that approximately £2m of this Business Rates funding is allocated in the capital programme to be utilised to finance Parkway railway station.

Despite this improved position, the Council continues to face and meet major financial challenges. The Council's reserves still remain low, compared to our historical levels, other district Councils and the risks we face. This improved but yet still relatively low position is supported by analysis undertaken within the Chartered Institute of Public Finance and Accountancy's financial resilience index. Further commentary on how Covid-19 is expected to affect the Council's reserves is included in the following sections of this narrative report.



The blue dot on the chart above represents TDC's relative reserve holdings at the end of 2018-19 in comparison to other shire districts (41st lowest out of 201), in that our total General Fund reserves of £13.5m, at that time, represented 77% of our net revenue budget.

In comparison, the average for a district Council is almost double Thanet's, at 146%. Therefore if Thanet's reserves were at the average level for districts, our reserves would be closer to £24m.

2019-20 Financial Planning Savings

A net budget of £16.7m for 2019-20 was agreed by Cabinet and Council in February 2019. The setting of a balanced budget was largely underpinned by the estimated financial implications relating to a number of savings, efficiencies and increase to fees and charges. Budget changes exceeding £1.0m were approved by members, with key savings including:

- Ramsgate Port - £130k (£230k in future years)
- Organisational efficiencies £250k
- Toilets and facilities - £175k
- Reduced homelessness growth - £150k
- Deletion of Business Transformation post - £70k
- Fees and Charges Review - £189k
- Efficiencies in East Kent Services - £25k

Members also agreed to a £4.95 increase in council tax to balance the 2019-20 budget.

For the HRA, the Government introduced a number of changes to the social housing market via the Welfare Reform and Work Act and the Housing and Planning Act during 2016, which had a direct impact upon future funding and costs to the HRA, notably the requirement to reduce rents by 1% a year for four years commencing 2016-17. 2019-20 was the last year that these reductions were applied, with rent increases reverting to a maximum of Consumer Price Index (CPI) + 1% for 2020-21 onwards.

4. Financial Performance 2019-20

General Fund Revenue

The General Fund covers all income and expenditure included in the day-to-day running of the Council and key services that the Council provide. This includes: refuse collection; recycling; street cleansing; maritime facilities; housing advice; planning & building control; licensing; and community development.

Services are organised by directorate/departments and 2019-20 budget performance is summarised below:

Service Area	2019-20 Budget £'000s	2019-20 Actual £'000s	2019-20 Variance £'000s
Chief Executive	251	306	55
Deputy Chief Executive & S151 Officer	4,124	4,057	(67)
Director of Corporate Governance	1,425	1,782	357
Director of Operational & Commercial Services	10,843	11,666	823
Directorate Sub-Total	16,643	17,811	1,168
Contributions to/from reserves (excluding planned)	0	275	275
Total Net Expenditure	16,643	18,086	1,443

The table above differs from the management accounts as presented to the Corporate Management Team and Members in that it includes recharges, capital charges and other accounting adjustments.

The key reasons for the budget variances are:

Chief Executive - Year-end adjustment relating to Pensions £62k, offset by other minor variances (£7k)

Deputy Chief Executive & S151 Officer

- Higher homelessness costs including housing benefit have resulted in a £431k overspend, offset by one off funding (£59k)
- A change in practice for how the Council accounts for the annual leave that is owed to or from employees at the end of the financial year (£66k),
- year end accounting for assets £224k,
- year end account for pensions (£2,299k),
- accounting for depreciation £865k,
- increased contribution to the council's bad debt provision as a result of Covid-19 and its impact on income recovery £243k,
- change in reserve contributions £640k and
- other minor variances £46k

Corporate Governance

- Reduced property income £475k,
- Lower building control income and increased costs £307k,
- Reduced land charges income £138k,
- Increased corporate property repairs costs covered by reserve/external contributions £50k,
- Increased costs relating to the May 2019 Council elections, covered from reserves contributions £84k,
- Increased cost in legal services £36k,
- Savings in Facilities (£33k),
- year end accounting for assets (£1,038k),
- year end accounting for depreciation (£180k),
- year end accounting for pensions £478k

Operational Services

- An underspend on open spaces (£88k),
- an underspend on safer neighbourhoods (£106k),
- an underspend on port and harbour (£66k),
- various other overs and unders £16k,
- year end accounting for assets (£6k),
- year end accounting for depreciation (£685k),
- year end accounting for pensions £1,758k.

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

Financing	2019-20 Budget £'000s	2019-20 Actual £'000s	2019-20 Variance £'000s
Council Tax	10,205	10,205	0
Collection Fund Surplus	100	113	13
Retained Business Rates	5,642	7,058	1,416
New Homes Bonus Grant	586	600	14
Other Grants	110	110	0
Total	16,643	18,086	1,443

Reserves

Overall, General Fund reserves increased by almost £1.0m in 2019-20, with contributions made primarily due to additional business rates income (£280k), slippage on capital projects (£455k) and other planned items, resulting in total reserves and balances now sitting at £13.5m. This is an improvement on previous years, but as previously stated reserves are still relatively low compared to historical levels, other district Councils and the risks the Council faces. Further detail is providing in the following sections on the future challenges the Council faces and the resulting impact on our reserves.

Housing Revenue Account (HRA)

The HRA reflects costs and income of the Council's Landlord service in respect of Council housing. This is a ring-fenced account and all entries to the account are governed by law. The service had a £0.66m deficit in the year mainly due to increased rental income offset by increased management fee and depreciation charge to Major Repairs Reserve. The deficit was taken from the working balance on the account which is now £8.65m (£9.3m in 2018-19).

Financial Management - Capital

Programme performance and cost profile are included in this section.

General Fund Capital Programme	2019-20 Budget £'000s	2019-20 Actual £'000s	2019-20 Variance £'000s
Deputy Chief Executive (incl East Kent Services)	6,057	3,488	2,569
Corporate Governance	3,841	178	3,663
Operational Services	5,939	2,276	3,663
Total Expenditure	**15,837**	**5,942**	**9,895**

Flexible Use of Capital Receipts payments of £496k and additional capital grants of £449k were also made in the year, not being shown in the table above.

38% of the revised budget was spent during the year and this reflects several projects where slippage has occurred and as a consequence outcomes have been re-profiled to match revised delivery dates. In particular, £0.888m of the carry-over is for Disabled Facility Grants, £1.111m is for Homelessness Accommodation, £3.000m is for Office Accommodation, and £1.475m is for Ramsgate Port Berth 4/5 Replacement.

The following 2019-20 expenditure for new General Fund assets has been recognised in the Balance Sheet as at 31 March 2020:

- **Foy House, High Street, Margate** £519k - to be used for temporary accommodation for statutory homeless households
- **Office, IT and Security Equipment** £165k - £59k Office (printers, copiers and other office equipment), £82k IT (In-Cab Information System for Waste Vehicles and other infrastructure), and £24k Security (CCTV, alarm system, viewing station).
- **Operational Services Vehicles & Equipment** £134k - including £69k vans for Sport/Leisure, Street Scene & Parking Enforcement, £30k Trade Waste Truck and £24k Open Spaces facilities and equipment.

HRA Capital Programme	2019-20 Budget £'000s	2019-20 Actual £'000s	2019-20 Variance £'000s
Major Works	5,710	1,898	3,812
Margate Housing Intervention	2,813	1,610	1,203
New Build Programme	8,266	4,973	3,293
Acquisition Programmes	2,780	1,979	801
St Johns Crescent	95	127	(32)
Total Expenditure	**19,664**	**10,587**	**9,077**

53.84% of the total programme was expended in year with several programmes being re-profiled for delivery in 2020-21.

The major works programmes consist of continued refurbishment of the Council's housing stock to ensure that they continue to conform to decent homes standards. Key areas of spend have been on kitchen & bathroom replacements and fire precaution works. Across the other programmes the Council has renovated or acquired 8 units of accommodation which have been added to its housing stock in 2019-20. A further 7 units were acquired in the year but were not ready for occupation by the end of the year and an additional 35 units have commenced construction and are forecast for completion in 2020-21.

Prudential Borrowing and Capital Receipts

The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. As at 31 March 2020 the Council's CFR was £50.036m (Note 36) and its external borrowings were £25.025m (Note 22).

During the year the Council utilised its capital receipts balance to part-fund its capital programme (Note 30), and also added £2.331m from asset disposals. This included HRA disposal proceeds of £2.058m. Of the remaining £273k, the main disposals were for land at Royal Crescent, Margate (£130k) and former toilets and land at Beresford Gap (£52k).

Net Worth

The net worth of the Council has increased by £2m mainly as a result of a £7m increase in the value of the Council's fixed assets, offset by a £4m increase in the Pension Liability. The Council has also seen a £1m increase in its usable reserves:

	31 March 2019 £m	31 March 2020 £m
Long term assets	284	291
Net current assets (current assets less current liabilities)	26	25
Long term liabilities (including pension liabilities)	(114)	(118)
Net Assets	**196**	**198**
Represented by:		
Usable reserves	47	48
Unusable reserves	149	150
Total Reserves	**196**	**198**

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

A £4m increase in the net pension liability to £90.4m (£86.3m as at 31 March 2019) is included in the statements as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the Council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the Council as at 31 March 2020. The Council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate this valuation.

5. 2020-21 Budget and Future Financial Outlook

General

The 2020-21 General Fund budget of £17.1m was agreed at the Council meeting on 6 February 2020. It incorporated £730k of income generation and efficiency proposals to bridge the funding gap. These included:

- **Fees and charges** £208k
- **Property Maintenance** £100k - reduction in under-utilised budget
- **Treasury Management** £155k - increase level of internal borrowing
- **Deletion of Waste and Recycling Education Officer Post** £36k - with a proportion of the work being picked up by the Enforcement Education Officer, Community Development and Communications teams
- **Deletion of Open Spaces Supervisor Post** £31k
- **Commercial waste income** £25k - increase reflecting second year of operation
- **Planning fee income** £40k - growth in demand
- **Green Waste Collection** £40k - growth in demand for service
- **ICT / Digital Review £20k** - efficiencies from the integration of ICT functions into the Digital team

However, the in-year delivery of these savings have been compromised by Covid as explained further below, this will be monitored throughout the 2020-21 financial year and management action will be taken where possible. In addition to the savings items, the budget also included additional resources for Operational Services including:

- Investment in 10 new permanent environmental operatives,
- Plans to refurbish public toilets,
- A renewed focus on climate change including the appointment of a Climate Change Officer

After agreeing these savings and growth items the Council agreed an increase of £4.95 in the Band D equivalent for Thanet District Council's element of council tax, in order to balance the 2020-21 budget as required by statute.

Beyond 2020-21, the future for local government funding remains very uncertain, with no information available on funding from April 2021 onwards. The current four year Comprehensive Spending Review (CSR) period came to an end in 2019-20, with the CSR 2020 delayed until the autumn of 2020 because of Covid-19. In addition, the Government have announced the:

- national move to 75% Business Rates retention,
- resetting of baselines from which Business Rates funding allocations will be determined
- Fair Funding Review to examine the relative needs and allocation of resources between Authorities

The timing of the implementation of all of the above remains unknown and apart from this it has provided virtually no indication of the level of funding Local Authorities can expect to receive for 2021-22 and beyond.

The 2020-21 budget approved by Council in February 2020, included the following projected budget gaps across the medium term.

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Budget Deficit	-	897	1,030	1,022

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

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

Covid-19

The Covid-19 crisis has had a significant financial impact on both the Council and across the district. Since March 2020, the Council's focus has been on the immediate coordinated response to support our residents during the lockdown period.

Business rates relief and grants for businesses in the retail, hospitality and leisure sectors have been administered in line with government guidelines helping more than 3,000 businesses in the district, allocating more than £34m of financial support. Additional council tax relief has been given to recipients of council tax support through the government's hardship fund.

A community hub was set up in collaboration with partners and volunteers to support vulnerable residents, ensuring food and other essential items were delivered to those with particular health conditions. The Council has provided accommodation for all the district's known rough sleepers and continued to provide housing to others where its duty to do so had ceased.

It is anticipated that the pandemic will have a significant impact on the Council's ability to collect income, both from taxpayers and services such as car parking. There are also additional cost pressures as the Council responds to the outbreak and provides support to the most vulnerable residents.

The Council is facing unprecedented challenges as a result of Covid-19. Due to the timing of the pandemic and national economic and social restrictions there was little financial impact on the 2019-20 financial position as the pandemic was declared late in March and therefore the 2019-20 Accounts are largely unaffected. There will however be significant challenges in the year ahead and potentially future years. Given the

uncertainty around the full extent of the economic impact at this stage, it is difficult to estimate with confidence the likely impact on the Council's financial position. The Government has allocated emergency Covid-19 funding to local authorities but this is unlikely to be sufficient to cover the estimated budget gap.

Cabinet received a 2020-21 budget report on 30 July 2020, which it recommended to Council for approval at its meeting on 10 September 2020. The report estimated that the overspend for the year could be £5.7m, 32% against the net revenue budget, which after consideration of expected government support in the region of £2.6m resulted in a forecast budget gap of **£3.05m** for 2020-21.

It has been assumed at this stage that the financial impact of Covid-19 will be contained within 2020-21, and as such presents a one-off funding issue. As such, the Cabinet agreed to the allocation of reserves to bridge the gap rather than through service reductions or increases in income. If there are any on-going effects on the Council's finances these will be picked up in the 2021-22 budget process and 2021-25 Medium Term Financial Strategy.

Moreover, as a billing authority the Council's cash flow is subject to pressure as it continues to pay precepting authorities their shares of budgeted business rates and council tax income not taking into account any reduction in collection rates. The government has introduced short term measures to provide immediate relief and daily cash flow monitoring is being undertaken for early identification of pressure points.

Plans are now underway to implement a set of initiatives that are key to managing the recovery of the district and to plan ahead for the longer-term challenges that will begin to emerge as lockdown restrictions are lifted.

East Kent Housing and the Housing Revenue Account (HRA)

After discovering problems with some health and safety procedures, Thanet District Council, along with the other three Council owners (Canterbury City Council, Dover District Council, and Folkestone & Hythe District Council) proposed to close EKH and deliver housing services themselves. In October 2019 tenants and leaseholders were consulted and asked for their views on the future of EKH and the results showed an overwhelming desire to disband EKH and for the Councils to take on its role. In February 2020 all four Council owners agreed that the management of Council housing stock should be brought back in-house and that a termination of the management agreement with EKH should be negotiated and concluded as soon as practicable.

Work is underway between the Councils and EKH to create a smooth transition process and in the meantime housing and support services for tenants continue to be provided by EKH. The planned transfer date is 1 October 2020. Cabinet considered a revised 2020-21 HRA budget report at its meeting on 30 July 2020 and recommended it to Council for approval on 10 September. The report sets out the structure for the new service including the deployment of additional resources to ensure the service priorities, objectives and requirements are delivered whilst maintaining a financially sustainable HRA. A comprehensive review of the 30 year Business Plan will be undertaken prior to setting the 2021-22 budget.

Climate Change

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

● Declare a climate emergency;

● Pledge to do what is within our powers and resources to make Thanet District Council carbon neutral by 2030, taking into account both production and consumption emissions;

● Call on Westminster to provide the powers and resources to make the 2030 target possible;

● Continue to work with partners across the County and region to deliver this new goal through all relevant strategies;

● Investigate all possible sources of external funding and match funding to support this commitment

Going forwards the Council has a role as:

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

An action plan has been developed to address the three main identified focus areas as follows:

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

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

6. Our Priorities and Objectives

The Council's Core Business Objectives set out the direction of travel for the Council for the next four years laying the strong foundations that will benefit, shape and grow the district. In 2019, residents told us that clean streets, feeling safe and thriving towns were important to them and the Core Business Objectives address each of these top topics from the 2019 residents survey.

Growth

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

What we plan to do:

- Through partnership working promote Thanet's unique selling points to encourage local enterprise and inward investment.
- Be a strong voice for Thanet at the Kent and Medway Economic Partnership.
- Constructively explore approaches for Community Wealth Building - such as the Preston Model.
- Contribute to the creation of a Coastal Prospectus which will inform the South East Local Enterprise Partnerships's Local Industrial Strategy.
- Refresh the Council's Economic Growth Strategy.

- Lobby for infrastructure improvements including the Parkway Station, to support inward investment, local enterprise and housing growth.
- Continue to look for a viable future for the Port of Ramsgate and Royal Harbour for the benefit of the town and the wider district.
- Engage with businesses in the creative industries to identify opportunities for growth in the district and promote Thanet through the Thames Estuary Production Corridor ambitious industrial vision.
- Encourage the rejuvenation of our high streets by supporting the growth of our creative industries.
- We will further support the regeneration of our High Streets by working with partners.
- Continue to promote tourism in Thanet and the increase in jobs that this will bring to the District.
- Maximise the return on our assets and services

Environment

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

What we plan to do:

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

- Continue the education programmes in schools and the wider public areas to cultivate a shared responsibility approach to waste and littering.
- We will review the recycling service and continue engaging with the community to increase the district's recycling rates.
- Improve the efficiency of emptying schedules - including maximising the use of smart bins.
- Extend the use of mechanical street sweeping equipment.
- Protect and enhance where possible our parks, beaches and open spaces for the benefit of current and future residents.
- Continue to progress the Local Plan to adoption.
- Having agreed on a climate emergency we will work to be carbon neutral by 2030 and promote awareness of our local wildlife, habitats and the wider environment.

Communities

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

What we plan to do:

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

7. How the Council is Performing

Performance against our priorities is reported to Members and published on-line on a quarterly basis. The Council's annual performance outturn report will set out the Council's performance against its key performance indicators for 2019-20. For the 2019-20 financial year, the performance report is being measured against the Council's Corporate Plan (2015-2019). For the 2020-21 financial year, the performance report will be measured against the agreed 2019-20 Corporate Statement.

The performance at the Q3 stage is set out here and is summarised in the following table.

Of the 16 reported performance indicators, 16 were at or above target, 3 were within 5% of target but 5 were below target.

Outside these performance indicators, there was serious concern over the performance of East Kent Housing. Non-compliance with tenant health and safety requirements led to all four East Kent authorities deciding to bring housing management services back in house. Services are currently planned to be returned to this Council on 1 October 2020.

Section of Report	R	A	G
Clean and Welcoming Environment	2	1	3
Supporting Neighbourhoods	1	0	5
Promoting Inward Investment and Job Creation	0	0	3
Statistical Information	2	2	5
Total	**5**	**3**	**16**

Examples of major projects and achievements that have also contributed to these priorities are shown below:

Turner Prize

The Turner Prize 2019 was hosted in Margate by the Turner Contemporary between 28 September 2019 and 12 January 2020.

The Turner Prize is one of the best known prizes for the visual arts in the world and Turner Contemporary and Margate was the sixth location outside of London to host the Turner Prize, following Hull, Liverpool, Gateshead, Londonderry and Glasgow.

On Tuesday 3 December 2019, the eyes of the world's media were on the town for the glittering awards ceremony at Dreamland. This Prize provided

us with a once in a lifetime opportunity to raise the profile of Margate and the wider district at a regional, national and international level, celebrating Thanet as a key cultural destination. Of equal importance is ensuring that there is a positive legacy in the district that extends beyond the life of the exhibition.

Thanet District Council worked with key partners in preparation for such a huge event. A dedicated operational plan was in place to ensure that residents and visitors had a positive experience during their time in the town. Staff from the Council, Turner Contemporary and Dreamland also got together on Friday 20 September to take part in a litter pick.

Landlord and Tenant Service

On 17 February 2020 Cabinet formally agreed to bring the management of the Councils' housing stock in house. The service is currently run by East Kent Housing (EKH), an Arms Length Management Organisations that is owned equally by Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council. The decision to close EKH was proposed after discovering problems with some health and safety procedures. The results of consultation with residents showed an overwhelming desire to disband EKH and for the Councils to take on its role.

The Councils are transitioning to the new in-house service delivery model and the new service will go-live on 1st October 2020.

Thanet Parkway

The Council has committed to contribute up to £2m towards the construction of a new parkway train station.

Beaches

Thanet has once again been named as having some of the best beaches in Britain as results from Keep Britain Tidy's annual Blue Flag and Seaside Awards are announced. Thanet has increased its number of award winning beaches by 40%, going from 10 in 2018 to 14 in 2019.

These awards are quality marks for Thanet's beaches and mean that those visiting can be sure that they are clean, safe and meet the highest environmental standards, as well as the tough international bathing water quality standards.

Tackling Homelessness

657 households were supported to prevent their homelessness during 2019-20. Use of temporary accommodation reduced from 104 cases at the end of April 2019 to 83 cases at the end of April 2020. Rough sleeping reduced from 23 people (November 2018) to 17 people (November 2019)

The work the Council undertakes to tackle homeslessness was recognised when Thanet RISE team won the 'Team of the Year' prize at the Kent Housing Group Excellence Awards. The RISE team stands for **R**ough sleeper **I**ntervention, **S**upport and **E**mpowerment. It was set up to address health and wellbeing as these can often be barriers for rough sleepers when trying to find and keep accommodation. The project is a multi-agency

partnership including a wide range of stakeholders all working together to provide a joined up service. Partners include:

- Thanet District Council,
- Kent and Medway NHS and Social Care Partnership Trust
- Forward Trust.
- Thanet Winter Shelter,
- Salvation Army,
- Pathways Ltd and Paramount Independent Property Services.

Thanet District Council also successfully utilised £561k of government funding for rough sleeper support. Through this support, places where vulnerable people, currently sleeping on the streets, can access professional help and guidance have been created, including immediate shelter and mental health support.

Regeneration

As part of the Government's 'levelling-up" agenda, in September 2019 Margate was selected as one of the 100 places invited to develop proposals for a new generation of multi-million-pound Town Deals. A Margate Town Deal Board has been set up by the Council, to design and deliver an economic growth strategy for the town, with a focus on urban regeneration, improved transport, better broadband connectivity, skills and culture. If the town's proposal is successful and funding is secured it has the potential to transform Margate and deliver tangible long-term benefits to the town

Ramsgate was also one of 50 towns invited to apply for Future High Streets Funding.

Local Plan

Following submission of the local plan in October 2018, examination in public was held by the Planning Inspectorate between April and July 2019. Subsequently, the Council consulted on the proposed modifications to Thanet's Local Plan 2011-2031 from Wednesday 11 December to Monday 27 January 2020. Following receipt of the Inspectors Report in April 2020 the local plan was formally adopted by the Council in July 2020. The Plan sets out where homes, jobs, community facilities, shops and infrastructure will be delivered, as well as the type of places and environments we want to create. It also identifies land to be protected from development such as open space. The Plan is intended to cover the district until 2031.

Port and Harbour

In February 2020 the Council Published a high-level feasibility study into looking at options for the future of Ramsgate port and harbour.

8. Risk Management

There is an embedded process within the Council which examines operational and strategic risks. The corporate risk register is a vital component of this process as it supports and informs the production of the corporate plan and is reviewed by the Governance and Audit Committee on a quarterly basis.

9. Governance

The Annual Governance Statement, which accompanies these financial statements, sets out the governance framework and an assessment of our effectiveness. The statement was prepared by the Director of Corporate Governance and concludes that the overall governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

The Internal Audit Annual Assurance report also concludes a reasonable assurance. This was based on the internal audit work completed and reported to the Governance and Audit committee throughout the year. However it should be noted that Internal Audit have raised some concerns with the Council's three statutory officers (the Chief Executive, the Deputy Chief Executive and the Corporate Director of Governance), the external auditors Grant Thornton, the Chairman and Vice Chairman of the Governance and Audit committee regarding some matters that Internal Audit have been involved during the year, which were still to be resolved. The matters would be resolved and reported in the next annual audit or governance report.

10. Accounting Statements

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

The statements are as detailed below:

The Core Statements

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Core Financial Statements

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

The Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Statement

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

Collection Fund Statement

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

Approval

In accordance with the Accounts and Audit (England) Regulations 2015, the Governance and Audit Committee approved the 2019-20 Statement of Accounts on 25 November 2020.

Signed : Date: 25 November 2020
Chair of the Governance and Audit Committee

For further information on the accounts please contact the Director of Financial Services & Deputy S151 Officer on 01843 577722 or write to : Director of Financial Services & Deputy S151 Officer, Thanet District Council, PO Box 9, Cecil Street, Margate, Kent CT9 1XZ

Statement of Responsibilities for the Statement of Accounts

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

The Council's Responsibilities

The Council is required:

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

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

Deputy Chief Executive & Section 151 Officer Responsibilities

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

In preparing this Statement of Accounts, the Deputy Chief Executive & Section 151 Officer has:

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

The Statement of Accounts gives a true and fair view of the financial position of Thanet District Council as at 31 March 2020 and of its income and expenditure for the year ended on that date.

Tim Willis CPFA
Deputy Chief Executive & Section 151 Officer
Date: 25 November 2020

Independent Auditors Report to the Members of Thanet District Council

To be added following completion of the external audit.

Comprehensive Income and Expenditure Statement

The movement in the re-measurement of the net defined benefit liability (£10.777m) is as a result of a number of factors, including the return on pension fund assets, changes in financial assumptions (pension and salary increases) and the extension of the duration of the past service liability (see Note 38 for further detail on the basis of estimation and assumptions).

31 March 2019				31 March 2020		
Expenditure £'000s	Income £'000s	Net £'000s	Gross expenditure, gross income and net expenditure on continuing operations	Expenditure £'000s	Income £'000s	Net £'000s
503	(40)	463	Chief Executive	503	(18)	485
76,350	(72,599)	3,751	Deputy Chief Executive & Section 151 Officer	69,837	(65,422)	4,415
24,306	(12,140)	12,166	Director of Operations & Commercial Services	23,218	(13,279)	9,939
5,532	(2,430)	3,102	Director of Corporate Governance	6,446	(2,420)	4,026
11,871	(8,155)	3,716	East Kent Shared Services	11,228	(7,500)	3,728
118,562	**(95,364)**	**23,198**	**Cost of Services**	**111,232**	**(88,639)**	**22,593**
		750	Other Operating Expenditure	Note 7		3,698
		2,583	Financing and Investment Income and Expenditure	Note 8		2,004
		(23,643)	Taxation and Non-Specific Grant Income and Expenditure	Note 9		(22,524)
		2,888	**(Surplus) or Deficit on Provision of Services**			**5,771**
		(17,168)	(Surplus) or Deficit on revaluation of non-current assets	Note 31a		(8,137)
		(10,077)	Re-measurements of the net defined benefit liability	Note 38		700
		(27,245)	**Other Comprehensive Income and Expenditure**			**(7,437)**
		(24,357)	**Total Comprehensive Income and Expenditure**			**(1,666)**

Movement in Reserves Statement

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

For the Year Ended 31 March 2019	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 16 & 17	Note 16 & 17	Note 30	Note 29	Note 29	Note 29	Note 31	
Balance at 1 April 2018	**(9,788)**	**(12,997)**	**(9,221)**	**(10,019)**	**(43)**	**(42,068)**	**(129,699)**	**(171,767)**
Movement in Reserves during 2018-19:								
Total Comprehensive Income and Expenditure	1,901	987	-	-	-	**2,888**	**(27,245)**	**(24,357)**
Adjustments between accounting & funding basis under regulations (Note 16)	(5,596)	176	(216)	(2,746)	-	**(8,382)**	**8,382**	**-**
(Increase)/ Decrease movement in 2018-19	**(3,695)**	**1,163**	**(216)**	**(2,746)**	**-**	**(5,494)**	**(18,863)**	**(24,357)**
Balance at 31 March 2019 carried forward	**(13,483)**	**(11,834)**	**(9,437)**	**(12,765)**	**(43)**	**(47,562)**	**(148,562)**	**(196,124)**

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Movement in Reserves Statement cont'd

For the Year Ended 31 March 2020	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 16 & 17	Note 16 & 17	Note 30	Note 29	Note 29	Note 29	Note 31	
Balance at 1 April 2019	**(13,483)**	**(11,834)**	**(9,437)**	**(12,765)**	**(43)**	**(47,562)**	**(148,562)**	**(196,124)**
Movement in reserves during 2019-20:								
Total Comprehensive Income and Expenditure	3,216	2,555	-	-	-	**5,771**	**(7,437)**	**(1,666)**
Adjustments between accounting & funding basis under regulations (Note 16)	(4,197)	(441)	893	(2,704)	-	**(6,449)**	**6,449**	**-**
(Increase)/ Decrease (movement) in 2019-20	**(981)**	**2,114**	**893**	**(2,704)**	**-**	**(678)**	**(988)**	**(1,666)**
Balance at 31 March 2020 carried forward	**(14,464)**	**(9,720)**	**(8,544)**	**(15,469)**	**(43)**	**(48,240)**	**(149,550)**	**(197,790)**

Balance Sheet as at 31 March 2020

31 March 2019 £'000s			31 March 2020 £'000s	£'000s
240,315	Property, Plant & Equipment	Note 18	247,040	
20,821	Heritage Assets	Note 18/19	20,693	
21,893	Investment Property	Note 21	22,965	
555	Long Term Debtors	Note 24	303	
283,584	**Long Term Assets**			**291,001**
17,929	Short Term Investments	Note 22	17,995	
186	Inventories		275	
12,802	Short Term Debtors	Note 24	14,437	
24,742	Cash and Cash Equivalents	Note 25	16,776	
-	Assets Held for Sale (< 1year)	Note 26	276	
55,659	**Current Assets**			**49,759**
(5,803)	Short Term Borrowing	Note 22	(912)	
(13,785)	Short Term Creditors	Note 27	(15,448)	
(3,406)	Provisions	Note 28	(3,665)	
(6,316)	Grant Receipts in Advance	Note 15	(5,935)	
(29,310)	**Current Liabilities**			**(25,960)**
(25,024)	Long Term Borrowing	Note 22	(24,394)	
(88,422)	Pension & Other Long Term Liabilities	Note 38/39	(92,339)	
(363)	Grant Receipts in Advance	Note 15	(277)	
(113,809)	**Long Term Liabilities**			**(117,010)**
196,124	**Net Assets**			**197,790**
	Represented By:			
(47,562)	Usable Reserves	Note 29	(48,240)	
(148,562)	Unusable Reserves	Note 31	(149,550)	
(196,124)	**Total Reserves**			**(197,790)**

Signed: T. Willis

Tim Willis CPFA

Date: 25 November 2020

Deputy Chief Executive and Section 151 Officer

Cash Flow Statement

2018-19 £'000s			2019-20 £'000s
2,888	**Net (surplus) or deficit on the provision of services**		**5,771**
(15,587)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 32a	(14,847)
2,567	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 32b	2,450
(10,132)	**Net cash flows from Operating Activities**		**(6,626)**
9,027	Investing Activities	Note 33	11,019
518	Financing Activities	Note 34	3,573
(587)	**Net (increase) or decrease in cash and cash equivalents**	Note 25	**7,966**
(24,155)	Cash and cash equivalents at the beginning of the reporting period		(24,742)
(24,742)	**Cash and cash equivalents at the end of the reporting period**		**(16,776)**

Notes to the Core Financial Statements

1. Accounting Policies

General

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established in England by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practice. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) supported by the International Financial Reporting Standards (IFRS).

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

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

Going Concern

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

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

Accruals of Income and Expenditure

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

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

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

Cash and Cash Equivalents

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

Material Items of Income and Expenditure

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

Prior Period Adjustments

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

Employee Benefits

Pensions General

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

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

Benefits Payable During Employment

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

The costs of any short term employee benefits untaken at the balance sheet date such as untaken leave, flexitime and lieu time due to be settled within 12 months of the year-end are accrued subject to materiality. The value of the accrual is calculated at the wage and salary rates applicable to the period in which the employee takes the benefit (the following year), and is charged to Surplus or Deficit on the Provision of Services. The adjustment is

reversed out of the Comprehensive Income and Expenditure Statement so that there is no charge to the taxpayer.

Termination Benefits

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

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

Post Employment Benefits

The Local Government Pension Scheme administered by Kent County Council (KCC) is a defined benefit scheme. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The formal valuation of the Fund for the purpose of setting employers' actual contributions disclosed in these accounts was as at 31 March 2017 and this has been used to update the service cost figures.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bonds.

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

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

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

Service Costs comprising;

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

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

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

Remeasurements;

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

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

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

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

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

Events after the Reporting Period

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

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

- the nature of the event, and

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

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

Financial Instruments – Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in accordance with the loan agreements.

Financial Instruments – Financial Assets

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

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

Expected Credit Loss

Trade debtors - classified as financial assets, any loss allowance is calculated by considering the age of the debt, historic payment trends and any lifetime expected credit loss. Where these assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement under the heading 'Impairment of Financial Instruments'. Due to the unprecedented circumstances arising from the Covid-19 pandemic, an assessment of future losses based on historic trends may not fully capture the full scale of expected credit losses that the Council is exposed to. Therefore for 2019-20 the Council has also applied a general provision, over

and above its usual assessment, to allow for a prudent estimate for the potential increase in default due to the economic conditions resulting from the Covid-19 pandemic.

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

Loans - the impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the assets original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value Measurement

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

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

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

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

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

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

Government and Non-Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

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

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

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

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

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

Heritage Assets

A heritage asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture.
The Council has identified the following asset groups as classified as Heritage Assets:

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

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

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

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

Intangible Assets

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

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

Interests in Companies and Other Entities

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

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

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

Inventories, Rechargeable Works and Long Term Contracts

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

The Code and IAS 2 (Inventories), require stocks to be shown at the lower of actual cost or net realisable value. The stock at the printing unit is measured at an average cost of stock held as it is considered that the financial effect of the different treatment is not material.

Any work in progress is subject to an interim valuation at year end. Rechargeable Works are included at cost. Long Term contracts are defined as "contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods." The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts meeting this definition. Long term contracts are accounted for by charging the (Surplus) or Deficit on the Provision of Services with the consideration allocated to the performance obligations of the contract that have been satisfied, based on the goods or services that have been transferred to the service recipient during the financial year.

Joint Operations

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

Leases

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

Where the Council is a Lessee

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

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

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

Where the Council is a Lessor

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

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

Overheads and Support Services

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

Property, Plant and Equipment and Investment Property

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

Recognition: Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis at cost with subsequent measurement as explained below. Expenditure on non-current assets is capitalised, provided that the asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on non-current assets is capitalised in accordance with IAS 16. This excludes expenditure on routine repairs and maintenance of non-current assets, which is charged directly to service revenue accounts. The Council has set a de minimis level in respect of the recognition of capital expenditure of £10k.

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

a) Property, Plant and Equipment, which can be further analysed as

- Land and Operational Buildings
- Council Dwellings
- Infrastructure Assets
- Vehicles Plant and Equipment
- Community Assets
- Assets under Construction

b) Heritage Assets

c) Investment Properties

d) Intangible Assets (see separate accounting policy)

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

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

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

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

d) ***Infrastructure Assets*** – historical cost net of depreciation

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

f) ***Community Assets*** – historical cost

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

Net current replacement cost is assessed as:

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

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

Revaluation: Revaluations of non-current assets are undertaken on an annual basis for Council Dwellings using the Beacon principle, investment properties with a value over £100k, and General Fund Operational Land and Buildings with a value over £800k. Revaluations of other non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of these Council's assets annually. Identified material changes to asset valuations will be adjusted in the interim period, as they occur. The Asset Valuations in these accounts have been prepared using the services of external valuers. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation. The date of valuation for the General Fund is 31 December 2019.

The basis for Council Dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 33% of the market value, to reflect the occupation by a secure tenant. A full valuation of the Beacon properties is undertaken every five years but an annual adjustment is made to reflect market changes during the year. The date of valuation for the Housing Revenue Account is 31 March 2020.

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

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

Components: The Code requires local authorities to identify elements of major assets that have either a capital cost that is significant in relation to the total cost of the asset and/or has a different useful life or depreciation method. The Council accounts for components for assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100k. The component proposals for the HRA dwelling stock differ from that above. The Council componentises its Council dwelling stock on a dwelling basis and proportions the overall valuation into four key components. Those components that are depreciable are depreciated over the remaining useful life of the Council dwelling, resulting in an overall stock depreciation figure.

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

Where impairment losses are identified, the accounting entries are:

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

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

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

Disposals: Income from the disposal of non-current assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet, any receipt from disposal and any costs associated with the disposal are accounted for in the Comprehensive Income and Expenditure Statement so comprising any gains or losses on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10k are categorised as capital receipts. A proportion of receipts relating to Right to Buy disposals are payable to Government, net of allowable deductions. Since the changes to the pooling of capital receipts (1st April 2012) and the introduction of the Government's 1-4-1 replacement programme, which the Council adopted, a higher proportion of receipts are retained. These housing receipts are retained for the 1-4-1 replacement of Council Dwellings and for investment in certain regeneration projects or affordable housing. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve through the Movement in Reserves Statement.

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

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

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

Plant	Up to 10 years
Surplus Assets	Up to 40 years

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

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

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

Provisions

Provisions represent sums set aside for liabilities or losses which are likely or certain to be incurred where an event has taken place that gives the Council a legal obligation that probably requires settlement and a reliable estimate can be made of the amount of that obligation. Provisions are charged directly to the appropriate service line in the Comprehensive Income and Expenditure Statement when the obligation arises and when the expenditure is actually incurred it is charged directly to the provision.

New arrangements for the retention of business rates came into effect on 1 April 2013 along with the requirement for an additional provision to be set aside for potential changes to rateable values as a result of appeals. The Council's share of this provision is disclosed in Note 28 and is calculated using Valuation Office (VO) data on successful and outstanding appeals. As there is potential for such appeals to be backdated to previous as well as current VO rating lists, the amount set aside includes an element for backdating. An estimate is also made for appeals that may yet be lodged under the new Check, Challenge and Appeal process, based on a percentage of the likelihood of appeal for those properties that are not currently in receipt of mandatory or discretionary relief.

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

Reserves

Amounts set aside for purposes falling outside of the definition of provisions are considered as reserves. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line within the Cost of Services in the Comprehensive Income and Expenditure Statement and an equal amount is appropriated back to

the General Fund from the relevant reserve so that there is no impact on the council taxpayer.

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

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

Contingent Assets and Liabilities

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 impact on the council taxpayer.

Current Assets Held for Sale

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

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

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

Impairment of Non-Contractual Debts

Provisions are made for the impairment of non-contractual (non-exchange) statutory Collection Fund debts such as Council Tax and Business Rates by evaluating the risk of impairment on a collective basis, based on their past-due status, using recovery stages and age analysis. The requirement is to set aside a provision where there is evidence of non-recoverable losses, so the impact of the Coronavirus Pandemic and imposed lockdown in late March 2020 has not materially increased the provision, however the Local Taxation Funding earmarked reserve is maintained to set aside for the uncertain volatility of council tax and business rate revenue.

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

Collection Fund

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Statute determines the amount required to be transferred from the Collection Fund to the General Fund (an authority's precept for the year (plus)/minus its share of the (surplus)/deficit on the Collection Fund for the previous year estimated on 15 January for Council Tax and 31 January for Business Rates). The Council Tax and Business Rate income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this amount and the amount required by regulation is taken to the Collection Fund Adjustment Account, and is included as a reconciling item in the Movement in Reserves Statement to negate the effect on the taxpayer. Council Tax and Business Rates are collected on an agency basis, so the Balance Sheet reflects the debtor/creditor position between the Council, Central Government and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council tax and business rate payers.

Business Rate Pool

Income or expenditure generated as a result of membership of the Kent Business Rate Pool (from 1 April 2015) is accounted for in the proportions set out in the pool agreement. The Council's share of any income or expenditure is credited or debited respectively to Taxation and Non-Specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement in the relevant financial year. Levy or safety net payments due to or from the lead authority at the end of the accounting year are reflected as creditors or debtors in the Balance Sheet and any increase or decrease in the Growth Fund share (to be utilised to promote growth within the district pool based area) is set aside in the Equalisation Reserve within the Council's Balance Sheet for future use. During 2018-19 the Kent Pool took part in the 100% Business Rates Retention Pilot Scheme (for one year only) whereby the pool was able to retain the central government share of business rate income for the year to be distributed within the Kent area.

Value Added Tax

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

1a. Accounting Standards Issued, not yet Adopted

The accounting standards that have been issued but not yet adopted under the 2020-21 Code, that may require disclosure in the 2019-20 accounts if applied retrospectively are as follows:

- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not anticipated that any of the new standards will have a material impact on the accounts. The planned adoption of IFRS 16 Leases under the 2020-21 Code has now been deferred to 2021-22, with an implementation date of April 2021.

2. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

Non-Current Assets

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

This assessment has identified an estimated decrease of £0.066m (0.10%) against the General Fund operational asset base of £66.780m, and an estimated increase of £0.466m (2.03%) against the investment property asset base of £22.965m. This is considered to be immaterial and no adjustment has been made to the balance sheet. The current revaluation policy (including frequency, methodology and classifications) states that any material changes to asset valuations will be adjusted in the interim period as

they occur. All valuations are performed in accordance with RICS and CIPFA guidance.

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

Dreamland

Dreamland is considered to be the oldest surviving pleasure park in Great Britain (dating back to the British railway boom of the early 1860's) and has been restored specifically as a vintage site. The amusement park is regarded as a heritage asset in these accounts as it is essential to provide the heritage dreamland activities/services from the site, which is held and maintained principally for its contribution to knowledge and culture. The specific site is an integral part of the heritage experience (being the original location of the park) as are certain features of the site such as the iconic Grade II Listed Scenic Railway and cinema complex. Given that the amusement park is a specialist asset providing a unique heritage experience, it is measured at historical cost as it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of these accounts.

On 1 August 2019 Cabinet agreed to dispose of Dreamland (subject to legal advice and the agreement of external funders) although, as at 31 March 2020, not all the criteria had been met to reclassify it as a Held For Sale asset.

East Kent Housing

The Council, together with Canterbury City Council, Dover District Council and Folkestone and Hythe District Council (formerly Shepway) jointly own East Kent Housing Ltd (EKH), an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four Councils' housing stock. The Chief Executives of the four Councils took over joint control of the ALMO from the original Board with effect from 12 December 2019 as a result of Health & Safety compliance failures, with a view to returning the service back in house during 2020-21. The Council's 25% interest in EKH has been classified as a joint venture with three other local authorities. With due regard to both the quantitative and qualitative aspects of materiality the Council has concluded that the preparation of group accounts is not required.

The Council has entered into an agreement with EKH that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the Council, then the Council will meet such payments. EKH's pension liability has increased from £9.5m to £9.9m as at 31 March 2020. The company remains able to meet its current pension obligations and will not be making calls on the four owner Councils towards its pension liability as at that date. The Council's share of this liability is £2.5m. In any event, the deficit calculated for the purposes of preparing EKH's year end accounts is not one and the same as the actual liability if the four Councils were required to take on EKH's pension liabilities.

The services that EKH provides to the four Councils are due to be transferred back to those bodies on 1 October 2020 and the actual pension liability will be assessed as part of that transfer.

Your Leisure

Hartsdown Leisure Centre – It was agreed at Cabinet on August 2009 that Thanet Leisure Force (now Your Leisure Kent Limited), the company engaged to run the Council's leisure facilities would borrow money (£1.62m) through a range of loans varying from 5 to

15 years, facilitated by Alliance Leisure, to invest in the authority's asset Hartsdown Leisure Centre. To facilitate the loan arrangement, Alliance Leisure acting on behalf of the lender requires the Council to act as guarantor should Your Leisure Kent Ltd default on the loan

payments or cease trading and the outstanding loan obligation transfers to the Council. As at 31 March 2020 payments totalling £1.861m including interest have been made by Your Leisure Kent Ltd. The anticipated outstanding balance now sits at £0.857m. Covid-19 continues to have a significant impact on all leisure operators and the Council is working with Your Leisure Ltd to avoid any default on the loan obligations. As a result the probability of default is judged to be unlikely and therefore a provision for any related future obligations arising due to a potential default has not been recognised in the accounts.

Ramsgate Leisure Centre – In February 2012 Thanet Leisure Force (Your Leisure Kent Ltd) entered into an agreement with Alliance Leisure to secure funding for the provision of a new swimming pool in Ramsgate, together with a spa facility and café. The capital costs of the development were £3.8m. The Council is acting as guarantor however, the agreement includes an additional

clause which states that were Alliance Leisure to terminate the agreement, the Council would be given a period of 30 days to agree a new party to take over all Your Leisure's rights and obligations under the agreement. Therefore, in the event of default by Your Leisure Kent Ltd, the Council would either need to find another party to work with, or take over the running of this facility itself. As at 31 March 2020 payments totalling £2.955m including interest have

been made by Your Leisure Kent Ltd and the anticipated outstanding balance now sits at £6.021m. In the event that Your Leisure were to cease trading, both the liabilities and the associated assets would transfer back to the Council. Covid-19 continues to have a significant impact on all leisure operators and the Council is working with Your Leisure Ltd to avoid any default on the loan obligations. As a result the probability of default is judged to be unlikely and therefore a provision for any related future obligations arising due to a potential default has not been recognised in the accounts.

Civica

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

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

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

The items in the Authority's Balance Sheet at 31 March 2020 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
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 £3.847m and an increase of one year to the mortality rate would result in an increased pension liability of £9.817m. However, the assumptions interact in complex ways. The current response to Covid-19 means pooled property valuations are reported on the basis of 'material valuation uncertainty' as set out in Valuation Practice Guidance Application 10 (VPGA10) of the Royal Institution of Chartered Surveyors (RICS) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would otherwise be the case. The value of assets impacted, and a sensitivity analysis based on the principal actuarial assumptions can be seen on Note 38.
Investment Property 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 £3.472m have not been revalued in 2019-20. In general, the asset valuations for investment properties have gone up by 3.6% in 2019-20. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £0.125m to the asset valuation.

Revaluation of Non-Current Assets and Investment Properties	Revaluations of non-current assets and investment properties as part of the annual process have been provided by the external valuer on the basis of 'material valuation uncertainty' in accordance with Valuation Technical and Performance Standard 3 (VPS 3) and Valuation Practice Guidance Application 10 (VPGA10) of the Royal Institution of Chartered Surveyors (RICS) Red Book Global. This uncertainty is caused by factors including the Covid-19 outbreak, which was declared a global pandemic on 11 March 2020, and Brexit, and means that less certainty and a higher degree of caution should be placed on the valuation of these assets than would otherwise be the case.	The future economic impact of a 1% change in valuation, crystallising after 31 March 2020 balance sheet date would alter the General Fund operational asset base of £66.780m by £0.668m, and the investment property asset base of £22.965m by £0.230m.The Material Valuation Uncertainty Forum has been set up by RICS to consider the unique events relating to the pandemic and its impact on valuations, with a focus on financial reporting and measures for the accurate consistent reporting of material uncertainty. This forum has not given a date as to when it might be possible to review valuations, but in the valuer's opinion the earliest a meaningful review could be conducted would be December 2020. Valuations will be kept under review in line with the guidance provided by the RICS Forum.

4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Deputy Chief Executive & S151 Officer on 31 August 2020. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, figures and disclosures in the accounts require adjustment if they are material. No such material events have occurred.

Notes Supporting the Comprehensive Income & Expenditure Statement

5. Expenditure and Funding Analysis

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

31 March 2019				31 March 2020		
Expenditure Chargeable to the GF & HRA Balances	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in the CIES**		**Expenditure Chargeable to the GF & HRA Balances**	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in the CIES**
£'000s	**£'000s**	**£'000s**		**£'000s**	**£'000s**	**£'000s**
463	-	463	Chief Executive	485	-	485
(3,039)	6,790	3,751	Deputy Chief Executive & Section 151 Officer	791	3,624	4,415
12,166	-	12,166	Director of Operations & Commercial Services	9,939	-	9,939
3,102	-	3,102	Director of Corporate Governance	4,026	-	4,026
3,716	-	3,716	East Kent Shared Services	3,728	-	3,728
16,408	**6,790**	**23,198**	**Cost of Services**	**18,969**	**3,624**	**22,593**
(18,940)	(1,370)	(20,310)	Other Income and Expenditure	(17,836)	1,014	(16,822)
(2,532)	**5,420**	**2,888**	**(Surplus) or Deficit on Provision of Services**	**1,133**	**4,638**	**5,771**
(22,785)			**Opening GF & HRA balance as at 31st March**	**(25,317)**		
(2,532)			Surplus on General Fund and HRA balance in year	1,133		
(25,317)			**Closing GF & HRA balance as at 31st March**	**(24,184)**		

5a. Note to the Expenditure and Funding Analysis

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

31 March 2019					31 March 2020			
Capital Purposes	**Net Change for Pensions**	**Other Statutory Differences**	**Total**	**Adjustments from General Fund & HRA to arrive at the Comprehensive Income & Expenditure Statement amounts**	**Capital Purposes**	**Net Change for Pensions**	**Other Statutory Differences**	**Total**
£'000s	**£'000s**	**£'000s**	**£'000s**		**£'000s**	**£'000s**	**£'000s**	**£'000s**
4,655	2,157	(22)	**6,790**	Deputy Chief Executive & Section 151 Officer	328	3,461	(165)	**3,624**
4,655	**2,157**	**(22)**	**6,790**	**Cost of Services**	**328**	**3,461**	**(165)**	**3,624**
(986)	**-**	-	**(986)**	Other Operating Expenditure	1,851	-	-	**1,851**
142	**-**	-	**142**	Financing and Investment Income and Expenditure	(1,107)	-	-	**(1,107)**
-	-	(526)	**(526)**	Taxation and Non-Specific Grant Income and Expenditure	-	-	270	**270**
(844)	**-**	**(526)**	**(1,370)**	**Other Income & Expenditure from the Expenditure & Funding Analysis**	**744**	**-**	**270**	**1,014**
3,811	**2,157**	**(548)**	**5,420**	**Difference between General Fund & HRA (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Services**	**1,072**	**3,461**	**105**	**4,638**

6. Expenditure and Income Analysed by Nature

Restated 2018-19 £'000s		2019-20 £'000s
	Expenditure	
21,558	Employee benefits expenses	23,892
50,289	Housing benefit expenditure	41,914
32,242	Other service expenses	33,996
362	Expenditure on investment properties	356
142	Investment property fair value loss	-
199	Payments to the housing capital receipts pool	232
42	Loss on trading undertakings	218
59	Impairment of financial instruments	807
2,409	Net Interest on the Net Defined Benefit Liability	2,101
14,473	Depreciation, amortisation, impairment and revaluation	11,430
-	Loss on disposal of non-current assets	1,619
1,152	Interest payments	1,034
1,736	Precepts and levies	1,847
124,663		**119,446**
	Income	
(28,634)	Fees and charges and other service income	(26,491)
(13,672)	Housing Revenue Account income	(13,823)
(21,652)	Council Tax and Non-Domestic Rates Income	(18,856)
(6,541)	Government grants and contributions	(10,039)
(48,508)	Housing benefit subsidy	(41,954)
(1,185)	Gains on disposal of non-current assets	-
-	Investment property fair value gain	(1,106)
(1,262)	Income from investment properties	(1,045)
(321)	Interest and investment income	(361)
(121,775)		**(113,675)**
2,888	**(Surplus)/Deficit on Provision of Services**	**5,771**

The 2018-19 figures have been restated to provide more clarity between expenditure and income items. The reduction to Housing benefit expenditure and subsidy is as a result of the move to Universal Credit resulting in less claimants.

6a. Segmental Analysis

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

2018-19 **Directorate**	**Revenue from Contracts with Service Recipients £'000s**	**Interest Revenue £'000s**	**Interest Expense £'000s**	**Depreciation and Amortisation £'000s**
Chief Executive	(40)	-	-	4
Deputy Chief Executive & S151 Officer	(6,640)	(316)	1,152	4,326
Director of Operations & Commercial Services	(11,936)	(5)	-	3,458
Director of Corporate Governance	(3,397)	-	-	607
East Kent Shared Services	(7,849)	-	-	-
Total	**(29,862)**	**(321)**	**1,152**	**8,395**

2019-20 **Directorate**	**Revenue from Contracts with Service Recipients £'000s**	**Interest Revenue £'000s**	**Interest Expense £'000s**	**Depreciation and Amortisation £'000s**
Chief Executive	(7)	-	-	5
Deputy Chief Executive & S151 Officer	(4,194)	(361)	1,034	6,657
Director of Operations & Commercial Services	(12,963)	-	-	3,650
Director of Corporate Governance	(3,268)	-	-	606
East Kent Shared Services	(7,379)	-	-	-
Total	**(27,811)**	**(361)**	**1,034**	**10,918**

7. Other Operating Expenditure

2018-19 £'000s		2019-20 £'000s
1,736	Parish Council Precepts	1,847
199	Payments to the Housing Capital Receipts Pool	232
(1,185)	(Gains)/Losses on the disposal of non-current assets	1,619
750	**Total**	**3,698**

8. Financing and Investment Income and Expenditure

2018-19 £'000s		2019-20 £'000s
1,152	Interest Payable and Similar Charges	1,034
59	Impairment of Financial Assets	807
2,409	Net Interest on the Net Defined Benefit Liability	2,101
(321)	Interest Receivable and similar income	(361)
42	(Gain)/Loss on Trading Operations (see below)	218
(900)	Income and Expenditure on investment properties - Note 21	(689)
142	Changes in fair value of investment properties	(1,106)
2,583	**Total**	**2,004**

9. Taxation and Non-Specific Grant Income

2018-19 £'000s		2019-20 £'000s
(11,570)	Council Tax Income	(12,075)
(17,516)	Non-Domestic Rates Income	(15,213)
7,434	Non-Domestic Rates Expenditure (Tariff)	8,432
(1,244)	Non Ring Fenced Government Grants - Note 15	(1,076)
(747)	Capital Grants and Contributions - Note 15	(2,592)
(23,643)	**Total**	**(22,524)**

The increase in prior year non-domestic rates income is as a result of participating in the 100% Business Rate Retention Pilot Scheme. This was a one-off scheme for 2018-19 only.

10. On Street Parking Services

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

2018-19 £'000s		2019-20 £'000s
(621)	**Net Cost of Service Brought Forward**	**(975)**
1,178	Gross Expenditure	1,542
123	Movement in Provision for unpaid fines	(31)
257	Use of Reserve	-
(1,912)	Gross Income	(1,687)
(975)	**Balance Carried Forward**	**(1,151)**

In 2019-20 the Council agreed a four year programme with Kent County Council to invest the funding held in this account in a number of schemes that will deliver enhanced parking and transport infrastructure for the district.

11. Members' Allowances

2018-19 £'000s		2019-20 £'000s
353	Allowances	355
1	Expenses	-
354	**Total**	**355**

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

12. Remuneration of Employees

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

2018-19	Salary	Fees & allow.	Other Cash Benefits	Comp. for loss of office	Total Remun. excl. pension contribs	Pension contribs	Total Incl. pension contribs
Post Holder	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive	120,744	1,495	5,000	-	**127,239**	19,153	**146,392**
Deputy Chief Executive & S151 Officer	105,400	891	4,500	-	**110,791**	16,487	**127,278**
Director of Corporate Governance	97,500	294	4,000	-	**101,794**	15,307	**117,101**
Director of Operations & Commercial Services	97,884	-	4,000	-	**101,884**	15,308	**117,192**
Head of Shared Services (1)	77,844	633	3,500	-	**81,977**	10,742	**92,719**
Chief Information Officer - ICT (1)	77,217	66	2,750	52,665	**132,698**	8,111	**140,809**
Total	**576,589**	**3,379**	**23,750**	**52,665**	**656,383**	**85,108**	**741,491**

Note 1 - The Head of Shared Services and the Chief Information Officer – ICT were both East Kent Services staff.

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

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

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

The Council's other employees (i.e. those not included in the analysis above) receiving more than £50,000 remuneration for the year (including compensation for loss of office but excluding employer's pension contributions) were paid the following amounts:

2018-19 Number of Staff		Remuneration Band £	2019-20 Number of Staff	
Total	Left during year		Total	Left during year
5	1	50,000 - 54,999	6	1
5	-	55,000 - 59,999	6	1
1	-	60,000 - 64,999	1	-
2	-	65,000 - 69,999	1	-
2	-	70,000 - 74,999	5	1
-	-	75,000 - 79,999	-	-
1	-	80,000 - 84,999	-	-
-	-	85,000 - 89,999	-	-
-	-	90,000 - 94,999	1	1
16	**1**	**Total**	**20**	**4**

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

Bands	Number of Compulsory Redundancies		Number of other departures		Total Number of packages in each band		Total cost of packages in each band	
	18-19	19-20	18-19	19-20	18-19	19-20	18-19 £'000	19-20 £'000
0 - 20,000	2	7	2	2	4	**9**	22	**82**
20,001 - 40,000	1	3	-	5	1	**8**	21	**222**
40,001 - 60,000	1	1	1	-	2	**1**	95	**58**
60,001 - 80,000	-	-	-	-	-	**-**	-	**-**
80,001 - 100,000	-	-	-	-	-	**-**	-	**-**
Total Cost Included in Bandings							**138**	**362**

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

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

The Council terminated the contracts of 18 employees in 2019-20. This included 5 planned redundancies at Ramsgate Port at a cost of £114k to provide the on-going savings required to balance the 2019-20 budget. It also included 5 redundancies within East Services following a restructure of the ICT service at a cost of £127k. As this is a shared service with Dover District Council and Canterbury City Council, TDC's share of the redundancies related to this restructure was only £42k.

Within the total payment of £362k there were no enhancements of retirement benefits.

13. External Audit Costs

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

2018-19 £'000s	Fees payable to external auditors	2019-20 £'000s
68	External audit work carried out by the appointed auditor	58
1	Statutory Inspection/Objections	-
36	Certification of grant claims and returns	44
105	**Total**	**97**

14. Port and Harbours

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

2018-19	Port of Ramsgate	Ramsgate Royal Harbour	Broadstairs Royal Harbour	Margate Harbour	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Income	(1,073)	(2,401)	(88)	(9)	(3,571)
Expenditure	3,584	2,695	0	27	6,306
(Surplus)/Deficit	**2,511**	**294**	**(88)**	**18**	**2,735**
Less:accounting adjustments					
Capital Charges	(1,709)	(439)	32	(2)	(2,118)
IAS19 Pension Adjustments	(115)	(170)	(1)	0	(286)
Funding Position - (Surplus)/Deficit	**687**	**(315)**	**(57)**	**16**	**331**
Corporate Overheads (Included within Expenditure)	87	139	5	1	232

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

The table disclosed above shows an accounting loss of approximately £1.5m (£2.7m 2018-19), in accordance with generally accepted accounting practices. However, this position includes items that do not impact the service or council tax payers.

After removing accounting adjustments for capital purposes and pension accounting the service recorded a surplus of approximately £350k (£300k loss 2018-19) from a funding perspective. Furthermore, this position includes a £224k (£230k 2018-19) allocation for corporate overheads.

15. Grant Income

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

Credited to Taxation and Non Specific Grant Income

Restated 2018-19 £'000s	Grant	2019-20 £'000s
(40)	Department of Work & Pensions - HB Reform	(103)
-	Revenue Support Grant (RSG)	(97)
(1,011)	New Homes Bonus	(600)
(35)	Environment Agency	(1,658)
(90)	Homes & Communities Agency – Cluster Bid	(720)
(78)	Historic Grants	(58)
(29)	Police and Crime Commissioner	-
(190)	Ministry of Housing, Communities & Local Government - New Burdens	(245)
(518)	South East Local Enterprise Partnership/KCC	(137)
-	Section 106 developer contributions	(50)
(1,991)	**Total**	**(3,668)**

The 2018-19 figures have been restated to include non ring fenced government grants. The increase in Environment Agency grant income relates to coastal and flood protection projects.

Credited to Services

2018-19 £'000s	Grant	2019-20 £'000s
(48,782)	Department of Work & Pensions inc. Housing Benefits	(42,121)
(334)	Heritage Lottery Fund inc. Dalby Square & Ellington Park	(132)
(577)	Kent County Council inc. Council Tax	(546)
(3,758)	Ministry of Housing, Communities & Local Government	(4,953)
(191)	National Non-Domestic Rates	(197)
(363)	Section 106 developer contributions	(486)
(910)	Other Grants	(1,560)
(54,915)	**Total**	**(49,996)**

The reduction in the Department of Work and Pensions Housing Benefit Grant is a result of the migration of claimants to Universal Credit.

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

2018-19 £'000s	Grant	2019-20 £'000s
(1,384)	Environment Agency	(328)
(3)	Kent County Council	-
(1,428)	Ministry of Housing, Communities & Local Government	(1,368)
(1,366)	Section 106 developer contributions	(1,636)
(447)	Regional Housing Board	(449)
(4,628)	**Total**	**(3,781)**

Revenue Grants Receipts in Advance

2018-19 £'000s	Grant	2019-20 £'000s
(318)	Department of Work & Pensions	(246)
(136)	Her Majesty's Revenue & Customs (HMRC)	(119)
(293)	Kent County Council	(527)
(65)	Kent Police & Crime Commissioner	(22)
(928)	Ministry of Housing, Communities & Local Government	(1,192)
(98)	Section 106 developer contributions	(150)
(62)	Thanet Coast Project	(15)
(152)	Other grants	(160)
(2,052)	**Total**	**(2,431)**

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

2018-19 £'000s		2019-20 £'000s
(2,052)	Revenue – Short Term	(2,431)
(4,264)	Capital – Short Term	(3,504)
(363)	Capital – Long Term	(277)
(6,679)	**Total**	**(6,212)**

Notes Supporting the Movement in Reserves Statement

16. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

2018-19	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Depreciation and impairment of non-current assets	(4,315)	-	-	(4,050)	-	8,365
Revaluation losses of non-current assets	(2,716)	(3,166)	-	-	-	5,882
Movements in the fair value of investment properties	(142)	-	-	-	-	142
Amortisation of intangible assets	(30)	-	-	-	-	30
Capital grants and contributions applied	525	562	-	-	-	(1,087)
Revenue expenditure funded from capital under statute	(196)	-	-	-	-	196
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(1,511)	(911)	-	-	-	2,422
Statutory provision for repayment of debt	1,358	-	-	-	-	(1,358)
Capital expenditure charged to the General Fund and HRA	214	3,121	-	-	-	(3,335)
Adjustments primarily involving the Capital Receipts Reserve (CRR)						
Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	2,901	706	(3,607)	-	-	-
Costs of disposal funded from capital receipts	(2)	(10)	12	-	-	-
Use of CRR to repay debt	-	-	(1)	-	-	1
Use of the CRR to finance new capital expenditure	-	-	3,182	-	-	(3,182)
Use of the CRR to finance payments to the Government capital receipts pool	(199)	-	199	-	-	-
Transfer from deferred capital receipts	-	-	(1)	-	-	1
Adjustments primarily involving the Major Repairs Reserve (MRR)						
Use of the MRR to finance new capital expenditure	-	-	-	1,304	-	(1,304)
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	(6,638)	(213)	-	-	-	6,851
Employer's pension contributions and in year payments direct to pensioners	4,607	87	-	-	-	(4,694)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and NDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	526	-	-	-	-	(526)
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	22	-	-	-	-	(22)
Total Adjustments	**(5,596)**	**176**	**(216)**	**(2,746)**	**-**	**8,382**

2019-20	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Depreciation and impairment of non-current assets	(4,162)	-	-	(4,449)	-	8,611
Revaluation losses of non-current assets	(275)	(2,009)	-	-	-	2,284
Movements in the fair value of investment properties	1,126	(20)	-	-	-	(1,106)
Amortisation of intangible assets	(24)	-	-	-	-	24
Capital grants and contributions applied	2,056	876	-	-	-	(2,932)
Revenue expenditure funded from capital under statute	(512)	-	-	-	-	512
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(395)	(3,556)	-	-	-	3,951
Statutory provision for repayment of debt	1,203	839	-	-	-	(2,042)
Capital expenditure charged to the General Fund and HRA	111	1,626	-	-	-	(1,737)
Adjustments primarily involving the Capital Receipts Reserve (CRR)						
Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	283	2,049	(2,332)	-	-	-
Costs of disposal funded from capital receipts	(29)	(27)	27	-	-	29
Use of CRR to repay debt	-	-	(7)	-	-	7
Use of the CRR to finance new capital expenditure	-	-	2,975	-	-	(2,975)
Use of the CRR to finance payments to the Government capital receipts pool	(232)	-	232	-	-	-
Transfer from deferred capital receipts	-	-	(2)	-	-	2
Adjustments primarily involving the Major Repairs Reserve (MRR)						
Use of the MRR to finance new capital expenditure	-	-	-	1,745	-	(1,745)
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	(7,995)	(327)	-	-	-	8,322
Employer's pension contributions and in year payments direct to pensioners	4,753	108	-	-	-	(4,861)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and NDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(270)	-	-	-	-	270
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	165	-	-	-	-	(165)
Total Adjustments	**(4,197)**	**(441)**	**893**	**(2,704)**	**-**	**6,449**

17. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2019-20.

For the Year Ended 31 March	1 April 2018 £000's	Transfers Between Reserves £000's	Revenue Approp. £000's	31 March 2019 £000's	Transfers Between Reserves £000's	Revenue Approp. £000's	31 March 2020 £000's
General Fund							
Local Taxation Funding Reserve	**(3,069)**	-	(2,644)	**(5,713)**	456	92	**(5,165)**
Investment & Growth Reserve	**(2,035)**	-	(528)	**(2,563)**	(456)	(801)	**(3,820)**
Risk & Insurance Reserve	**(1,618)**	-	(161)	**(1,779)**	-	(45)	**(1,824)**
Repairs & Renewals Reserve	**(1,051)**	-	(348)	**(1,399)**	-	(118)	**(1,517)**
Lottery Reserve	**(4)**	-	(13)	**(17)**	-	(21)	**(38)**
Covid-19 Reserve	**-**	-	-	**-**	-	(89)	**(89)**
General Fund Total	**(7,777)**	**-**	**(3,694)**	**(11,471)**	**-**	**(982)**	**(12,453)**
HRA							
Slippage Fund – HRA	**(343)**	-	343	**-**	-	-	**-**
HRA Properties	**(4,901)**	-	2,374	**(2,527)**	-	1,452	**(1,075)**
HRA Total	**(5,244)**	**-**	**2,717**	**(2,527)**	**-**	**1,452**	**(1,075)**
Total Earmarked Reserves	**(13,021)**	**-**	**(977)**	**(13,998)**	**-**	**470**	**(13,528)**

The above reserves have been established under the Local Government and Housing Act 1989.

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

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

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

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

Covid-19 Reserve - held to support the impact of the Coronavirus pandemic.

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

Slippage Fund HRA – used for ad hoc and specified liabilities on the HRA which, due to timing difficulties, cannot be spent until after 31 March.

Notes Supporting the Balance Sheet

18. Property, Plant and Equipment

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

	Council Dwellings	Other Land & Buildings	Heritage Assets	Vehicles, Plant & Equip	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2018	**142,159**	**67,139**	**20,590**	**12,814**	**22,542**	**-**	**1,524**	**467**	**267,235**
Additions	5,068	4,883	509	1,282	28	136	348	-	**12,254**
Disposals	-	(863)	-	-	-	-	-	(168)	**(1,031)**
Reclassifications	753	(345)	-	63	2	70	(779)	-	**(236)**
Reval. & Restatement	9,316	5,733	-	-	-	-	-	210	**15,259**
Downward Reval. & Impair. charged to CI&E	(3,166)	(2,932)	(278)	-	-	(178)	-	-	**(6,554)**
Downward Reval. & Impair charged to Reval. Reserve	(298)	(3,681)	-	-	-	(28)	-	(48)	**(4,055)**
Gross Asset Valuation	**153,832**	**69,934**	**20,821**	**14,159**	**22,572**	**-**	**1,093**	**461**	**282,872**
Depreciation b/fwd	-	2,440	-	8,560	8,754	-	-	-	19,754
Depreciation 2018-19	3,961	2,204	-	1,358	565	-	-	-	8,088
Write out Accumulated Depreciation on Rev	(3,961)	(1,913)	-	-	-	-	-	-	(5,874)
Other depreciation adj	-	(232)	-	-	-	-	-	-	(232)
Gross Depreciation c/fwd	**-**	**2,499**	**-**	**9,918**	**9,319**	**-**	**-**	**-**	**21,736**
Net Book Value:									
as at 31 March 2019	**153,832**	**67,435**	**20,821**	**4,241**	**13,253**	**-**	**1,093**	**461**	**261,136**
as at 31 March 2018	**142,159**	**64,699**	**20,590**	**4,254**	**13,788**	**-**	**1,524**	**467**	**247,481**

	Council Dwellings £'000s	Other Land & Buildings £'000s	Heritage Assets £'000s	Vehicles, Plant & Equip £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Assets Under Construction £'000s	Surplus Property £'000s	Total £'000s
As at 1 April 2019	**153,832**	**69,934**	**20,821**	**14,159**	**22,572**	**-**	**1,093**	**461**	**282,872**
Additions	3,036	3,606	38	409	535	70	5,851	-	**13,545**
Disposals	-	(480)	-	(418)	-	-	-	-	**(898)**
Reclassifications	(1,095)	(730)	-	53	5	-	(276)	618	**(1,425)**
Recognitions	-	-	38	-	-	-	-	65	**103**
Reval. & Restatement	-	3,641	89	-	-	23	-	351	**4,104**
Downward Reval. & Impair. charged to CI&E	(863)	(1,393)	(278)	-	-	(93)	-	-	**(2,627)**
Downward Reval. & Impair charged to Reval. Reserve	(1,950)	(3,372)	(15)	-	-	-	-	(255)	**(5,592)**
Gross Asset Valuation	**152,960**	**71,206**	**20,693**	**14,203**	**23,112**	**-**	**6,668**	**1,240**	**290,082**
Depreciation b/fwd	-	2,499	-	9,918	9,319	-	-	-	**21,736**
Depreciation 2019-20	4,319	2,115	-	1,308	578	-	-	12	**8,332**
Write out Accumulated Depreciation on Rev	(4,319)	(2,615)	-	-	-	-	-	(195)	**(7,129)**
Other depreciation adj	-	(374)	-	(403)	-	-	-	187	**(590)**
Gross Depreciation c/fwd	**-**	**1,625**	**-**	**10,823**	**9,897**	**-**	**-**	**4**	**22,349**
Net Book Value:									
as at 31 March 2020	**152,960**	**69,581**	**20,693**	**3,380**	**13,215**	**-**	**6,668**	**1,236**	**267,733**
as at 31 March 2019	**153,832**	**67,435**	**20,821**	**4,241**	**13,253**	**-**	**1,093**	**461**	**261,136**

Revaluations

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

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

	Council Dwellings £'000	Land, Buildings £'000	Heritage £'000	Surplus £'000	Investment Properties £'000	Total £'000
Carried at:						
Cost	-	2,240	20,335	-	-	**22,575**
Current Value						
Pre 2014	-	-	67	-	-	**67**
2014-15	-	-	31	-	-	**31**
2015-16	-	1,034	18	-	-	**1,052**
2016-17	-	1,481	-	-	614	**2,095**
2017-18	-	4,317	-	-	1,903	**6,220**
2018-19	-	5,455	-	460	955	**6,870**
2019-20	152,960	56,679	242	780	19,493	**230,154**
Total Value	**152,960**	**71,206**	**20,693**	**1,240**	**22,965**	**269,064**

The Dreamland Amusement park heritage assets (£20.335m), vehicles, plant and equipment, infrastructure, and assets under construction are carried at historical cost. Other Land and Buildings includes housing development sites (which have not yet been valued) at cost of £2.24m.

19. Heritage Assets

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

	War Memorials Public Statues £'000s	Museum Artefacts £'000s	Art Collection £'000s	Civic Regalia £'000s	Dreamland £'000s	Total £'000s
1 April 2018	**113**	**30**	**85**	**18**	**20,344**	**20,590**
Additions	-	-	-	-	509	**509**
Devaluation/Impairment charged to C I & E	-	-	-	-	(278)	**(278)**
31 March 2019	**113**	**30**	**85**	**18**	**20,575**	**20,821**
1 April 2019	**113**	**30**	**85**	**18**	**20,575**	**20,821**
Additions	-	-	-	-	38	**38**
Recognition	-	25	13	-	-	**38**
Upward/(Downward) Revaluation to Reserve	5	20	49	-	-	**74**
Devaluation/Impairment charged to C I & E	-	-	-	-	(278)	**(278)**
31 March 2020	**118**	**75**	**147**	**18**	**20,335**	**20,693**

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

Cost of Recognition/acquisition of Heritage assets	**2018-19 £'000s**	**2019-20 £'000s**
Art		
- Items with value > £10k	85	147
- balance of collection	121	108
Furniture/Dolls etc		
- Items with value > £10k	30	65
- balance of collection	14	9
Civic Statues		
- Items with value > £10k	113	118

Posters		
- balance of collection	16	16
Civic Regalia		
- Items with value > £10k	18	18
- balance of collection	9	9
Miscellaneous		
- Items with value >£10k		10
- balance of collection	52	52
Dreamland		
- Items with value > £10k	20,575	20,335
Total Value of Assets	**21,033**	**20,887**
Total Value shown on Balance Sheet (net of Impairment/devaluation)	**20,821**	**20,693**

The Authority's heritage assets include public statues, civic regalia, a historic amusement park and rides and cinema complex, museum artifacts and art collections. The museums each have collections of heritage assets which are held in support of the primary objective of the Authority's museum, i.e. increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. The Council has set a de-minimis level in respect of the recognition of heritage assets of £10k. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include intangible elements are set out in Note 1.

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

Dreamland

The Council has been successful in a CPO to acquire the Dreamland site in Margate. This site comprises land that has been used as an amusement park/fairground and a cinema complex with associated facilities. The Council has determined that:

- the amusement park has an indeterminate life and so does not consider it appropriate to charge depreciation and;
- given that both the amusement park and cinema complex are specialist assets giving a unique heritage experience, they will be measured at historical cost rather than valuation in accordance with the Council's accounting policies set out in Note 1.

On 1 August 2019 Cabinet agreed to dispose of Dreamland (subject to legal advice and the agreement of external funders) although, as at 31 March 2020, not all the criteria had been met to reclassify it as a Held For Sale asset.

Public Statues

This includes a bronze statue on Margate seafront and a museum marble bust. The Council also has recorded several war memorials within its community asset portfolio, each valued at a notional £1.

Museum Artefacts and Art Collections

The Council commissioned an independent expert to review its collections at the Old Town Hall Margate, the Dickens House Museum and the Maritime Museum. The asset classification used is based on the report of the expert John Harrison MSc AMA dated 13 March 2012 which has identified an underlying small value of most of the exhibits (approximately 7,000 items in total) but has separately identified those with values above £10k and those below this with specific "collectable" interest. The valuation of specific major items was subsequently updated in November 2019 (for insurance purposes) and the asset register was amended accordingly.

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.

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.

Civic Regalia

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

20. Fair Value Measurement of Property Assets

Valuation Hierarchy

Surplus Property, Investment Property and Assets Held for Sale are measured at fair value as shown in notes 18, 21 and 26 respectively. This reflects the application of IFRS13 Fair Value Measurement prospectively from 1 April 2015.

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

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

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

	Surplus Property	Investment Property	Current Assets Held for Sale	Total
Level 2 Assets	**£000's**	**£000's**	**£000's**	**£000's**
Balance as at 1 April 2018	**467**	**22,855**	**74**	**23,396**
Additions	-	-	-	**-**
Disposals	(168)	(800)	(785)	**(1,753)**
Recognition	-	-	-	**-**
Reclassifications	-	(30)	228	**198**
Upward Revaluations	210	696	483	**1,389**
Downward revaluation charged to the C I & E	-	(838)	-	**(838)**
Downward revaluation charged to Revaluation Reserve	(48)	-	-	**(48)**
Balance as at 31 March 2019	**461**	**21,883**	**-**	**22,344**
Level 3 Assets				
Balance as at 1 April 2018	**-**	**10**	**-**	**10**
Upward Revaluations	-	-	-	-
Balance as at 31 March 2019	**-**	**10**	**-**	**10**

Level 2 Assets	Surplus Property £000's	Investment Property £000's	Current Assets Held for Sale £000's	Total £000's
Balance as at 1 April 2019	**461**	**21,883**	**-**	**22,344**
Additions	-	1	-	**1**
Disposals	-	(35)	(3,567)	**(3,602)**
Recognition	65	-	11	**76**
Reclassifications	618	-	1,425	**2,043**
Upward Revaluations	351	2,382	2,407	**5,140**
Downward revaluation charged to the C I & E	-	(1,276)	-	**(1,276)**
Downward revaluation charged to Revaluation Reserve	(255)	-	-	**(255)**
Balance as at 31 March 2020	**1,240**	**22,955**	**276**	**24,471**
Level 3 Assets				
Balance as at 1 April 2019	**-**	**10**	**-**	**10**
Upward Revaluations	-	-	-	**-**
Balance as at 31 March 2020	**-**	**10**	**-**	**10**

Valuation Methods

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

Valuation Inputs

Typical level 2 valuation inputs include:

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

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

Transfers

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

Highest and Best Use

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

Level 3 Valuation Inputs and Process

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

Impairments

There were no valuation impairments during the financial year ended 31 March 2020.

21. Investment Property

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

2018-19 £'000s		2019-20 £'000s
(1,262)	Rental Income from Investment property	(1,045)
362	Direct operating expenses arising from investment property	356
(900)	**Net (Gain)/Loss**	**(689)**

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

2018-19 £'000s		2019-20 £'000s
22,865	**Balance as at 1 April**	**21,893**
(800)	Disposals	(35)
-	Additions	-
(142)	Revaluation - Increase/(Decrease) in valuation	1,106
(30)	Reclassifications	-
-	Subsequent expenditure	1
21,893	**Balance as at 31 March**	**22,965**

22. Financial Instruments Balances

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

Financial Liabilities

	Long-Term		Current	
	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s
Borrowings	(25,024)	(24,394)	(5,432)	(631)
Trade creditors	-	-	(5,130)	(5,318)
Deferred liabilities	(347)	(347)	-	-
+ Accrued interest	-	-	(371)	(281)
Financial liabilities at amortised cost	(25,371)	(24,741)	(10,933)	(6,230)
Total financial liabilities	**(25,371)**	**(24,741)**	**(10,933)**	**(6,230)**

Financial Assets

	Long-Term		Current	
	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2020 £'000s
Short term investments	-	-	17,867	17,936
Cash and Cash Equivalents	-	-	24,742	16,776
Trade debtors	-	-	5,988	4,977
Capital/Revenue Grant Debtors	-	-	360	1,027
Mortgages	2	-	-	-
Charitable Loans	84	113	-	-
KCC Highways Bond	54	54	-	-
East Kent Housing Loans	279	-	-	-
Leisure Services Loans	136	136	-	-
+ Accrued interest on investments	-	-	62	59
Loans and receivables at amortised cost	555	303	49,019	40,775
Total financial assets	**555**	**303**	**49,019**	**40,775**

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

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of the refurbishment of Hartsdown Leisure Centre that was undertaken by Thanet Leisure Force (now Your Leisure Kent Limited). A similar arrangement has been entered into for the new Ramsgate Swimming Pool. Further details can be found in Note 2. It is not probable that payment by the Authority will be required, the guarantees have been disclosed as critical judgements and as such have not been recognised as current or long term liabilities in the above table.

Note 4 – The Council has made small soft loans at less than market rates (soft loans).

Financial Instruments Gains/Losses

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

2018-19			2019-20	
Financial Liabilities Amortised cost	**Financial Assets Amortised Cost**		**Financial Liabilities Amortised cost**	**Financial Assets Amortised Cost**
£'000s	**£'000s**		**£'000s**	**£'000s**
1,152	-	Interest expense	1,034	-
-	59	Impairment losses	-	807
1,152	**59**	**Interest payable and similar charges**	**1,034**	**807**
-	(321)	Interest income		(361)
-	**(321)**	**Interest and investment income**		**(361)**
890		**Net (gain)/loss for the year**	**1,480**	

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2), using the following assumptions:

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

The fair values are calculated as follows:

31 March 2019			31 March 2020	
Carrying Amount £'000s	**Fair Value £'000s**		**Carrying Amount £'000s**	**Fair Value £'000s**
(26,239)	(30,147)	PWLB debt	(20,726)	(23,734)
(4,588)	(7,107)	Other debt	(4,580)	(6,752)
(30,827)	**(37,254)**	**Total debt**	**(25,306)**	**(30,486)**
(347)	(347)	Finance lease liabilities	(347)	(347)
(5,130)	(5,130)	Trade creditors	(5,318)	(5,318)
(36,304)	**(42,731)**	**Total Financial Liabilities**	**(30,971)**	**(36,151)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

31 March 2019 Carrying Amount & Fair Value £'000s		31 March 2020 Carrying Amount & Fair Value £'000s
84	Charitable loans	113
41,673	Money market loans < 1 year	33,904
2	Mortgages	-
136	Leisure services loans	136
54	KCC Highways Bond	54
279	East Kent Housing loan	-
5,988	Trade debtors	4,977
48,216	**Total Loans and Receivables**	**39,184**

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

Basis for fair value measurements

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

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

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

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

23. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The credit criteria in respect of financial assets held by the Council are detailed below:

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

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

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

The full Investment Strategy for 2019-20 was approved by Full Council on 28 February 2019 (available on the Council's website).

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

Amounts Arising from Expected Credit Losses

The following analysis summarises the Council's maximum exposure to credit risk (expected credit loss) on other financial assets, based on experience of default, adjusted to reflect current market conditions:

2018-19	Amount at 31 March 2019	Historical experience of default	Adjustment for market conditions at 31 March 2019	Estimated maximum expected credit loss
	£'000s	%	%	£'000s
	(a)	(b)	(c)	(a * c)
Trade Debtors	11,148	46.29	46.29	5,161
Capital/Revenue Grant Debtors	360	-	-	-
KCC Highways Bond	54	-	-	-
Mortgages	2	-	-	-
Charitable Loans	84	-	-	-
East Kent Housing Loans	279	-	-	-
Leisure Services Loans	136	-	-	-
Total	**12,063**			**5,161**

2019-20	Amount at 31 March 2020 £'000s (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2020 % (c)	Estimated maximum expected credit loss £'000s (a * c)
Trade Debtors	10,737	53.65	53.65	5,760
Capital/Revenue Grant Debtors	1,027	-	-	-
KCC Highways Bond	54	-	-	-
Charitable Loans	113	-	-	-
Leisure Services Loans	136	-	-	-
Total	**12,067**			**5,760**

The estimated maximum expected credit loss for trade debtors is equivalent to the loss allowance for contractual debt. No credit limits have been exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £7.008m of the £10.737m balance is past its due date for payment. The past due amount of trade debtors can be analysed by age as follows:

31 March 2019 £'000s		31 March 2020 £'000s
1,991	Less than three months	1,378
739	Three to six months	831
1,048	Six months to one year	1,165
4,348	More than one year	3,634
8,126	**Total**	**7,008**

The above table excludes certain HRA debtors for 2019-20 only (£761k) as a change in IT system (with different functionality) has meant that an age analysis is unobtainable. £733k of the excluded amount relates to former tenancy arrears. 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 2019 £'000s		31 March 2020 £'000s
235	**Debt brought forward from previous year (more than 1 year old)**	**266**
121	Costs incurred in financial year (less than 1 year old)	74
(90)	Debtor invoices raised in year	(207)
266	**Total debt outstanding at year end**	**133**

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

Credit Risk Exposure in Investments

The Council has the following exposure to credit risk as at 31 March 2020 risk in relation to its investments in financial institutions of £34.749m;

31 March 2019 £'000s	Lowest Long Term Credit Risk Rating	31 March 2020 £'000s
-	AAA	-
-	AA-	-
1	A+	1
1	A	2
2	**Total**	**3**

The primary principle governing the Council's investment criteria is the security of its investments, which is reflected in the relatively low exposure to credit risk shown above.

Liquidity Risk

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

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

The maturity analysis of investments is as follows:

31 March 2019 £'000s		31 March 2020 £'000s
42,609	Less than one year	34,749
42,609	**Total**	**34,749**

Refinancing and Maturity Risk

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

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

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

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

31 March 2019 £'000s		Approved Maximum Limits 2019-20 £'000s	31 March 2020 £'000s
(5,803)	Less than one year	(10,403)	(912)
(632)	Maturing in 1 - 2 years	(10,403)	(4,179)
(4,771)	Maturing in 2 - 5 years	(10,403)	(3,080)
(2,835)	Maturing in 5 - 10 years	(10,403)	(2,356)
(8,366)	Maturing in 10 - 20 years	(10,403)	(7,359)
(1,000)	Maturing in 20 - 30 years	(10,403)	(1,920)
(1,920)	Maturing in 30 - 40 years	(10,403)	-
(1,000)	Maturing in 40 - 50 years	(10,403)	(1,000)
-	Maturing in 50 years and above	(10,403)	-
(26,327)	**Total**		**(20,806)**

Not shown in the table above are trade and other payables (£15.448m) which are due to be paid in less than one year, and a loan with Dexia (£4.5m) that matures in 40 - 50 years (see Market Risk section below).

Market Risk

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

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

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

Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Council has a long term loan of £4.5m from Dexia Credit Local Bank which has a lender's option/borrower's option (LOBO) feature. The option allows Dexia to increase the interest rate every six months although, if Dexia exercises this option the Council may repay the loan. If Dexia decides not to exercise this option, the loan will continue at the fixed rate until maturity in 2065. All of the Council's other borrowings are at fixed rate.

The Council holds both variable and fixed rate investments.

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

According to this assessment strategy at 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2018-19 £'000s		**2019-20 £'000s**
45	Increase in interest payable on variable rate borrowings	45
(328)	Increase in interest receivable on variable rate investments	(323)
(283)	**Impact on Comprehensive Income and Expenditure Statement**	**(278)**
(2,398)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure)	(2,118)

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

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

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

24. Debtors

2018-19 £'000s	Amounts falling due in one year	2019-20 £'000s
4,187	Council Tax and Business Rates	4,875
11,148	Trade Receivables	10,737
1,135	Prepayments	1,480
3,174	Other receivables	4,903
19,644		**21,995**
(6,842)	Less Impairment Allowance	(7,558)
12,802	**Total Short Term Debtors**	**14,437**

The past due amount for local taxation can be analysed by age as follows:

2018-19 £'000s	Debtors for Council Tax and Business Rates	2019-20 £'000s
361	Less than three months	502
169	Three to six months	195
174	Six months to one year	180
3,483	More than one year	3,998
4,187	**Total Local Taxation Debtors**	**4,875**

£'000s	Amounts falling due after one year	£'000s
2	Mortgages	-
84	Charitable/Housing Loans	113
136	Leisure Services Loans	136
279	East Kent Housing Loan	-
54	Kent County Council S278 Highways Bond	54
555	**Total Long Term Debtors**	**303**

25. Cash and Cash Equivalents

31 March 2019 £'000s		31 March 2020 £'000s	Movement 2019-20 £'000s
936	Cash held by the Authority	808	(128)
3	Bank current accounts	3	-
23,803	Short Term deposits	15,965	(7,838)
24,742	**Total Cash and Cash Equivalents**	**16,776**	**(7,966)**

The £8m reduction in the Council's cash balances reflects the £5m repayment of maturing loans during the year. Further details are provided in the Cash Flow Statement and accompanying notes.

26. Current Assets Held for Sale

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

2018-19 £'000s		2019-20 £'000s
74	**Balance as at 1 April**	**-**
242	Assets newly classified as held for sale	1,436
(14)	Assets declassified as held for sale	-
483	Revaluation gains	2,407
(785)	Disposals	(3,567)
-	**Balance as at 31 March**	**276**

27. Creditors

2018-19 £'000s	Amounts falling due in one year	2019-20 £'000s
(676)	Council Tax & Non Domestic Rates	(605)
(5,130)	Trade Payables	(5,318)
(6,337)	Central & Local Government	(8,353)
(1,642)	Other Payables	(1,172)
(13,785)	**Total Short Term Creditors**	**(15,448)**

The increase to Central & Local Government creditors relates to the early payment of Business Rates Section 31 grants due to be paid in 2020-21. Early payment was made to ease the impact on cash flow as a result of the Covid-19 pandemic lockdown.

28. Provisions

	Compensation Claims £'000s	NNDR Appeals £'000s	Other Provisions £'000s	Total £'000s
Balance as at 1 April 2019	**(481)**	**(2,449)**	**(476)**	**(3,406)**
Additional provisions made in year	(1)	(803)	-	**(804)**
Amounts used during the year	-	69	476	**545**
Unused amounts reversed in year	-	-	-	**-**
Balance as at 31 March 2020	**(482)**	**(3,183)**	**-**	**(3,665)**

The Council holds a provision of £482k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants, and a business rates appeal provision of £3.183m for past and future appeals against the Valuation Office Agency (VOA) rateable valuation list. The closure of the 'Other Provision' in 2019-20 relates to the settlement of the final claim against the council for matters relating to live animal exports at Ramsgate port.

29. Usable Reserves

2018-19 £'000s		2019-20 £'000s
(9,437)	Capital Receipts Reserve	(8,544)
(12,765)	Major Repairs Reserve	(15,469)
(2,011)	General Fund Balance	(2,011)
(9,308)	HRA Balance	(8,645)
(43)	Capital Grants Unapplied	(43)
(11,471)	GF Earmarked Reserves	(12,453)
(2,527)	HRA Earmarked Reserves	(1,075)
(47,562)	**Total Usable Reserves**	**(48,240)**

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

Capital Receipts Reserve – see Note 30 below.

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

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

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

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

GF & HRA Earmarked Reserves – see Note 17.

30. Usable Capital Receipts Reserve

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

2018-19 £'000s		2019-20 £'000s
(9,221)	**Balance as at 1 April**	**(9,437)**
(3,606)	Capital Receipts in year	(2,332)
3,182	Capital Receipts used to finance capital expenditure	2,975
199	Housing Pooled Capital Receipts payment to government	232
9	Cost of sales/Right to Buy admin costs	18
(9,437)	**Balance as at 31 March**	**(8,544)**

31. Unusable Reserves

2018-19 £'000s		2019-20 £'000s
(119,030)	Revaluation Reserve	(123,446)
(115,155)	Capital Adjustment Account	(115,995)
(2)	Deferred Capital Receipts Reserve	-
86,274	Pensions Reserve	90,435
(814)	Collection Fund Adjustment Account	(544)
165	Accumulated Absences Account	-
(148,562)	**Total Unusable Reserves**	**(149,550)**

31a. Revaluation Reserve

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

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

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

2018-19 £'000s		2019-20 £'000s
(103,545)	**Balance as at 1 April**	**(119,030)**
(20,575)	Upward revaluation of assets	(10,715)
3,407	Downward revaluation of assets and impairment losses charged to the reserve	2,691
-	Gains through acquisition/recognition of non-current assets in the year	(113)
(17,168)	**Surplus or deficit arising on revaluation of non-current assets**	**(8,137)**
571	Difference between fair value depreciation and historical cost depreciation	564
1,112	Accumulated gains on assets disposed of	3,157
1,683	Amount written off to the Capital Adjustment Account	**3,721**
(119,030)	**Balance as at 31 March**	**(123,446)**

Upward revaluation of assets in 2019-20 of £10.715m includes £5.790m for Council dwellings. The figure of £20.575m for 2018-19 includes £13.277m for Council dwellings.

31b. Capital Adjustment Account

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

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

2018-19 £'000s		2019-20 £'000s
(120,244)	**Balance as at 1 April**	**(115,155)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,365	Charges for depreciation and impairment of non-current assets	8,611
5,882	Revaluation losses on Property, Plant and Equipment	2,284
30	Amortisation of intangible assets	24
2,966	Revenue expenditure funded from capital under statute	3,874
2,422	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,951
(100,579)		**(96,411)**
(1,683)	Adjusting amounts written out of the Revaluation Reserve	(3,721)
(102,262)	Net written out amount of the cost of non-current assets consumed in the year	**(100,132)**
	Capital Financing applied in the year:	
(3,182)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,945)
(293)	Repayment of debt	(554)
(1,304)	Use of the Major Repairs Reserve to finance new capital expenditure	(1,745)
(3,857)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,295)
(1,064)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,203)
(3,335)	Capital Expenditure charged against the General Fund and HRA balances	(2,015)
142	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,106)
(115,155)	**Balance as at 31 March**	**(115,995)**

31c. Pensions Reserve

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

2018-19 £'000s		2019-20 £'000s
94,194	**Balance as at 1 April**	**86,274**
(10,077)	Re-measurement of the net defined benefit liability	700
(4,694)	Employers contributions payable in the year	(4,861)
6,851	Reversal of items relating to retirement benefits debited to the (surplus) or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	8,322
86,274	**Balance as at 31 March**	**90,435**

31d. Collection Fund Adjustment Account

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

2018-19 £'000s		2019-20 £'000s
(288)	**Balance as at 1 April**	**(814)**
1	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	90
(527)	Amount by which non domestic rates (business rates) income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	180
(814)	**Balance as at 31 March**	**(544)**

32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018-19 £'000s		2019-20 £'000s
(321)	Interest Received	(364)
1,152	Interest Paid	1,125

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

2018-19 £'000s		2019-20 £'000s
(8,365)	Depreciation	(8,611)
(5,882)	Impairment and downward valuations	(2,284)
(30)	Amortisation	(24)
1,708	Movement in Creditors	1,193
1,287	Movement in Debtors	1,632
(26)	Movement in Inventories	89
(2,157)	Pension Liability	(3,461)
(2,002)	Carrying amount of non-current assets sold	(3,951)
(142)	Movement in Investment Property Values	1,106
22	Contribution (to)/from Provisions	(536)
(15,587)		**(14,847)**

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

2018-19 £'000s		2019-20 £'000s
(1,036)	Capital Grants credited	128
3,603	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,322
2,567		**2,450**

33. Cash Flow Statement - Investing Activities

2018-19 £'000s	Investing Activities	2019-20 £'000s
15,373	Purchase of Property, plant and equipment, investment property and intangible assets	16,810
686	Purchase of short term and long term investments	69
213	Other Payments for investing activities	30
(3,604)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,324)
(3,641)	Other receipts from investing activities	(3,566)
9,027	**Net cash flows from Investing activities**	**11,019**

34. Cash Flow Statement - Financing Activities

2018-19 £'000s	Financing Activities	2019-20 £'000s
294	Payments for the reduction of a finance liability	-
630	Repayments of short and long term borrowing	5,432
(406)	Other payments for financing activities	(1,859)
518	**Net cash flows from Financing activities**	**3,573**

34a. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2018 £'000s	Financing Cash flows £'000s	Other Non Cash changes £'000s	31 March 2019 £'000s
Long term borrowings	**(30,455)**	-	5,431	**(25,024)**
Short term borrowings	**(1,006)**	630	(5,427)	**(5,803)**
Lease liabilities	**(641)**	294	-	**(347)**
Total	**(32,102)**	**924**	**4**	**(31,174)**

	1 April 2019 £'000s	Financing Cash flows £'000s	Other Non Cash changes £'000s	31 March 2020 £'000s
Long term borrowings	**(25,024)**	-	630	**(24,394)**
Short term borrowings	**(5,803)**	5,432	(541)	**(912)**
Lease liabilities	**(347)**	-	-	**(347)**
Total	**(31,174)**	**5,432**	**89**	**(25,653)**

Financing cash flows on short term borrowings of £5,432k (2018-19: £630k) represents the repayment of maturing loans during the year.

35. Related Party Transactions

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

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

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

Members and Senior Officers – Members of the Council and certain senior officers have direct control over the financial and operating policies of the Authority and are therefore in a position of influence. The total of members' allowances paid in 2019-20 is shown in Note 11. During 2019-20 a questionnaire was distributed to the 55 current Members and 4 relevant officers. Two Councillors stated an interest in companies that involved revenue transactions to/from the authority amounting to £518k to the council and £16k from the council in 2019-20. These Councillors excuse themselves from meetings where there could be a conflict of interest (there were no prior year declarations in 18-19).

At the time of preparing this statement only 1 return remained outstanding. Previous declarations have been reviewed and no material disclosures have been made before by this Member.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the

Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 6 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2020 are shown in Note 15.

East Kent Services – The Council is a partner in a number of shared service arrangements principally with other East Kent Local authorities. In 2009-10 the East Kent HR Partnership was formed incorporating Thanet, Canterbury and Dover District Councils and in February 2011 the East Kent Shared Service was formed incorporating various services from Thanet, Dover and Canterbury, this included Revenue and Benefits, ICT and Customer Services. Thanet is the host authority for this arrangement. Revenue and Benefits and Customer Services were subsequently transferred to Civica UK Limited in February 2018. Neither arrangements are believed to have any joint account implications and are accounted for as related parties. The Council's financial statements include the costs and liabilities relating to its share of the shared service arrangements on a gross accounting basis across the relevant service headings.

Income from Canterbury of £3.109m (18-19 £3.085m) and Dover £2.529m (18-19 £2.506m) was invoiced during the year for their share of the Civica management contract. Payments were made to Canterbury of £175k (18-19 £175k) and Dover £196k (18-19 £196k) for various fixed cost support services provided to Civica UK limited as part of the main contract, and to Dover of £129k (18-19 £127k) as host of the Audit and HR Partnership.

Balances were owed to Canterbury of £287k (18-19 £515k) and Dover £257k (18-19 £172k) at the year end for adhoc services provided by the partners (on a short term basis) and for joint projects (Note 39 Long Term Liabilities) still to be delivered by East Kent Services. Debtors remained outstanding from Canterbury of £117k (18-19 £35k) and Dover £264k (18-19 £22k) for their share of costs incurred for Council Tax support administration and data sharing.

36. Capital Expenditure and Capital Financing

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

2018-19 £'000s		2019-20 £'000s	2019-20 £'000s
44,598	**Opening Capital Financing Requirement**		**47,284**
	Capital Investment		
12,252	Property, Plant and Equipment	13,534	
-	Investment Properties	1	
133	Capital loan granted (debtor)	40	
30	Intangible assets	24	
2,966	Revenue expenditure funded from capital under statute (including external funding)	3,874	
15,381			17,473
	Sources of finance		
(293)	Repayment of HRA debt - Voluntary Revenue Provision (VRP)	(840)	
(3,182)	Capital Receipts	(2,964)	
(4,821)	Government Grants and other contributions	(7,699)	
(3,335)	Direct revenue contributions	(2,015)	
(1,064)	Minimum Revenue Provision (MRP) for the repayment of debt	(1,203)	
(12,695)			(14,721)
47,284	**Closing Capital Financing Requirement**		**50,036**
	Explanation of movements in year		
4,043	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)		4,795
(1,064)	Minimum Revenue Provision (MRP) for the repayment of debt		(1,203)
(293)	Repayment of HRA debt - Voluntary Revenue Provision (VRP)		(840)
2,686	**Increase/(decrease) in CFR**		**2,752**

Capital Expenditure and Financing

The total capital expenditure in 2019-20 amounted to £17.473m (including revenue expenditure funded from capital). This included £10.586m in relation to HRA which was funded through the Major Repairs Allowance £1.745m, grants £0.876m, Capital receipts £1.808m and revenue/reserves £1.904m. The balance of £4.253m was unfunded.

General fund capital expenditure was £6.887m, funded from grants £5.078m, capital receipts £1.156m, and revenue/reserves £0.111m. The balance of £0.542m was unfunded.

Included in the General Fund capital expenditure of £6.887m is £0.818m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant General Fund expenditure includes £2.797m for disabled facility grants and £1.735m for coastal and flood protection infrastructure.

37. Finance and Operating Leases

Finance Leases

The Council has one car park lease, which is 125 years long. This lease has been reviewed and substantially all the risks and rewards of the lease lie with the Council. Therefore, to reflect this, a long term obligation exists for the remaining years of the lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet. The car park lease was re-valued during 2017-18 and has been assessed as having a nil value due to the significant on-going revenue deficits being incurred for the car park.

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

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

	2018-19 £'000s	2019-20 £'000s
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	(315)	(315)
Finance costs payable in future years	(32)	(32)
Minimum lease payments	**(347)**	**(347)**

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

	2018-19 £'000s	2019-20 £'000s
More than 1 year less than 5 years	(2)	(2)
More than 5 years	(345)	(345)
	(347)	**(347)**

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 2019-20 £190k contingent rents were payable by the Authority (2018-19 £213k).

Operating Leases: Council as Lessor

As a lessor, the Council has in excess of 200 operating leases relating to its General Fund and HRA investment properties that are considered cancellable. The majority of minimum lease payments receivable (£1.045m subject to rent review) relate to more than 5 years, the average lease term for such properties being 6 years. These assets can be found in the fixed asset note under Investment Properties. The asset valuations are apportioned as follows:

Asset Valuations

2018-19 £'000s		2019-20 £'000s
25	Investment Properties HRA	6
21,868	Investment Properties General Fund	22,959
21,893	**Total**	**22,965**

38. Defined Benefit Pension Scheme

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

Thanet District Council participates in the Local Government Pension Scheme (LGPS) administered by Kent County Council in accordance with the Local Government Pension Scheme (Amendment) Regulations 2018. This is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- Investment risk – the Fund holds investment in asset classes, such as equities, which have volatile market values and whilst these assets are expected to provide real returns in the long term, the short term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk – the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk – all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk – in the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks
- In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund, but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

As a result of the Covid-19 pandemic, pension fund investments have been subject to additional volatility in investment markets, the following tables show the estimated impact on market values at the measurement date provided by the fund's actuaries. Note 3 gives further information on the future material uncertainty in relation to the Kent Pension Fund and its impact on admitted bodies.

McCloud/Sargeant Ruling on Pension Account Disclosures:

Two successful employment tribunal cases were brought against the Government in relation to age discrimination on reforms to public sector pensions in 2015. The impact of the results of these cases has yet to be specifically determined within the confines of the LGPS. At the suggestion of both the Government Actuaries Department (GAD) the Ministry of Housing, Communities & Local Government (MHCLG) and external auditors, the Fund's Actuaries Barnett Waddingham were asked to undertake a review on whether the ruling would have a material impact on the figures shown within the 2018-19 Statement of Accounts. They concluded that any impact would not be of a material nature. The Council did not therefore restate any of the details supplied within the 2018-19 year end actuary assessment.

The Government were refused leave to appeal the McCloud/Sargeant judgements on 27 June 2019, with instruction for the parties involved to return to their respective employment tribunals to formulate a remedy to resolve the age discrimination of the pension changes. In addition, whilst the judgements concerned the Judges and Uniformed Police and Firefighters Pension Schemes, the Chief Secretary to the Treasury announced

on 15 July 2020 that the rulings would apply to all public service pension schemes, with each scheme expected to produce its own solution to meet the implications of the judgements.

Where the Council had not amended the actuary assessment for 2018-19 as a result of the ruling, an allowance for the impact of the McCloud/Sargeant judgements has been included in 2019-20 in recognition of the past service cost. Using analysis provided by GAD, focused on key assumptions around assumed rates of future salary increases, the potential impact of these judgements has been estimated at £985k.

Cost of Retirement Benefits

The cost of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is adjusted in the Council's accounts as a reversing entry in the Movement in Reserves Statement.

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

2018-19 £'000s	Amounts recognised in the Comprehensive Income and Expenditure Statement	2019-20 £'000s
	Cost of Services	
4,442	Current service cost	4,681
-	Past Service costs, curtailments and settlements	1,540
2,409	Net Interest on the defined liability	2,101
6,851	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**8,322**

2018-19 £'000s	Re-measurement of Net Defined Benefit	2019-20 £'000s
(6,932)	Return on plan assets in excess of interest	13,724
-	Other actuarial gains/(losses) on assets	2,524
9,473	Changes in financial assumptions	(17,272)
(12,618)	Changes in demographic assumptions	(2,555)
-	Experience gain/(loss) on defined benefit obligation	4,279
(10,077)	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**700**

2018-19 £'000s	Amounts recognised in the Movement in Reserves Statement	2019-20 £'000s
(6,851)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(8,322)
	Actual amount charged against the General Fund and Housing Revenue Account balance for pensioners:	
4,694	Employers contributions payable to the scheme	4,861

Assets and Liabilities in relation to Retirement Benefits

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

2018-19 £'000s		2019-20 £'000s
(227,715)	**Balance as at 1 April**	**(227,217)**
(4,442)	Current service cost	(4,681)
(5,711)	Interest cost	(5,368)
(9,473)	Change in financial assumption	17,272
12,618	Change in demographic assumption	2,555
(785)	Contributions by scheme participants	(810)
-	Experience loss/(gain) on defined benefit obligation	(4,279)
7,708	Benefits paid	7,944
583	Unfunded pension payments	580
-	Past service costs including curtailments/settlements	(1,540)
(227,217)	**Closing Defined Benefit Obligation**	**(215,544)**

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

2018-19 £'000s		2019-20 £'000s
133,521	**Balance as at 1 April**	**140,943**
3,369	Interest on assets	3,349
6,932	Return on assets less interest	(13,724)
-	Other actuarial gains/(losses)	(2,524)
(67)	Administration expenses	(82)
4,694	Employer contributions including unfunded	4,861
785	Contributions by scheme participants	810
(8,291)	Benefits paid including unfunded	(8,524)
140,943	**Closing Fair Value of Employer Assets**	**125,109**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected

returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual loss on scheme assets in the year was £10.375m (2018-19 £10.301m gain).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £90.4m 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 2021 is £4.3m.

Balance Sheet Disclosure as at 31 March 2020

Net Pension Assets	**31 March 2018 £'000s**	**31 March 2019 £'000s**	**31 March 2020 £'000s**
Present value of funded obligation	(219,257)	(219,349)	(208,242)
Fair value of scheme assets (bid value)	133,520	140,943	125,109
Net Liability	**(85,737)**	**(78,406)**	**(83,133)**
Present value of unfunded obligation	(8,457)	(7,868)	(7,302)
Net Liability in Balance Sheet	**(94,194)**	**(86,274)**	**(90,435)**

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates have been based on the latest full valuation of the scheme as at 31 March 2019.
The principal assumptions used by the actuary have been:

31 March 2019		31 March 2020
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.0 yrs	Men	21.8 yrs
24.0 yrs	Women	23.7 yrs
	Longevity at 65 for future pensioners:	
23.7 yrs	Men	23.2 yrs
25.8 yrs	Women	25.2 yrs
2.5%	Rate of inflation (CPI)	2.0%
4.0%	Rate of increase in salaries	3.0%
2.5%	Rate of increase in pensions	2.0%
2.4%	Rate for discounting scheme liabilities	2.4%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

Further assumptions are that:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

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

31 March 2019			31 March 2020	
£'000s	**%**		**£'000s**	**%**
96,646	68	Equity investments	76,967	61
927	1	Gilts	972	1
12,834	9	Bonds	16,307	13
16,928	12	Property	17,023	14
2,459	2	Cash	3,274	3
11,149	8	Target Return Portfolio	10,566	8
140,943		**Total**	**125,109**	

The following provides detail of these assets as at 31 March 2020, representing the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not.

Employer asset share – bid value		**31 March 2020**	
		% Quoted	**% Unquoted**
Fixed Interest			
Government Securities	UK	-	-
	Overseas	0.80%	-
Corporate Bonds	UK	4.20%	-
	Overseas	8.80%	-
Equities	UK	19.20%	-
	Overseas	38.60%	-
Property	All	-	13.60%
Others	Target return portfolio	8.50%	-
	Private equity	-	2.50%
	Infrastructure	-	1.10%
	Derivatives	-	-0.30%
	Cash/temporary investments	-	2.60%
Net Current Assets	Debtors	-	0.60%
	Creditors	-	-0.20%
Total		**80.10%**	**19.90%**

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. For the adjustment to the mortality age rating assumption, it has been assumed that a member has the mortality of someone a year older or a year younger, for example, under +1 year we have assumed that a 40 year old actually has the mortality of a 41 year old. As required under IAS 19, the projected unit method of valuation has been used to calculate the service cost. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

	£'000s	£'000s	£'000s
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	(211,697)	(215,544)	(219,466)
Projected Service Cost	(4,247)	(4,358)	(4,472)
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	(215,831)	(215,544)	(215,261)
Projected Service Cost	(4,360)	(4,358)	(4,356)
Adjustment to Pension Increases & Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	(219,190)	(215,544)	(215,261)
Projected Service Cost	(4,470)	(4,358)	(4,248)
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	(225,361)	(215,544)	(206,188)
Projected Service Cost	(4,494)	(4,358)	(4,227)

These assumptions are set with reference to market conditions as of 31 March 2020. Our estimate of the duration of the Employer's liabilities is 18 years. An estimate of the Council's future cash flows is made using notional cash flows based on 18 years estimated duration. These cash flows are then used to derive a Single Equivalent Discount Rate. This derived rate equates to the net present value of the cash flows, discounted using annualized Merrill Lynch AA rated corporate bond yield curve.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made an assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.0% p.a. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting

date. Salaries are assumed to increase at 1.0% p.a. above CPI in addition to the promotional scale. However, we have allowed for a short-term overlay from 31st March 2016 to 31st March 2020 for salaries to rise in line with CPI.

Projected Pension Expense for the year to 31 March 2021

	£'000s
Current Service Cost	(4,358)
Net Interest on the Defined Liability (asset)	(2,068)
Administration Expenses	(72)
Total	**(6,498)**
Employer Contributions	4,309

39. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car park finance lease obligation £0.347m (see Note 37 for further detail), the pension liability £90.435m (see previous note), and a deferred credit of £1.218m which relates to capital expenditure incurred on one of the Council's leisure facilities by the entity that operates it under a lease arrangement, where expenditure is released to the Comprehensive Income and Expenditure Statement over the remaining term of the lease. In addition £0.339m relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 35 for further detail of the arrangement).

40. Contingent Liabilities

Dreamland CPO

On 3 June 2011, a Compulsory Purchase Order (CPO) was served on the land owners of the Dreamland site pursuant to Section 226 of the Town and Country Planning Act 1990. A public enquiry took place between 10 January 2012 and 26 March 2012 and the CPO was subsequently confirmed on 17 August 2012. The land owners then lodged an appeal which was dismissed by the High court on 2 May 2013. The Council have now taken formal ownership of the site however, there is an ongoing legal process with the former land owners.

Hand Arm Vibration

Following the actions taken in respect of previous Health and Safety at Work Act contraventions and with the risk of future claims the Council is examining all Transfer of Obligations (TUPE) to ensure applicable management records are in place for future employees. At the same time historical records are being examined with our insurers to ensure both systems record our obligations correctly.

41. Joint Operations

East Kent Opportunities

In order to bring about the Economic Development and Regeneration of the area, Thanet District Council in partnership with Kent County Council set up a separate vehicle (East Kent Opportunities LLP) which was incorporated on 4 March 2008, to develop and market the sites known as EuroKent and Manston Park. The member agreement was signed on 22 August 2008 stating that TDC and KCC have 50:50 ownership, control and economic participation in the joint operation. Both parties contributed 38 acres of land each to EKO LLP.

In accordance with IFRS 11 the Council accounts for its share of the assets, liabilities, and income and expenditure within its own single entity accounts. After the sale of a substantial parcel of the land on 31 March 2017 the Council's share of the remaining land is £1.034m.

East Kent Housing

The Council, together with Canterbury City Council, Dover District Council and Folkestone and Hythe District Council (formerly Shepway) jointly own East Kent Housing Ltd (EKH), an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four Councils' housing stock. The Chief Executives of the four Councils took over joint control of the ALMO from the original Board with effect from 12 December 2019 as a result of Health & Safety compliance failures, with the service returning back in house on 1 October 2020.

For financial accounting purposes, East Kent Housing (EKH) is now regarded as a joint operation (related party in 2018-19 accounts) as the Board is made up of one representative from each of the member Councils. The Councils have joint control, but have rights and obligations in relation to particular assets and liabilities. The management fee (mainly made up of staffing costs) is based on the number of dwellings owned by each Council in accordance with the initial management agreement and amounted to £1.743m for 2019-20 (£1.324m 2018-19). The maintenance costs and associated creditors charged to the Housing Revenue Account are also those incurred solely on the Councils dwelling stock. The Council's share of the pension liability is £2.47m (£2.37m 2018-19) based on a 25% share, although the actual share will not be known until the staff are transferred back to the relevant authorities under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

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

War Memorials and Public Statues

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

Museum Artefacts and Art Collection

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

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

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

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

Civic Regalia

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

A valuation of civic regalia for insurance purposes was last undertaken in 2015-16.

Dreamland

The Dreamland amusement park was a fundamental element of the Margate seafront and comprised a cinema, amusement arcades, cafes and a traditional collection of fairground rides. Unfortunately the site was closed for a number of years and the Council has been successful in a CPO to acquire the site and reopen the facilities including the traditional fairground. Following restoration, the amusement park reopened during 2015-16 and the attractions include vintage rides acquired by the Council. Management of the park is undertaken by a third party but the assets are retained in Council ownership. The cinema complex has also undergone restoration by the Council, which was largely completed in 2017-18.

Preservation and Management

Apart from Dreamland referred to above, no specific preservation treatments or action has been taken with regard to any of the Council's heritage assets. All items, except the war memorials and public sculptures, are held in civic property and none have been reported as incurring deterioration or impairment. The paintings are in general on open display and it is therefore trusted that any change in the condition of the assets would be noticed.

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

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

Except for war memorials and sculptures, all Heritage assets are generally currently insured under the Council's All Risks insurance policy. In order to support this insurance a full valuation of all civic regalia items is periodically undertaken and these are the valuations used in the Balance Sheet.

43. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Deputy Chief Executive and S151 Officer, Tim Willis, signed the Statement of Responsibilities for the Statement of Accounts.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2020

2018-19 £'000s		2019-20 £'000s
	INCOME	
(12,671)	Dwelling rents (gross)	(12,829)
(223)	Non-dwelling rents (gross)	(248)
(451)	Charges for services and facilities	(443)
(327)	Contributions towards expenditure	(303)
(13,672)	**Sub-Total Income**	**(13,823)**
	EXPENDITURE	
2,940	Repairs and maintenance	3,464
2,871	Supervision and management – General	3,791
712	Supervision and management – Special	669
207	Rents, rates, taxes and other charges	248
305	Movement in the Allowance for Bad Debts	446
7,216	Depreciation, impairments and revaluation losses of non current assets	6,477
11	Debt management costs	8
14,262	**Sub-Total Expenditure**	**15,103**
590	**Net Expenditure and Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**1,280**
106	HRA Services share of Corporate and Democratic Core	113
696	**Net Cost of HRA Services**	**1,393**
205	(Gain) or loss on HRA non-current assets	1,507
809	Interest payable and similar charges	718
(161)	Interest and investment income	(187)
(562)	Capital Grants and Contributions Receivable	(876)
987	**(Surplus)/Deficit for the year on HRA services**	**2,555**

Movement on the Housing Revenue Account Statement

2018-19 £'000s		2019-20 £'000s
(7,753)	**Balance on the HRA at the end of the previous year**	**(9,308)**
987	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	2,555
3,352	Adjustments between accounting basis and funding basis under regulations (note 9)	776
4,339	**(Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves**	**3,331**
(5,894)	Transfer to/(from) Earmarked & Other Reserves	(2,668)
(1,555)	**(Increase)/decrease in the year on the Housing Revenue Account**	663
(9,308)	**Balance on the HRA at the end of the current year**	**(8,645)**

Notes to the Housing Revenue Account

1. Housing Revenue Account

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. Housing Stock

The Council was responsible for managing an average of 3,019 dwellings during 2019-20 including the Authority's share of shared ownership dwellings. The Council added 8 new properties and sold 22 during the financial year.

The stock as at 31 March 2020 is comprised of the following types of dwellings:

31 March 2019		31 March 2020
1,562	Houses	1,551
192	Low Rise Flats (1 to 2 Storey)	188
873	Medium-Rise Flats (3 to 5 Storey)	875
406	High-Rise Flats (6 Storeys or more)	405
3,033	**Total**	**3,019**

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

31 March 2019 £'000s		31 March 2020 £'000s
153,832	Council Dwellings	152,960
2,951	Operational Land & Buildings	4,312
25	Investment	6
945	Assets Under Construction	5,318
157,753	**Total**	**162,596**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2019 was £466m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Housing Revenue Account Capital Expenditure

2018-19 £'000s		2019-20 £'000s
5,343	Houses (dwellings)	3,036
-	Other land and buildings and assets under construction	7,551
93	Loan	-
5,436	**Total Housing Revenue Account Capital Expenditure**	**10,587**

2018-19 £'000s		2019-20 £'000s
-	Borrowing	4,253
3,121	Revenue Contribution to Capital	1,904
1,304	Financed from Major Repairs Reserve	1,745
562	Funded from Capital Receipts	1,809
449	Funded by grants and external contributions	876
5,436	**Total Housing Revenue Account Capital Expenditure**	**10,587**

4. Capital Receipts from Disposal of Land, Houses and Other Property within the HRA

2018-19 Total £'000s		2019-20 Usable £'000s	2019-20 Contribution to Gov't Pool £'000s	2019-20 Total £'000s
(163)	Sale of Dwellings	(2,022)	232	**(1,790)**
(356)	Sale of Other Land and Buildings	23	-	**23**
	Repayment Discount	(52)	-	**(52)**
(1)	Mortgage Repayment	(2)	-	**(2)**
(520)	**Total**	**(2,053)**	**232**	**(1,821)**

5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2020 amounted to £1.197m. This figure includes the full week rent charge but only payments up to and including 31 March 2020.

2018-19 £'000s		2019-20 £'000s
647	Current Tenant Rent Arrears	873
574	Former Tenant Rent Arrears	324
1,221	**Total**	**1,197**

6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £1.317m in 2019-20 (2018-19 £1.157m). The provision includes not only amounts set aside for rent arrears (note 5 above), but also for other HRA debts such as rechargeable repairs, court costs and other miscellaneous income.

7. Depreciation and Impairment of Fixed Assets

2018-19 Depreciation £'000s		2019-20 Depreciation £'000s
3,961	Houses	4,319
89	Other Operational Property	130
4,050	**Total**	**4,449**

8. Pension Costs

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against the Housing Revenue Account is based on the cash payable in the

year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year:

2018-19 £'000s		2019-20 £'000s
213	Current service costs in the Income & Expenditure Statement	327
(87)	Movement on Pension Reserve	(108)
126	**Total**	**219**
126	**HRA contributions payable to the scheme**	**219**

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

9. Adjustments between Accounting and Funding Basis

2018-19 £'000s	**Reversal of items debited/(credited) to the HRA Income and Expenditure Statement to be removed for determining the movement on the HRA balance for the year**	2019-20 £'000s
562	Capital Grants and Contributions Receivable	876
(205)	Gain or loss on HRA non-current assets	(1,507)
(213)	Net charges made for retirement benefits in accordance with IAS 19	(327)
144		**(958)**
	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	
87	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	108
3,121	HRA contribution to finance capital expenditure	1,626
3,208		**1,734**
3,352	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**776**

Collection Fund Statement for the year ended 31 March 2020

2018-19 Council Tax £'000s	2018-19 Non-Domestic Rates £'000s			2019-20 Council Tax £'000s	2019-20 Non-Domestic Rates £'000s
		INCOME			
(76,702)		Council Tax	Note 2	(81,913)	
	(34,410)	Non-Domestic Rates Income	Note 3		(35,339)
(76,702)	**(34,410)**	**Total Income**		**(81,913)**	**(35,339)**
		EXPENDITURE			
75,050		Precepts and Demands from County Council, Police & Crime Commissioner, Fire & Rescue & Billing Authority	Note 5	80,775	
		Non-Domestic Rates			
	-	- Payment to Central Government			16,362
	19,139	- Payment to County Council			2,945
	324	- Payment to Fire and Rescue			327
	12,976	- Payment to Billing Authority			13,089
	191	Cost of Collection Allowance			197
	62	Transitional Protection Payment			22
		Bad and doubtful debts/ appeals			
518	141	- Amounts Written Off/On in year		375	(40)
229	35	- Provision for Bad and Doubtful Debts		589	154
	180	- Provision for Appeals			2,009
899	44	Payment of previous years surplus		848	725
76,696	**33,092**	**Total Expenditure**		**82,587**	**35,790**
(6)	(1,318)	(Surplus)/Deficit for Year		674	451
(918)	**(411)**	**Balance at Beginning of Year**		**(924)**	**(1,729)**
(924)	**(1,729)**	**Balance at End of Year**		**(250)**	**(1,278)**

Notes to the Collection Fund Statement

1. General

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

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

2. Council Tax

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

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

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

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

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	9,641	6/9	6,427
B	14,484	7/9	11,265
C	14,311	8/9	12,721
D	6,714	1	6,714
E	3,563	11/9	4,355
F	1,372	13/9	1,981
G	681	15/9	1,135
H	17	2	34
TOTAL	**50,783**		**44,632**
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (2%)			(893)
COUNCIL TAX BASE			**43,763**

Estimated income for 2019-20 was £80.775m, actual income was £81.913m. After set aside and write off of bad debt (£0.964m) and redistribution of estimated prior year surpluses to major preceptors (£0.848m) the deficit for the year (£674k) has resulted in a decrease to the overall surplus on the fund (£0.250m).

3. Income from Business Rates

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is distributed between Central Government, County, Fire and Rescue and the Billing Authority in accordance with statutory regulations. Under these arrangements, the amounts included in these accounts can be analysed as follows:

2018-19 £'000s		2019-20 £'000s
(47,641)	Non-Domestic Rateable Value £99,130,672	(49,962)
	Multiplied by the Uniform Business Rate (50.4p for 2019-20)	
13,231	Allowances and other adjustments	14,623
(34,410)	**Net collectable Non-Domestic Rates 19-20**	**(35,339)**

The Non-Domestic Rate multiplier for 2019-20 was 49.1p for qualifying properties of less than £51k rateable value and 50.4p for all others (2018-19 48.0p and 49.3p respectively).

Kent Business Rate Pool

Under the business rate retention scheme local authorities are able to come together on a voluntary basis to pool their business rate income in order to benefit from additional business rate growth through collaborative working and improve the business rate income retained within the district. The Kent Business Rate Pool came into effect on 1 April 2015. The other pool members include Kent County Council (KCC), Kent Fire and Rescue (KFR) and 12 other local authorities from the Kent area. Where levy payments are due to central government as a result of business rate income growth, the pool is allowed to retain 50% of the calculated collective levy to distribute between pool members and set aside a growth fund to promote economic growth, in the proportions set down in the pool agreement. The pool is also designed to provide protection to any authority that would have received greater funding outside the pool. The Council's share of the income from the pool for 2019-20 was £275k (2018-19 £307k) and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £275k (2018-19 £307k) which has been transferred to the Local Taxation Funding earmarked reserve to finance future projects.

During 2018-19 the Kent Pool took part in the 100% Business Rates Retention Pilot Scheme whereby the pool retained all of the business rate income for the year to be distributed within the Kent area. The 50% share normally paid over to the Central Government was retained within the pool area and distributed to the pool members based on business rate growth and baseline need. The additional income generated from the pilot scheme for 2018-19 only (£2.392m) was credited to the Comprehensive Income and Expenditure Statement for that year. The Kent Pool reverted back to the original 50% scheme with effect from 1st April 2019.

Business Rate Appeals

An appeal court ruling in November 2018 found that Automatic Teller Machines (ATM's) should not be separately assessed for business rates by the Valuation Office Agency (VOA) contrary to current practice, and should be included as part of the business premises they occupy. As a result business rates that have already been paid in relation to ATM's would need to be refunded. The VOA appealed against this decision to the Supreme Court and judgement was handed down in May 2020, upholding the Court of Appeals original decision. The potential cost of refunds (£1.044m) is the main reason for the increase in the provision for appeals as it has now been treated as a provision in the accounts rather than a contingent liability due to the obligation to refund ratepayers now becoming probable. The Council's share under collection fund regulation is £418k.

4. (Surplus)/Deficit of the Revenue Account

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major preceptors and the billing authority. The estimated surplus for 2018-19 to be distributed during 2019-20 was £0.848m. The actual surplus on the Council Tax Collection Fund for the year 2019-20 (£0.250m) represents partly an increase in the resources attributable to the

Authority, and partly amounts due to major preceptors. In order to comply with the Code of Practice on Local Authority Accounting (the Code) 2019-20 this has been split between Thanet District Council fund balances (£0.033m) and other local authority creditors (£0.217m) within the Balance Sheet.

A change in statutory regulations for the distribution of non-domestic rates income similarly requires any surplus or deficit estimated at 31 January to be shared between central government, major preceptors (excluding the Police and Crime Commissioner) and the billing authority in prescribed proportions. The actual surplus on the Non Domestic Rates Collection Fund for the year 2019-20 (£1.278m) has been split between Thanet District Council (£0.511m) and other local authorities and central government (£0.767m).

5. Precepts and Demands on the Collection Fund

2018-19 £		2019-20 £
53,102,252	Kent County Council	56,866,868
7,257,325	Kent Police and Crime Commissioner	8,452,876
3,239,732	Kent Fire and Rescue	3,403,032
9,715,330	Thanet District Council	10,205,157
73,314,639	**Total**	**78,927,933**
	Parishes and Charter Trustees	
6,879	- Acol	2,940
64,192	- Birchington	104,992
562,301	- Broadstairs	567,612
15,510	- Cliffsend	15,976
18,527	- Manston	19,000
137,500	- Margate	129,500
61,321	- Minster	73,031
10,520	- Monkton	13,995
705,596	- Ramsgate	760,500
20,993	- St Nicholas at Wade	22,298
132,400	- Westgate on Sea	136,906
1,735,739	**Total**	**1,846,750**

Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

Asset

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

Balance Sheet

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

Budget

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

Business Rate Tariff

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Comprehensive Income and Expenditure Statement

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

Contingent Asset

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

Contingent Liability

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

Creditor

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

Current Service Cost

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

Debtor

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

Depreciation

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

Fair Value

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

Finance Lease

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

Financial Instrument

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

Government Grants

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

Heritage Asset

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

Housing Revenue Account

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

Impairments

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

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

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

Liability

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

Non-Current Assets

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

Non-Domestic Rate

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

Non-Operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Cost

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

Precept

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

Projected Unit Method

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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