Thanet District Council Statement of Accounts 2020-21

Contents

Narrative Report

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

Financial Year ended 31 March 2021

Dear Reader,

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

The Accounts

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

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

Overview

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

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

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

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

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

Other Local Government Funding Issues

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

The Narrative Report

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

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

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

Chris Blundell

Director of Corporate Services & Section 151 Officer

26 July 2023

1. Introduction to Thanet

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

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

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

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

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

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

Mosaic Profile for Thanet and Kent

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

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%

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

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

2. Key Information About the Council

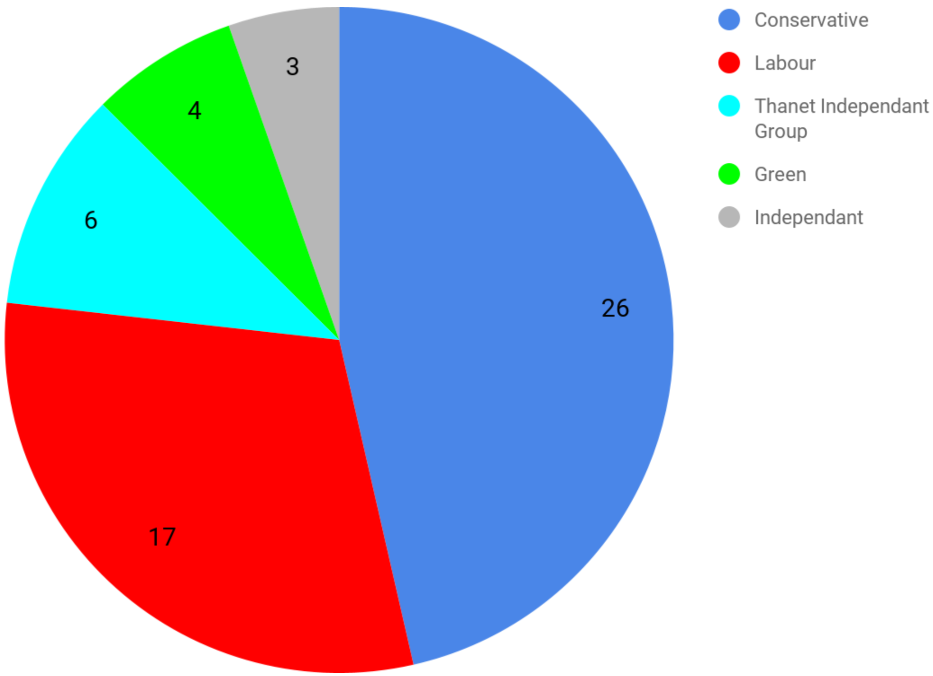
Council Services

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

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

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

Political Structure during 2020-21



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

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

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

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

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

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

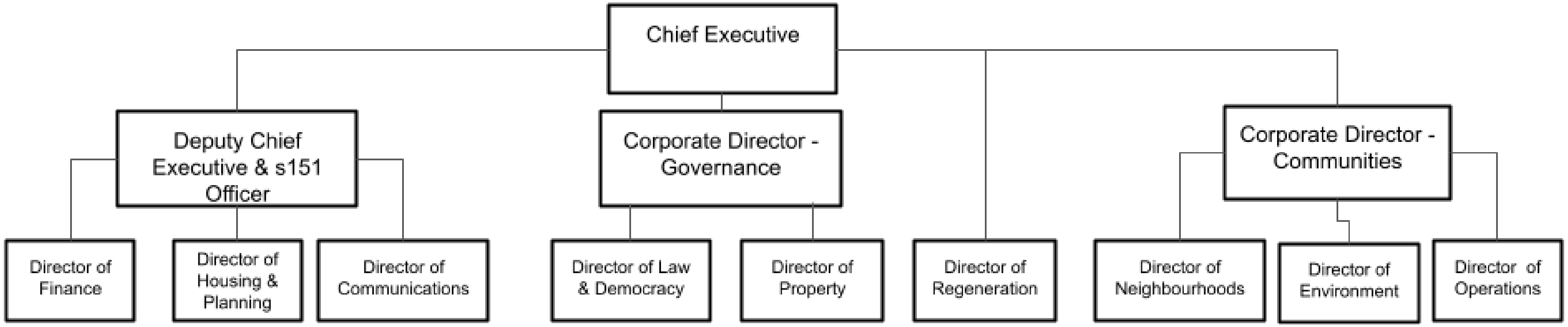
In addition the task groups, advisory groups and scrutiny reviews that took place during 2020-21 included:

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

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

Management Structure as at 31 March 2021

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

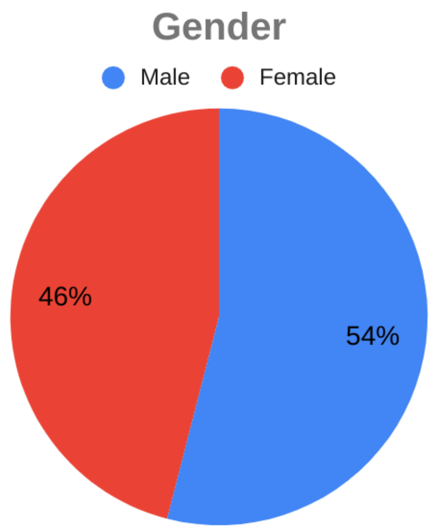


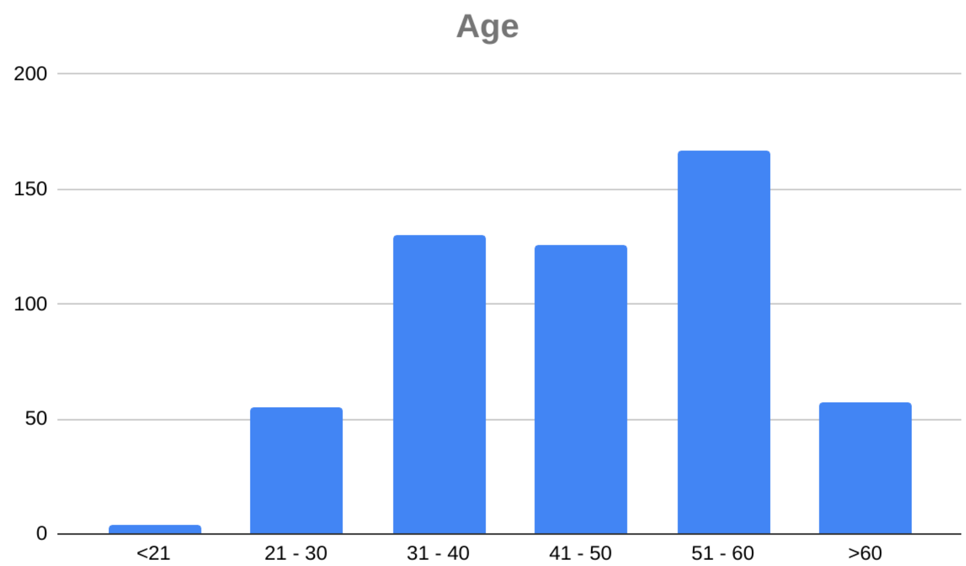
Information on Senior Officer remuneration can be found in Note 12 to the accounts.

People

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

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





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

3. Responding to the Pandemic

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

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

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

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

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

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

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

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

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

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

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

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

Grant Programme	Grant Allocation £'000	2020/21 Expenditure £'000	Description
Contain Outbreak Management Fund (COMF)	748	207	The main purpose of this grant was to support proactive containment and intervention measures in relation to Covid-19. Initiatives deployed by the Council included: ● Funding for Street Wardens and Seasonal Enforcement Officers ● Additional public toilet facilities and deep cleaning of public toilet facilities ● Additional Covid-safe cleansing for beaches and open spaces ● Temporary accommodation support for homelessness
Local Authority Test & Trace Support Payment Scheme	773	324	This grant allowed us to deliver the Test and Trace Support Payment scheme. The scheme supported people on low incomes who had been told to self-isolate who were unable to work from home and would lose income as a result.
Council Tax Hardship Support	1,645	1,339	This grant was for local authorities in England to provide support to economically vulnerable people and households in their local area. The hardship fund was used to provide council tax relief to vulnerable, working-age adults, alongside existing local council tax support schemes.
Re-opening High Streets Safely Fund	126	116	This fund was created for councils across England to prepare for the safe reopening of high streets and other retail spaces. It also supported the introduction of a range of practical safety measures so that businesses could reopen quickly when allowed to, staff could get back to work and customers could return to the shops confident it was safe. A permanent member of staff was seconded to manage this project which involved the: ● Design of public and business messaging content, ● Installation of additional signage at suitable locations, ● Increased town and toilet cleaning, ● Enforcement of anti-social behaviour, ● Mitigation of the impact as a result of a large volume of visitors.
Next Steps Accommodation Funding	96	96	This fund prevented rough sleepers and those in unsafe communal settings from returning to the streets by placing them in emergency accommodation during the Covid-19 pandemic.

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

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

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

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

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

4. Financial Performance 2020-21

General Fund Revenue

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

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

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

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

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

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

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

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

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

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

Positive variances (+)*: overspends or underachievement of income*

Negative variances(-): underspends or surplus income

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

Deputy Chief Executive & S151 Officer

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

Corporate Director - Governance

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

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

Corporate Director - Communities

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

General Fund Income and Reserve Transfers

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

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

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

Business Rates

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

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

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

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

Council Tax

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

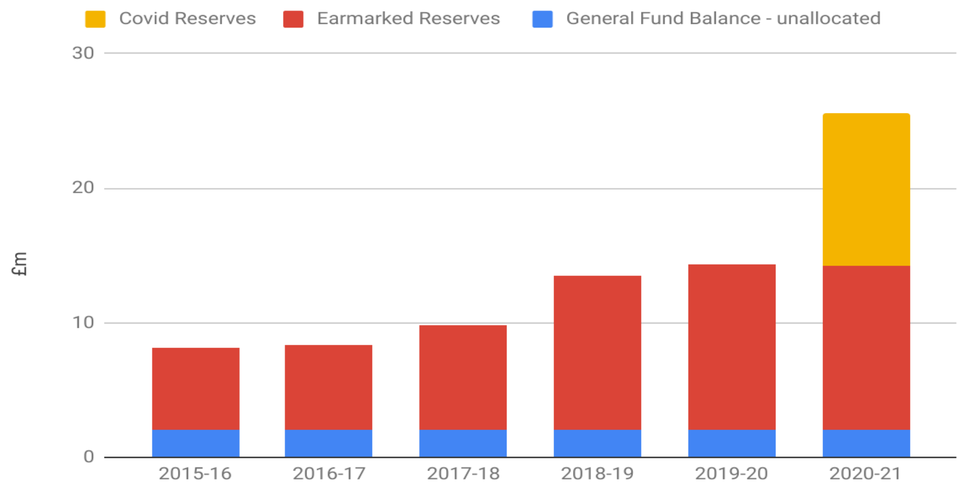
However, for the same reasons explained above relating to business rates, because these losses were recorded in the Collection Fund in 2020-21 they will be charged to General Fund Revenue in later years. The TIG money received in 2020-21 was allocated to a Covid reserve to fund this pressure as it arises.

Covid Grants

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

Reserves

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



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

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

Housing Revenue Account (HRA)

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

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

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

Financial Management - Capital

Programme performance and cost profile are included in this section.

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

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

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

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

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

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

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

Prudential Borrowing

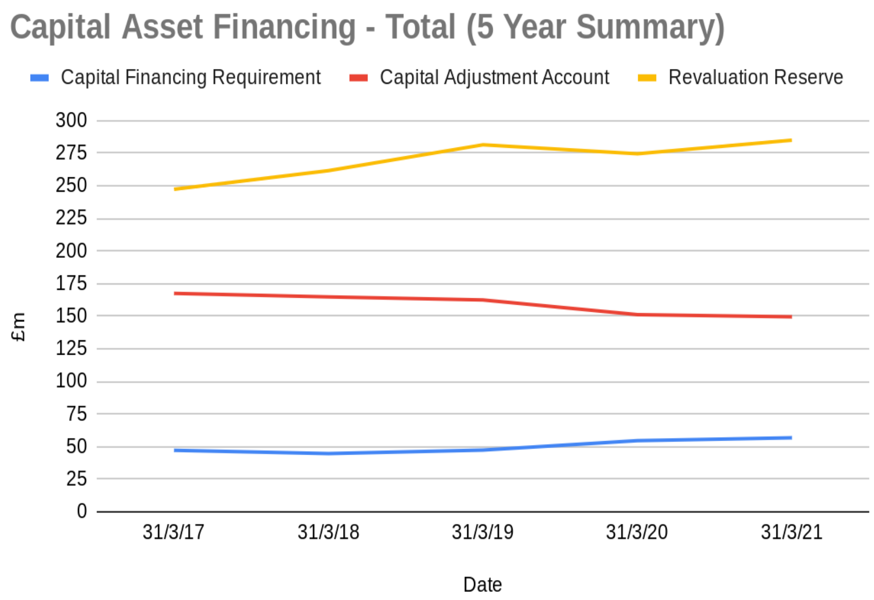
The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. As at 31 March 2021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

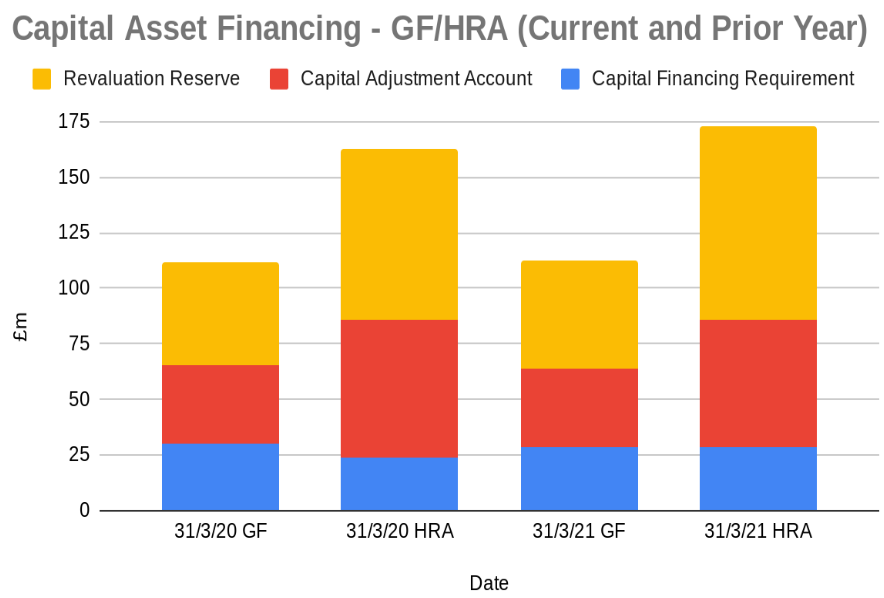
The following charts show the proportion of the Council's capital/long-term assets that:

(a) had yet to be funded (CFR) - shown as a blue line or shading

(b) had effectively been paid off or funded (Capital Adjustment Account) - shown as the red line or shading

(c) represent the aggregate increase in value of these assets since acquisition by the Council (Revaluation Reserve) - shown in yellow





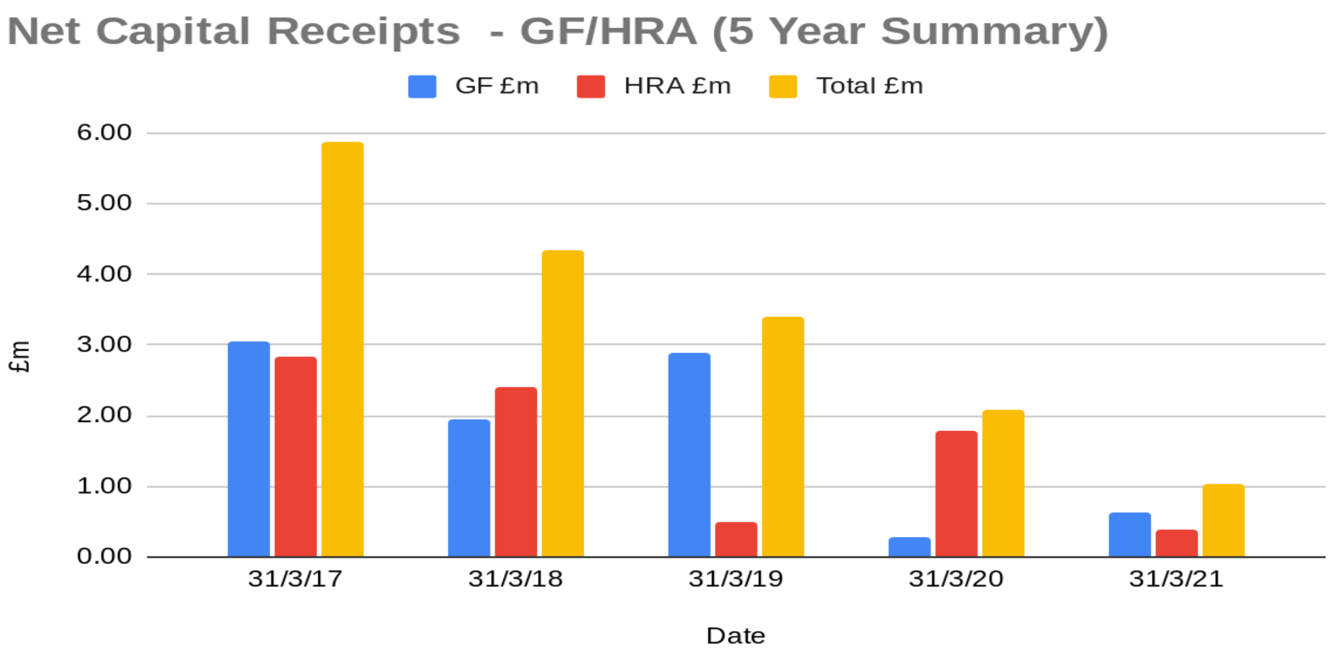
The charts show that our long-term assets were worth £283.479m at 31 March 2021, of which £56.685m still needed to be paid for. Therefore, if we were to compare our position to that of a residential mortgage the Council would only need a 20% loan compared to value (LTV).

Capital Receipts

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

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

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



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

Net Worth

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

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

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

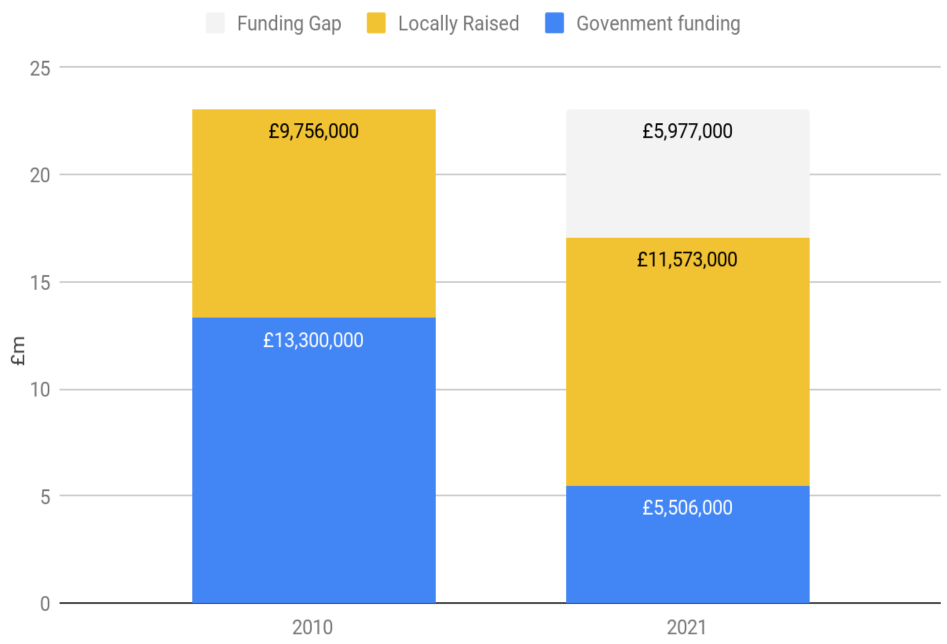
	31 March 2020 £'000s	31 March 2021 £'000s
Long term assets	269,090	283,479
Net current assets (current assets less current liabilities)	26,213	12,473
Long term liabilities (including pension liabilities)	(117,010)	(124,772)
Net Assets	**178,293**	**171,180**
Represented by:		
Usable reserves	48,240	56,177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

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

A £12.251m increase in the net pension liability to £102.686m (£90.435m as at 31 March 2020) is included in the statements as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the Council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the Council as at 31 March 2021. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

5. Financial Overview

Context and Financial Environment

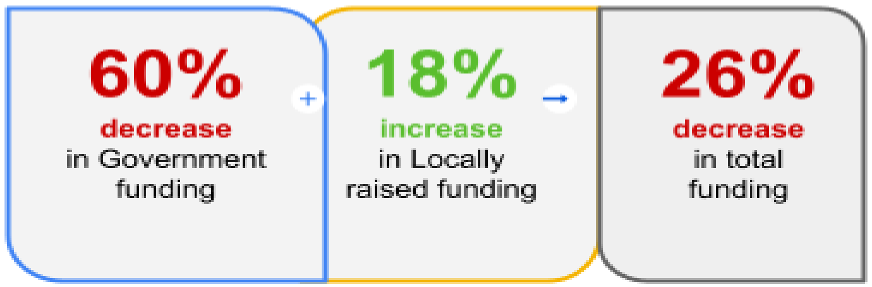


The Council was in a financially challenging position. Overall level of reserves were comparatively low when compared to other district councils, coupled with what was a forecast budget gap of £1.7m for 2022-23, growing to £2.5m by 2024-25.[2]

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

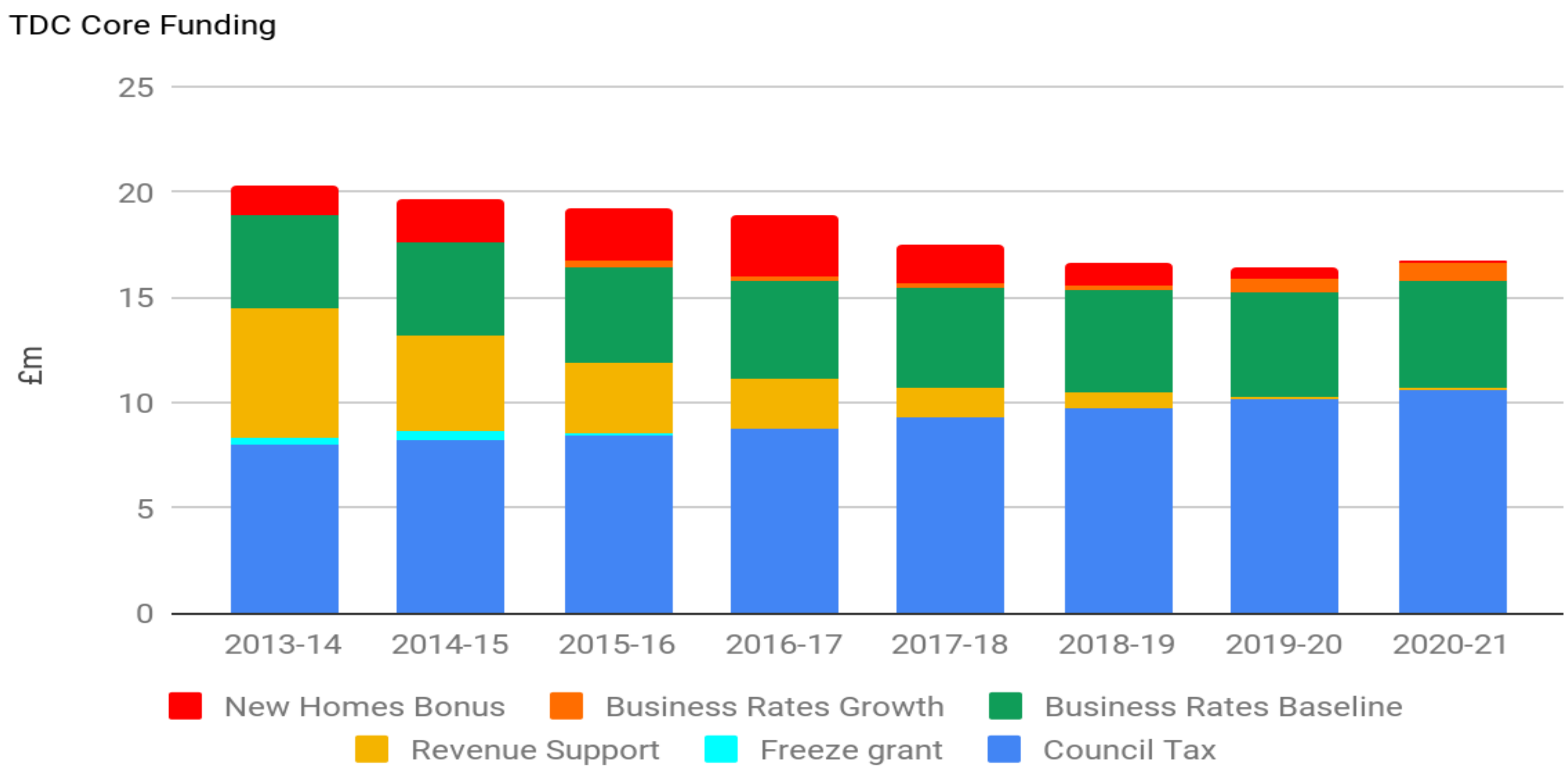
For Thanet, our external funding allocation for 2020-21 remained flat compared to the previous year and all additional funding was raised locally either through council tax increases or growth in our business rates base. After over a decade of austerity, this left us receiving £8.0m less in government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

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



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

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

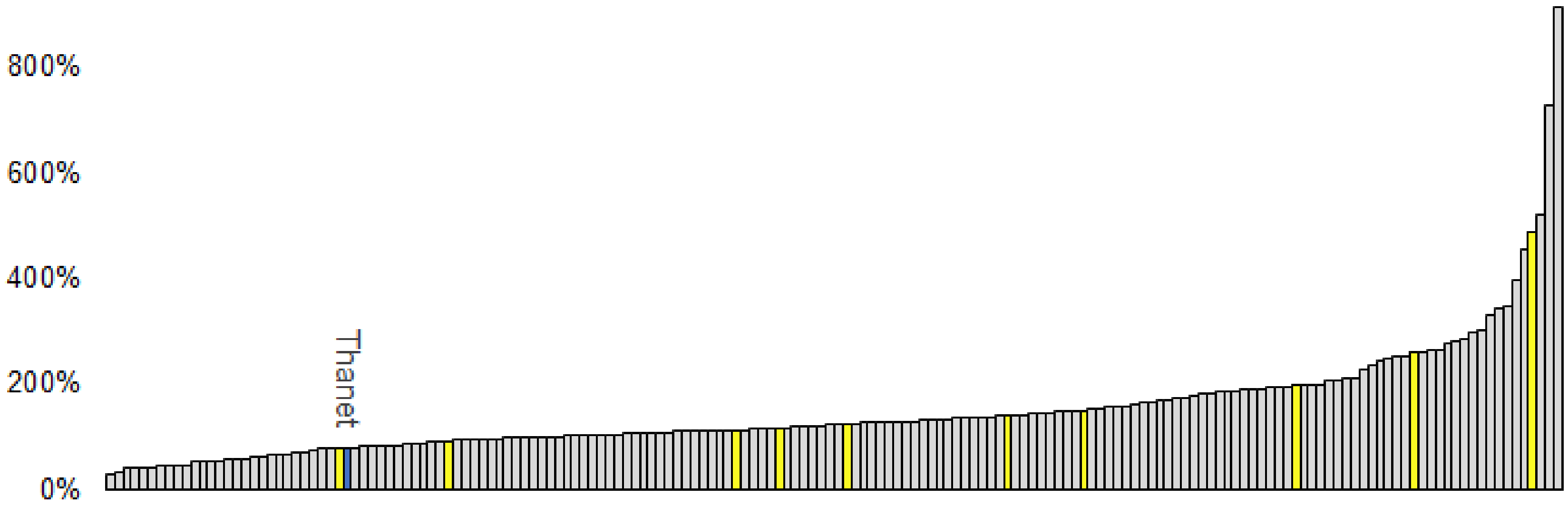


The previous chart also shows the increasing importance of council tax funding (shown in blue), as our reliance has grown on it for an increasing proportion of our funding, with it now accounting for 62% percent of our total funding, compared to only 39% in 2013-14. TDC, like many other councils, has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

Relative Reserve Holdings

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

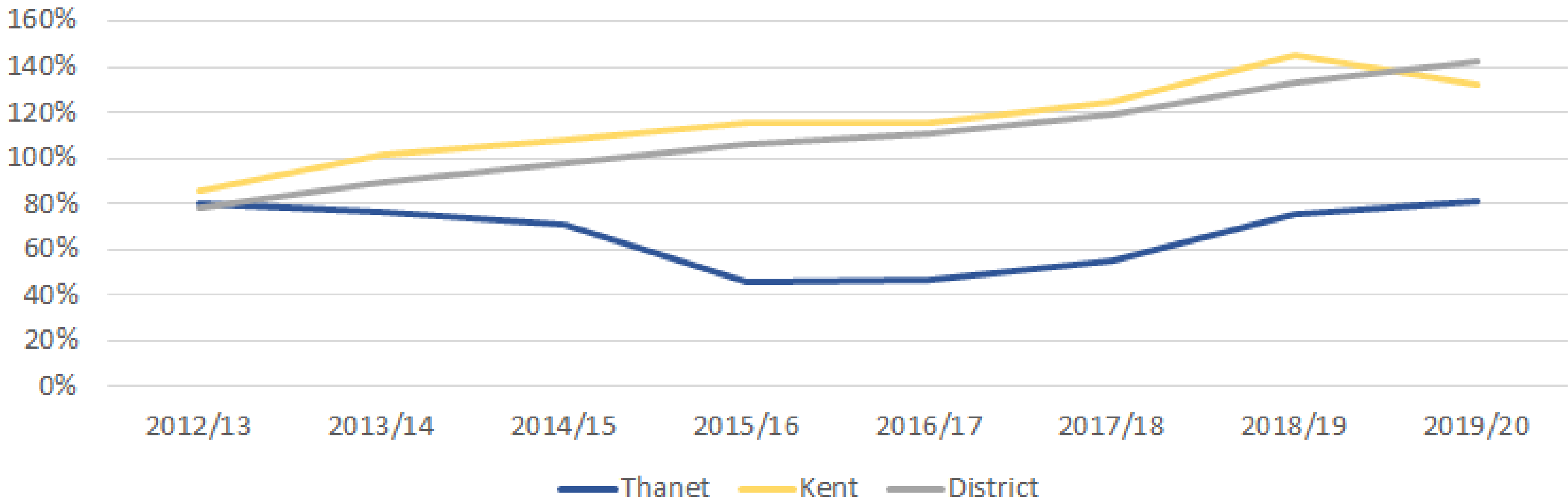
Usable Revenue Reserves as at 31 March 2020 as proportion of 2019-20 Budgeted Net Revenue Expenditure



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

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

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



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

6. 2021-22 Budget and Future Financial Outlook

General

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

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

Budget Monitoring 2021-22

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

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

Medium Term Financial Position

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

- National move to 75% business rates retention,
- 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

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

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

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

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

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

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

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

Covid

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

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

Central Government Policy

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

Climate Change

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

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

Going forwards the Council has a role as:

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

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

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

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

7. Our Priorities and Objectives

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

Growth

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

What we plan to do:

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

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

Environment

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

What we plan to do:

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

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

Communities

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

What we plan to do:

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

8. How the Council is Performing

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

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

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

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

Growth

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

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

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

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

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

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

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

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

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

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

Environment

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

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

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

- Requested new cycle paths across Thanet - currently in planning
- Introduced pedestrianisation schemes in Margate & Ramsgate
- Reduced taxi licence charges for Electric/Hybrid vehicles
- Employed a Home Energy Officer who has helped low income households pay energy bills and provided grants to improve their insulation
- Employed a Biodiversity and Horticultural officer who has introduced wildflower meadows in a number of parks
- Employed a Strategic Access Management and Monitoring (SAMM) Officer whose role includes educating the community about protected coastal birds.
- Employed a litter education and enforcement officer.
- Started a flexible working trial that incorporates increased home-working for staff and as such reduces emissions from commuting

Communities

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

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

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

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

9. Risk Management

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

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

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

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

10. Governance

The Annual Governance Statement sets out the governance framework and an assessment of our effectiveness. An update on the progress of preparing the 2020-21 statement was provided to the Governance and Audit Committee on 28 July 2021, which can be found on TDC website https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=5868.
The Internal Audit Annual Assurance report was also presented to the same meeting. This was based on the internal audit work completed and reported to the Governance and Audit committee throughout the year.

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

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

11. Accounting Statements

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

The statements are as detailed below:

The Core Statements

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Core Financial Statements

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

The Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Statement

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

Collection Fund Statement

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

Approval

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

Signed : Date: 26 July 2023

Cllr William Scobie, Chair of the Governance and Audit Committee

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

Statement of Responsibilities for the Statement of Accounts

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

The Council's Responsibilities

The Council is required:

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

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

Director of Corporate Services & Section 151 Officer Responsibilities

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

In preparing this Statement of Accounts, the **Director of Corporate Services & Section 151 Officer** has:

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

The Statement of Accounts gives a true and fair view of the financial position of Thanet District Council as at 31 March 2021 and of its income and expenditure for the year ended on that date.

Chris Blundell CPFA
Director of Corporate Services & Section 151 Officer
Date: 26 July 2023

Independent Auditors Report to the Members of Thanet District Council

To be added on completion of the external audit

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Comprehensive Income and Expenditure Statement

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

Restated 31 March 2020				31 March 2021		
Expenditure £'000s	**Income £'000s**	**Net £'000s**	**Gross expenditure, gross income and net expenditure on continuing operations**	**Expenditure £'000s**	**Income £'000s**	**Net £'000s**
503	(18)	485	Chief Executive	1,385	(298)	1,087
54,754	(51,599)	3,155	* Deputy Chief Executive & Section 151 Officer - General Fund (GF)	64,729	(55,215)	9,514
15,083	(13,823)	1,260	* Deputy Chief Executive & Section 151 Officer - Housing Revenue Account (HRA)	20,823	(14,447)	6,376
23,218	(13,279)	9,939	Corporate Director - Communities	24,780	(12,369)	12,411
6,446	(2,420)	4,026	Corporate Director - Governance	5,161	(1,777)	3,384
19,497	-	19,497	Corporate Director - Governance - Dreamland Revaluation	-	-	-
11,228	(7,500)	3,728	East Kent Shared Services	11,197	(7,669)	3,528
130,729	**(88,639)**	**42,090**	**Cost of Services**	**128,075**	**(91,775)**	**36,300**
		3,698	Other Operating Expenditure	Note 7		2,703
		2,004	Financing and Investment Income and Expenditure	Note 8		2,346
		(22,524)	Taxation and Non-Specific Grant Income and Expenditure	Note 9		(26,602)
		25,268	**(Surplus) or Deficit on Provision of Services**			**14,747**
		(8,137)	(Surplus) or Deficit on revaluation of non-current assets	Note 31a		(13,628)
		700	Re-measurements of the net defined benefit liability	Note31c/38		5,994
		(7,437)	**Other Comprehensive Income and Expenditure**			**(7,634)**
		17,831	**Total Comprehensive Income and Expenditure**			**7,113**

Movement in Reserves Statement

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

Movement in Reserves Statement cont'd

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

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

Balance Sheet as at 31 March 2021

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

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

Date: 26 July 2023

Cash Flow Statement

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

Notes to the Core Financial Statements

1. Accounting Policies

General

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

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

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

Going Concern

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

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

Accruals of Income and Expenditure

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

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

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

Cash and Cash Equivalents

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

Material Items of Income and Expenditure

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

Prior Period Adjustments

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

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

Employee Benefits

Pensions General

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

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

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

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

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

Service Costs comprising;

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

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

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

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

Remeasurements

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

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

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

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

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

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

Events after the Reporting Period

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

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

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

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

Financial Instruments – Financial Liabilities

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

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

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

Financial Instruments – Financial Assets

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

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

For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. A small element of the loans are classified as soft loans (made at less than market rate) so there is a requirement to record any loss in the Comprehensive Income and Expenditure Statement to represent interest forgone over the life of the loan if material.

Expected Credit Loss

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

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

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

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

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

Fair Value Measurement

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

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

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

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

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

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

Government and Non-Government Grants and Contributions

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

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

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

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

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

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

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

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

Heritage Assets

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

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

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

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

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

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

Intangible Assets

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

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

Interests in Companies and Other Entities

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

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

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

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

Inventories, Rechargeable Works and Long Term Contracts

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

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

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

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

Joint Operations

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

Leases

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

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

Where the Council is a Lessee

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

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

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

Where the Council is a Lessor

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

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

Minimum Revenue Provision

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

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

Overheads and Support Services

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

Property, Plant and Equipment and Investment Property

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

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

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

a) Property, Plant and Equipment (PP&E)*, analysed further as
   - Land and Operational Buildings
   - Council Dwellings
   - Vehicles Plant and Equipment
   - Community Assets
   - Assets under Construction

b) Heritage Assets
c) Investment Properties
d) Intangible Assets (see separate accounting policy)
e) Infrastructure Assets*

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

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

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

Net current replacement cost is assessed as:

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

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

Revaluation: Revaluations of non-current assets are undertaken on an annual basis for Council Dwellings using the Beacon principle, investment properties with a value over £100k, and General Fund Operational Land and Buildings with a value over £800k. Revaluations of other non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of these Council's assets annually. Identified material changes to asset valuations will be adjusted in the interim period, as they occur.

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

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

Surpluses from any revaluation of assets are credited to the Revaluation Reserve and are used to offset any subsequent revaluation loss with the exception of investment properties that are charged directly to the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account to ensure that no cost falls to the taxpayer.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

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

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

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

Where impairment losses are identified, the accounting entries are:

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

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

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

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

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

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

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

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, or as specifically determined by Estates Officer

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

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

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

Provisions

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

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

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

Reserves

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

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

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

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

Contingent Assets and Liabilities

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Current Assets Held for Sale

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

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

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

Impairment of Non-Contractual Debts

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

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

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

Collection Fund

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

Business Rate Pool

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

Value Added Tax

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

1a. Accounting Standards Issued, not yet Adopted

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

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

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

2. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

Non-Current Assets

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

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

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

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

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

Your Leisure

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

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

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

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

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

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

Civica

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

Other Non-Critical Judgements

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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £4.863m and an increase of one year to the mortality rate would result in an increased pension liability of £13.485m. However, the assumptions interact in complex ways. 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 approximately 200 investment properties. An annual valuation of all these assets is not practical, therefore only those assets with a value over £100k are valued annually with the remainder valued on a rolling 5 year basis.	Investment assets totaling £6.261m have not been revalued in 2020-21. In general, the asset valuations for investment properties have gone up by 0.04% in 2020-21. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £3k to the asset valuation.

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

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

4. Events After The Reporting Period

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

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

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

Notes Supporting the Comprehensive Income & Expenditure Statement

5. Expenditure and Funding Analysis

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

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

Restated for year ended 31 March 2020	**Reported for Resource Management**	**Adj's to arrive at The Net Expenditure chargeable to GF & HRA Balances**	**Net Expenditure chargeable to GF & HRA Balances**	**Adjustment between Funding & Accounting Basis**	**Net Expenditure in the CIES**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Chief Executive	486	(1)	485	-	485
Deputy Chief Executive & Section 151 Officer	739	52	791	3,624	4,415
- Dreamland revaluation accounting adjustment	-	(19,497)	(19,497)	19,497	-
Director of Operations & Commercial Services	6,416	3,523	9,939	-	9,939
Director of Corporate Governance	3,633	393	4,026	-	4,026
- Dreamland revaluation	-	19,497	19,497	-	19,497
East Kent Shared Services	3,724	4	3,728	-	3,728
Cost of Services	**14,998**	**3,971**	**18,969**	**23,121**	**42,090**
Other Income and Expenditure	2,259	(20,095)	(17,836)	1,014	(16,822)
(Surplus) or Deficit on Provision of Services	**17,257**	**(16,124)**	**1,133**	**24,135**	**25,268**
Opening GF & HRA balance as at 31 March			**(25,317)**		
Surplus on General Fund & HRA balance in year			1,133		
Closing GF & HRA balance as at 31 March			**(24,184)**		

For year ended 31 March 2021	Reported for Resource Management	Adj's to arrive at The Net Expenditure chargeable to GF & HRA Balances	Net Expenditure chargeable to GF & HRA Balances	Adjustment between Funding & Accounting Basis	Net Expenditure in the CIES
	£'000s	£'000s	£'000s	£'000s	£'000s
Chief Executive	1,089	(3)	1,086	1	1,087
Deputy Chief Executive & Section 151 Officer GF & HRA	2,965	(1,538)	1,427	14,463	15,890
Corporate Director - Communities	8,254	4,157	12,411	-	12,411
Corporate Director - Governance	3,731	(347)	3,384	-	3,384
East Kent Shared Services	3,534	(6)	3,528	-	3,528
Cost of Services	**19,573**	**2,263**	**21,836**	**14,464**	**36,300**
Other Income and Expenditure	(4,012)	(28,033)	(32,045)	10,492	(21,553)
(Surplus) or Deficit on Provision of Services	**15,561**	**(25,770)**	**(10,209)**	**24,956**	**14,747**
Opening GF & HRA balance as at 31 March			**(24,184)**		
Surplus on General Fund & HRA balance in year			(10,209)		
Closing GF & HRA balance as at 31 March			**(34,393)**		

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

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

5a. Note to the Expenditure and Funding Analysis

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

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

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

6. Expenditure and Income Analysed by Nature

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

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

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

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

6a. Segmental Analysis

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

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

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

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

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

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

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

7. Other Operating Expenditure

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

8. Financing and Investment Income and Expenditure

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

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

9. Taxation and Non-Specific Grant Income and Expenditure

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

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

10. On Street Parking Services

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

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

Table 1.	**Original 2019-20 £'000s**
Net Cost of Service	
Balance Brought Forward	**(975)**
Gross Expenditure	1,542
Movement in Provision for unpaid fines	(31)
Use of Reserve	-
Gross Income	(1,687)
Balance Carried Forward	**(1,151)**

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

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

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

11. Members' Allowances

2019-20 £'000s		2020-21 £'000s
355	Allowances	356
-	Expenses	-
355	**Total**	**356**

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

12. Remuneration of Employees

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

2019-20	Salary	Fees & allow.	Other Cash Benefits	Total Remun. excl. pension contribs	Pension contribs	Total Incl. pension contribs
Post Holder	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive (2)	123,948	18,845	5,000	**147,793**	22,365	**170,158**
Deputy Chief Executive & S151 Officer	107,796	772	4,500	**113,068**	16,924	**129,992**
Corporate Director - Governance	98,484	624	4,000	**103,108**	15,462	**118,570**
Corporate Director - Communities	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.

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

*Director of Property - pay deductions due to a period of absence
** Director of Strategic Partnerships - part time (0.61 FTE)

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

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:

2019-20 Number of Staff Total	2019-20 Number of Staff Left during year	Remuneration Band £	2020-21 Number of Staff Total	2020-21 Number of Staff Left during year
6	1	50,000 - 54,999	3	1
6	1	55,000 - 59,999	7	1
1	-	60,000 - 64,999	4	-
1	-	65,000 - 69,999	1	1
5	1	70,000 - 74,999	1	1
-	-	75,000 - 79,999	-	-
-	-	80,000 - 84,999	1	1
-	-	85,000 - 89,999	-	-
1	1	90,000 - 94,999	-	-
-	-	95,000 - 99,999	1	1
20	**4**	**Total**	**18**	**6**

In the 2019-20 audited statement of accounts, the numbers of exit packages with total cost per band, and total cost of compulsory redundancies and other departures were reported as shown in the table below.

Original table 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**

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

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

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

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

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

13. External Audit Costs

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

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

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

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

14. Port and Harbours

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

2019-20	**Port of Ramsgate**	**Ramsgate Royal Harbour**	**Broadstairs 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

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

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

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

15. Grant Income

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

Credited to Taxation and Non Specific Grant Income

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

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

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

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

Credited to Services

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

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

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

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

Capital Grants Receipts In Advance

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

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

Revenue Grants Receipts in Advance

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

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

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

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

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

Payments as an Agent

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

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

Notes Supporting the Movement in Reserves Statement

16. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

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

Restated 2019-20	**General Fund Balance £'000s**	**Housing Revenue Account £'000s**	**Capital Receipts Reserve £'000s**	**Major Repairs Reserve £'000s**	**Capital Grants Unapplied £'000s**	**Movement in Unusable Reserves £'000s**
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	(19,772)	(2,009)	-	-	-	21,781
Movements in the fair value of investment properties	1,126	(20)	-	-	-	(1,106)
Amortisation of intangible assets	(24)	-	-	-	-	24
*** Capital grants and contributions applied**	**5,418**	**876**	**-**	**-**	**-**	**(6,294)**
*** Revenue expenditure funded from capital under statute (REFCUS)**	**(3,874)**	**-**	**-**	**-**	**-**	**3,874**
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(395)	(3,556)	-	-	-	3,951
Statutory provision for repayment of debt	1,203	839	-	-	-	(2,042)
Capital expenditure charged to the General Fund and HRA	111	1,626	-	-	-	(1,737)

Adjustments primarily involving the Capital Receipts Reserve (CRR)						
Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	283	2,049	(2,332)	-	-	-
Costs of disposal funded from capital receipts	(29)	(27)	27	-	-	29
Use of CRR to repay debt	-	-	(7)	-	-	7
Use of the CRR to finance new capital expenditure	-	-	2,975	-	-	(2,975)
Use of the CRR to finance payments to the Government capital receipts pool	(232)	-	232	-	-	-
Transfer from deferred capital receipts	-	-	(2)	-	-	2
Adjustments primarily involving the Major Repairs Reserve (MRR)						
Use of the MRR to finance new capital expenditure	-	-	-	1,745	-	(1,745)
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	(7,995)	(327)	-	-	-	8,322
Employer's pension contributions and in year payments direct to pensioners	4,753	108	-	-	-	(4,861)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(90)[1]	-	-	-	-	90
Amount by which NNDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(180)[1]	-	-	-	-	180
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	165	-	-	-	-	(165)
Total Adjustments	**(23,694)**	**(441)**	**893**	**(2,704)**	**-**	**25,946**

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

2020-21	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	(3,905)	-	-	(3,754)	-	7,659
Revaluation losses of non-current assets	(1,058)	(7,287)	-	-	-	8,345
Movements in the fair value of investment properties	512	-	-	-	-	(512)
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	4,268	240	-	-	-	(4,508)
Revenue expenditure funded from capital under statute (REFCUS)	(3,312)	-	-	-	-	3,312
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(2,813)	(1,055)	-	-	-	3,868
Statutory provision for repayment of debt	1,333	-	-	-	-	(1,333)
Voluntary contribution provision (VRP)		240	-	-	-	(240)
Capital expenditure charged to the General Fund and HRA	696	940	-	-	-	(1,636)
Adjustments primarily involving the Capital Receipts Reserve (CRR)						
Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	2,937	591	(3,537)	-	-	(9)
Costs of disposal funded from capital receipts	(33)	(10)	61	-	-	(18)
Use of CRR to repay debt	-	-	2,249	-	-	(2,249)
Use of the CRR to finance new capital expenditure	-	-	3,259	-	-	(3,259)
Use of the CRR to finance payments to the Government capital receipts pool	(196)	-	196	-	-	-
Transfer from deferred capital receipts	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve (MRR)						
Voluntary contribution to MRR	-	296	-	(296)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	4,094	-	(4,094)
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	(11,027)	(632)	-	-	-	11,659
Employer's pension contributions and in year payments direct to pensioners	5,122	280	-	-	-	(5,402)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statutory requirements	(404)	-	-	-	-	404
Amount by which Business Rates income credited to the CI&E Statement is different from that calculated for the year in accordance with statutory requirements	(10,064)	-	-	-	-	10,064
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	(615)	-	-	-	-	615
Total Adjustments	**(18,559)**	**(6,397)**	**2,228**	**44**	**-**	**22,684**

17. Earmarked Reserves

This note details the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans, and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2020-21. Table 1. below shows how these prior year balances were reported in the 2019-20 audited statement of accounts.

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

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

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

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

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

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

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

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

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

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

Covid Non Domestic Rates Relief Losses - in 2020-21 Retail, Hospitality and Leisure Businesses were provided with 100% relief on their business rate bills to support them with the financial challenges presented by the pandemic. In 2020-21 the Government paid the Council £9.553m, in the form of S31 grants, as compensation for this lost income. However, the losses from these reliefs are recognised in the collection fund in 2020-21 and are not charged to the General Fund until 2021-22 and later.

Therefore, this grant funding is held in this earmarked reserve as it is committed in full to repay these Collection Fund losses in future years.

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

East Kent Services – ring fenced for future investment within the services delivered by East Kent Services.

Equalisation – this reserve holds funding to offset significant variations in benefit expenditure and subsidy and any potential shortfall in business rates, as well as smoothing the volatility of these activities between years. The **Business Rates Growth** element (shown separately) is to fund future projects to encourage economic growth.

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

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

Waste - to replace vehicles, plant and equipment coming to the end of their useful lives. Service underspends in relation to front line operational services are set aside to support the replacement programme.

Council Election – to fund the council elections which occur every four years.

Homelessness – to hold unspent homelessness grant and recovered rent deposit monies to draw down on depending on the Economic Climate and homelessness projects.

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

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

Training – due to the variable profile of spend on this activity and the variable cost of training, any underspend is set aside in this reserve to be drawn against as and when required.

Housing Intervention – to fund anticipated costs associated with the Authority's Intervention Schemes. To smooth the impact of increased housing costs, the 2020-21 budget included a one-off £300k reserve allocation.

Maritime – to fund potential future works at the Port and Harbour and for income protection/maximisation works.

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

Capital Projects – revenue monies and other contributions set aside for capital projects.

Strategic – to help facilitate work around the strategic objectives of the council.

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

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

Destination Management – to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.

VAT - to cover any one off cost deemed appropriate such as the cost of specialist advice.

Risk Management – to meet potential increases in insurance premiums, fund excess costs**,** self-insurance, TUPE obligations and any unforeseen one-off risk related expenditure.

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

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

Crematorium & Cemeteries Works – the Council has an obligation to be environmentally compliant. The surcharge on both cremations and burials is set aside in this reserve to support cremator burner replacement and works required at the cemeteries.

Dreamland - this reserve was held to bolster the contingency for the Dreamland project.

Coastal Maintenance – due to the variable profile of spend on this activity and the variable cost involved with coastal infrastructure works, any in-year underspend is set aside in this reserve to be drawn against in future years.

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

HRA Properties – for the purchase and refurbishment of new HRA properties.

HRA Repairs - to make provision for necessary repairs and maintenance.

Notes Supporting the Balance Sheet

18. Property, Plant and Equipment

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

In accordance with the Temporary Relief offered by the Update to the Code, Infrastructure Assets do not need to be reported in the same detail as other PP&E. The table below is the original Note as per the 2019-20 audited statement of accounts.

Original	Council Dwellings £'000s	Other Land & Buildings £'000s	Heritage Assets £'000s	Vehicles, Plant & Equip £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Assets Under Construction £'000s	Surplus Property £'000s	Total £'000s
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)	(2,155)	(20,335)	(283)	5	-	(276)	618	**(23,521)**
Recognitions	-	-	38	-	-	-	-	65	**103**
Reval. & Restatement	-	3,641	89	-	-	23	-	351	**4,104**
Downward Reval. & Impair. charged to C I & 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**	**69,781**	**358**	**13,867**	**23,112**	**-**	**6,668**	**1,240**	**267,986**
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 Reval	(4,319)	(2,615)	-	-	-	-	-	(195)	**(7,129)**
Other depreciation adj	-	(374)	-	(588)	-	-	-	187	**(775)**
Gross Depreciation c/fwd	**-**	**1,625**	**-**	**10,638**	**9,897**	**-**	**-**	**4**	**22,164**
Net Book Value:									
as at 31 March 2020	**152,960**	**68,156**	**358**	**3,229**	**13,215**	**-**	**6,668**	**1,236**	**245,822**
as at 31 March 2019	**153,832**	**67,435**	**20,821**	**4,241**	**13,253**	**-**	**1,093**	**461**	**261,136**

The table below reports the 2019-20 restated position, removing Heritage Assets as these are presented in Note 19, and removing Infrastructure Assets, which are now reported separately in Note 18b. The restatement is purely presentational, no brought forward balances have been amended however the figures reported in the Total column now differ to the original table.

Restated	**Council Dwellings £'000s**	**Other Land & Buildings £'000s**	**Vehicles, Plant & Equip £'000s**	**Community Assets £'000s**	**Assets Under Construction £'000s**	**Surplus Property £'000s**	**Total £'000s**
As at 1 April 2019	**153,832**	**69,934**	**14,159**	**-**	**1,093**	**461**	**239,479**
Additions	3,036	3,606	409	70	5,851	-	**12,972**
Disposals	-	(480)	(418)	-	-	-	**(898)**
Reclassifications	(1,095)	(2,155)	(283)	-	(276)	618	**(3,191)**
Recognitions	-	-	-	-	-	65	**65**
Revaluation & restatement	-	3,641	-	23	-	351	**4,015**
Downward Revaluation impairment charged to C I & E	(863)	(1,393)	-	(93)	-	-	**(2,349)**
Downward revaluation & impairment charged to revaluation reserve	(1,950)	(3,372)	-	-	-	(255)	**(5,577)**
Gross Asset Valuation	**152,960**	**69,781**	**13,867**	**-**	**6,668**	**1,240**	**244,516**
Depreciation b/fwd	-	2,499	9,918	-	-	-	**12,417**
Depreciation 2019-20	4,319	2,115	1,308	-	-	12	**7,754**
Write out Accumulated Depreciation on revaluation	(4,319)	(2,615)	-	-	-	(195)	**(7,129)**
Other depreciation adjustments	-	(374)	(588)	-	-	187	**(775)**
Gross Depreciation c/fwd	**-**	**1,625**	**10,638**	**-**	**-**	**4**	**12,267**
Net Book Value:							
as at 31 March 2020	**152,960**	**68,156**	**3,229**	**-**	**6,668**	**1,236**	**232,249**
as at 31 March 2019	**153,832**	**67,435**	**4,241**	**-**	**1,093**	**461**	**227,062**

	Council Dwellings £'000s	Other Land & Buildings £'000s	Vehicles, Plant & Equip £'000s	Community Assets £'000s	Assets Under Construction £'000s	Surplus Property £'000s	Total £'000s
As at 1 April 2020	**152,960**	**69,781**	**13,867**	**-**	**6,668**	**1,240**	**244,516**
Additions	9,031	921	3,274	431	1,711	-	**15,368**
Disposals	-	(277)	(2,287)	-	-	-	**(2,564)**
Reclassifications	4,899	(2,457)	11	-	(4,347)	(30)	**(1,924)**
Recognitions	-	-	21	-	-	-	**21**
Revaluation & restatement	17,705	3,063	(37)	-	20	-	**20,751**
Downward revaluation & impairment charged to C I & E	(7,287)	(546)	-	(431)	-	-	**(8,264)**
Downward revaluation & Impairment charged to revaluation reserve	(11,016)	(2,792)	-	-	-	-	**(13,808)**
Gross Asset Valuation	**166,292**	**67,693**	**14,849**	**-**	**4,052**	**1,210**	**254,096**
Depreciation b/fwd	-	1,625	10,638	-	-	4	**12,267**
Depreciation 2020-21	3,689	2,016	1,316	-	-	19	**7,040**
Write out Accumulated Depreciation on revaluation reserve	(3,689)	(2,589)	-	-	-	-	**(6,278)**
Other depreciation adjustments	-	(83)	(2,279)	-	20	-	**(2,342)**
Gross Depreciation c/fwd	**-**	**969**	**9,675**	**-**	**20**	**23**	**10,687**
Net Book Value:							
as at 31 March 2021	**166,292**	**66,724**	**5,174**	**-**	**4,032**	**1,187**	**243,409**
as at 31 March 2020	**152,960**	**68,156**	**3,229**	**-**	**6,668**	**1,236**	**232,249**

Additions

The HRA purchased a number of new dwellings and undertook large-scale works through the capital programme.

Revaluations

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

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

	Council Dwellings £'000	Land, Buildings £'000	Heritage Assets £'000s	Surplus Property £'000	Investment Properties £'000	Total £'000
Carried at:						
Cost	-	1,002	-	-	8	1,010
Current Value						
Pre 2015	-	-	98	-	-	98
2015-16	-	-	-	-	-	-
2016-17	-	-	-	-	-	-
2017-18	-	4,134	-	-	1,903	6,037
2018-19	-	5,385	-	460	906	6,751
2019-20	-	4,786	242	750	3,444	9,222
2020-21	166,292	52,386	24	-	17,031	235,733
Total Value	**166,292**	**67,693**	**364**	**1,210**	**23,292**	**258,851**

Vehicles, plant and equipment, infrastructure, and assets under construction are carried at historical cost. Other Land and Buildings include housing development sites (which have not yet been valued) at cost of £1.002m (2019-20 £2.240m).

18b. Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation may not be measured accurately and may not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Infrastructure Assets	**2019-20 £’000**	**2020-21 £’000**
Net Book Value at the start of the year	13,253	13,215
Additions	535	334
Reclassifications	5	1,285
Depreciation	(578)	(619)
Net Book Value at the end of the year	**13,215**	**14,215**

Net Book Value of Property, Plant and Equipment as at the end of the year	**Note**	**2019-20 £’000**	**2020-21 £’000**
Infrastructure Assets	18b	13,215	14,215
Other Property, Plant and Equipment Assets	18	232,249	243,409
Total Net Book Value at 31 March 2021		**245,464**	**257,625**

19. Heritage Assets

	War Memorials Public Statues £'000s	Museum Artefacts £'000s	Art Collection £'000s	Civic Regalia £'000s	Dreamland £'000s	Total £'000s
1 April 2019	**113**	**30**	**85**	**18**	**20,575**	**20,821**
Additions	-	-	-	-	38	**38**
Recognition	-	25	13	-	-	**38**
Reclassifications	-	-	-	-	(20,335)	**(20,335)**
Upward/(Downward)revaluation to reserve	5	20	49	-	-	**74**
Devaluation/Impairment charged to C I & E	-	-	-	-	(278)	**(278)**
31 March 2020	**118**	**75**	**147**	**18**	**-**	**358**
1 April 2020	**118**	**75**	**147**	**18**	**-**	**358**
Additions	-	-	-	-	-	**-**
Recognition	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	**-**
Upward/(Downward) Revaluation to Reserve	-	-	-	6	-	**6**
Devaluation/Impairment charged to C I & E	-	-	-	-	-	**-**
31 March 2021	**118**	**75**	**147**	**24**	**-**	**364**

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	2019-20 £'000s	2020-21 £'000s
Art	147	147
- Material items		
- balance of collection	108	108
Furniture/Dolls etc		
- Material items	65	65
- balance of collection	9	9
Civic Statues		
- Material items	118	118
Posters		
- balance of collection	16	16
Civic Regalia		
- Material items	18	24
- balance of collection	9	9
Miscellaneous		
- Material items	10	10
- balance of collection	52	52
Total Value of Assets	**552**	**558**
Total Value shown on Balance Sheet (net of Impairment/devaluation)	**358**	**364**

The Authority's heritage assets include public statues, civic regalia, museum artefacts and art collections. They also formerly included an historic amusement park, rides and cinema complex, which were sold during the year. The museums contain collections of heritage assets; with an objective being to increase the knowledge, understanding and appreciation of the Authority's history, culture and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. The Authority has set a de-minimis level in respect of the recognition of heritage assets of £15k from 1 April 2020 (previously £10k). However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include intangible elements are set out in Note 1.

Further details of the Authority's heritage assets are as follows:

Dreamland

The Authority's Dreamland assets were reclassified as Held for Sale as at 31 March 2020 and contracts were exchanged on 18 December 2020 for their disposal. As at 31 March 2021, the disposal was part-completed.

Public Statues

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

Museum Artefacts and Art Collections

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

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

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

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

The artefacts with the higher financial values include a very important wooden doll dating back to 1750, a marble bust by Sir Francis Chantry, a few theatrical posters, and Victorian furniture (mostly at Dickens House, Broadstairs). The artefact collection is supported by a large fine art collection including some oils on canvas by notable artists, with the bulk of this collection made up of several hundred engravings of local scenes and seascapes, again, with some works by notable artists.

Of particular note and financial value is the Rowe Bequest of engravings including many produced by Phillipe 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 Council, not unlike many others, has a small collection of civic regalia, mainly comprising the chairman's chain. This has been included on the asset register at its insurance valuation.

Preservation and Management

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

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

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

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

20. Fair Value Measurement of Property Assets

Valuation Hierarchy

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

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

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

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

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	4,586	**4,587**
Disposals	-	(35)	(3,567)	**(3,602)**
Recognition	65	-	11	**76**
Reclassifications	618	-	23,336	**23,954**
Upward Revaluations	351	2,382	2,407	**5,140**
Downward Revaluation charged to the C I & E	-	(1,276)	(19,497)	**(20,773)**
Downward Revaluation charged to revaluation reserve	(255)	-	-	**(255)**
Balance as at 31 March 2020	**1,240**	**22,955**	**7,276**	**31,471**

Level 3 Assets				
Balance as at 1 April 2019	**-**	**10**	**-**	**10**
Upward Revaluations	-	-	-	**-**
Balance as at 31 March 2020	**-**	**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 2020	**1,240**	**22,955**	**7,276**	**31,471**
Additions	-	8	-	**8**
Transfer from level 3 assets	-	10	-	**10**
Disposals	-	(184)	(3,363)	**(3,547)**
Recognition	-	-	-	**-**
Reclassifications	(30)	(9)	647	**608**
Upward Revaluations	-	1,047	691	**1,738**
Downward revaluation charged to the C I & E	-	(535)	(81)	**(616)**
Downward revaluation charged to Revaluation Reserve	-	-	(410)	**(410)**
Balance as at 31 March 2021	**1,210**	**23,292**	**4,760**	**29,262**
Level 3 Assets				
Balance as at 1 April 2020	**-**	**10**	**-**	**10**
Upward Revaluations	-	(10)	-	**(10)**
Balance as at 31 March 2021	**-**	**-**	**-**	**-**

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.

Highest and Best Use

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

Level 3 Valuation Inputs and Process

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

Impairments

There were no valuation impairments during the financial year ended 31 March 2021.

21. Investment Property

The council has nearly 200 investment properties of various types; including retail premises, leisure and sporting facilities, maritime related assets, land and industrial units. The annual net (gain)/loss from the investment property portfolio was:

2019-20 £'000s		2020-21 £'000s
(1,045)	Rental Income from Investment property	(1,132)
356	Direct operating expenses arising from investment property	266
(689)	**Net (Gain)/Loss**	**(866)**

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

2019-20 Original £'000s	2019-20 Restated £'000s		2020-21 £'000s
21,893	**21,893**	**Balance as at 1 April**	**22,965**
(35)	(35)	Disposals	(184)
1,106[1]	1,126	Revaluation - Increase/(Decrease) in valuation (GF)	512
-	(20)	Revaluation - Increase/(Decrease) in valuation (HRA)	-
-	-	Reclassifications	(9)
1	1	Subsequent expenditure	8
22,965	**22,965**	**Balance as at 31 March**	**23,292**

In the 2019-20 audited statement of accounts, the revaluation increase/decrease in Valuation was reported in one combined figure of £1,106k[1]. These balances have now been restated to show the GF and HRA balances separately.

The analysis shows the Council's investment properties provided a yield of 3.72% on the closing balance value (3.00% in 2019-20) and that the portfolio's value increased by 1.42% during 2020-21 (4.90% in 2019-20)

22. Financial Instruments Balances

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

Financial Liabilities

	Long-Term		Current	
	31 March 2020 £'000s	**31 March 2021 £'000s**	**31 March 2020 £'000s**	**31 March 2021 £'000s**
Borrowings	(24,394)	(20,215)	(631)	(4,179)
Trade creditors	-	-	(5,318)	(5,090)
Deferred liabilities	(347)	(346)	-	-
+ Accrued interest	-	-	(281)	(276)
Financial liabilities at amortised cost	(24,741)	(20,561)	(6,230)	(9,545)
Total financial liabilities	**(24,741)**	**(20,561)**	**(6,230)**	**(9,545)**

Financial Assets

	Long-Term		Current	
	31 March 2020 £'000s	**31 March 2021 £'000s**	**31 March 2020 £'000s**	**31 March 2021 £'000s**
Short term investments	-	-	17,936	10,754
Cash and Cash Equivalents	-	-	16,776	21,395
Trade debtors	-	-	4,977	3,536
Employee cycle to work	-	14	-	-
Capital/Revenue Grant Debtors	-	-	1,027	1,044
Charitable Loans	113	139	-	-
KCC Highways Bond	54	54	-	-
Leisure Services Loans	136	109	-	-
+ Accrued interest on investments	-	-	59	5
Loans and receivables at amortised cost	303	316	40,775	36,734
Total financial assets	**303**	**316**	**40,775**	**36,734**

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

Note 2 – Fair value has been measured by:

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

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

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

Financial Instruments Gains/Losses

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

2019-20			2020-21	
Financial Liabilities Amortised Cost £'000s	**Financial Assets Amortised Cost £'000s**		**Financial Liabilities Amortised Cost £'000s**	**Financial Assets Amortised Cost £'000s**
1,034	-	Interest expense	953	-
-	807	Impairment losses	-	492
1,034	**807**	**Interest payable and similar charges**	**953**	**492**
-	(361)	Interest income	-	(122)
-	**(361)**	**Interest and investment income**	-	**(122)**
1,480		**Net (gain)/loss for the year**	**1,323**	

Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values are calculated as follows:

31 March 2020			31 March 2021	
Carrying Amount £'000s	**Fair Value £'000s**		**Carrying Amount £'000s**	**Fair Value £'000s**
(20,726)	(23,734)	PWLB debt	(20,099)	(23,946)
(4,580)	(6,752)	Other debt	(4,571)	(7,382)
(25,306)	**(30,486)**	**Total debt**	**(24,670)**	**(31,328)**
(347)	(347)	Finance lease liabilities	(346)	(346)
(5,318)	(5,318)	Trade creditors	(5,090)	(5,090)
(30,971)	**(36,151)**	**Total Financial Liabilities**	**(30,106)**	**(36,764)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

31 March 2020 Carrying Amount & Fair Value £'000s		31 March 2021 Carrying Amount & Fair Value £'000s
113	Charitable loans	139
33,904	Money market loans < 1 year	31,325
136	Leisure services loans	109
54	KCC Highways Bond	54
-	Employee Cycle to Work Scheme	14
4,977	Trade debtors	3,536
39,184	**Total Loans and Receivables**	**35,177**

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

Basis for fair value measurements

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

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

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

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

23. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

Credit Risk

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

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

Credit Risk Management Practices

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

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

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

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

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

The full Investment Strategy for 2020-21 was approved by Full Council on 27 February 2020 (available on the Council's website).

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

Amounts Arising from Expected Credit Losses

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

2019-20	**Amount at 31 March 2020**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2020**	**Estimated maximum expected credit loss**
	£'000s (a)	**% (b)**	**% (c)**	**£'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**

2020-21	**Amount at 31 March 2021**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2021**	**Estimated maximum expected credit loss**
	£'000s (a)	**% (b)**	**% (c)**	**£'000s (a * c)**
Trade Debtors	10,394	65.98	65.98	6,858
Capital/Revenue Grant Debtors	1,044	-	-	-
Employee Cycle to Work Scheme	14	-	-	-
KCC Highways Bond	54	-	-	-
Charitable Loans	139	-	-	-
Leisure Services Loans	109	-	-	-
Total	**11,754**			**6,858**

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

The Council does not generally allow credit for its trade debtors, such that £8.890m of the £10.394m balance is past its due date for payment. The past due amount of trade debtors can be analysed by age as follows:

31 March 2020 £'000s		31 March 2021 £'000s
1,378	Less than three months	1,153
831	Three to six months	985
1,165	Six months to one year	808
3,634	More than one year	5,944
7,008	**Total**	**8,890**

The above table excludes certain HRA debtors, due to the functionality of the relevant IT system, amounting to £929k (2019-20 £761k). £910k of this relates to former tenancy arrears (2019-20 £733k). Rechargeable works debtors are also not included in the above table, as they cannot be broken down by age in the same way as other debtors.

The table below shows the changes in debtors for rechargeable works within the year:

31 March 2020 £'000s		31 March 2021 £'000s
266	**Debt b/fwd from previous year (> 1 year old)**	**133**
74	Costs incurred in financial year (< 1 year old)	58
(207)	Debtor invoices raised in year	(57)
133	**Total debt outstanding at year end**	**134**

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

Credit Risk Exposure in Investments

The Council's exposure to credit risk as at 31 March 2021 in relation to its investments in financial institutions of £32.148m (2019-20 £34.749m), was £2k (as at 31 March 2020 £3k).

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

Liquidity Risk

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

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

The maturity analysis of investments is as follows:

31 March 2020 £'000s		31 March 2021 £'000s
34,749	Less than one year	32,148
34,749	**Total**	**32,148**

Refinancing and Maturity Risk

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

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

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

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

31 March 2020 £'000s		Approved Maximum Limits 2020-21 £'000s	31 March 2021 £'000s
(912)	Less than one year	(10,085)	(4,455)
(4,179)	Maturing in 1 - 2 years	(10,085)	(334)
(3,080)	Maturing in 2 - 5 years	(10,085)	(2,833)
(2,356)	Maturing in 5 - 10 years	(10,085)	(2,356)
(7,359)	Maturing in 10 - 20 years	(10,085)	(7,272)
(1,920)	Maturing in 20 - 30 years	(10,085)	(1,920)
-	Maturing in 30 - 40 years	(10,085)	-
(1,000)	Maturing in 40 - 50 years	(10,085)	(1,000)
-	Maturing in 50 years and above	(10,085)	-
(20,806)	**Total**		**(20,170)**

Not shown in the table above are trade and other payables (£21.874m), (2019-20 £(15.448)m), which are due to be paid in less than one year, and a loan with Dexia (£4.5m), (2019-20 (£4.5)m) that matures in 40 - 50 years (see Market Risk section below).

Market Risk

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

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

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

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

The Council holds both variable and fixed rate investments.

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

According to this assessment strategy at 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2019-20 £’000s		**2020-21 £’000s**
45	Increase in interest payable on variable rate borrowings	45
(323)	Increase in interest receivable on variable rate investments	(408)
(278)	**Impact on Comprehensive Income and Expenditure Statement**	**(363)**
(2,118)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure)	(2,125)

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

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

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

24. Debtors

The 2019-20 Amounts falling due in one year[1 & 2], and Impairment Allowance[3] figures have been restated to disclose the balances owed by major preceptors and housing rents separately. As a result, the figures reported for Trade[1 & 3], and Other[2] receivables have changed. The Total short term debtors balance remains the same at £14.437m and is shown as reported in the audited 2019-20 statement of accounts in Col.1. Col.2 below shows the restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s	Amounts falling due in one year	2020-21 £'000s
4,875	4,875	Council Tax and Business Rates	5,884
10,737[1]	9,088	Trade receivables	8,605
1,480	1,480	Prepayments	1,249
-	1,649	Housing rents	1,789
-	1,288	Major Preceptors - Council Tax and Business Rates	12,233
4,903[2]	3,615	Other receivables	3,775
21,995	**21,995**		**33,535**
		Less Impairment Allowance	
	(1,798)	Council Tax and Business Rates	(2,511)
(7,558)[3]	(4,443)	Trade receivables	(5,225)
	(1,317)	Housing rents	(1,633)
14,437	**14,437**	**Total Short Term Debtors**	**24,166**

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

2019-20 £'000s	Debtors for Council Tax and Business Rates	2020-21 £'000s
502	Less than three months	306
195	Three to six months	879
180	Six months to one year	100
3,998	More than one year	4,599
4,875	**Total Local Taxation Debtors**	**5,884**

2019-20 £'000s	Amounts falling due after one year	2020-21 £'000s
-	Major Preceptors - Council Tax and Business Rates	1,882
-	Employee Cycle to Work Scheme	14
113	Charitable/Housing Loans	139
136	Leisure Services Loans	109
54	Kent County Council S278 Highways Bond	54
303	**Total Long Term Debtors**	**2,198**

The increase in the Major Preceptors balances (current debtors £10.945m and long term debtors £1.882m) are as a result of additional business rate relief announced by Central Government in response to the coronavirus pandemic, which had the effect of reducing the business rates income already paid to major preceptors during the year under Collection Fund statute. The balances are due to be recovered over several years.

25. Cash and Cash Equivalents

31 March 2020 £'000s		31 March 2021 £'000s	Movement 2020-21 £'000s
808	Cash held by the Authority	823	15
3	Bank current accounts	29	26
15,965	Short term deposits	20,543	4,578
16,776	**Total Cash and Cash Equivalents**	**21,395**	**4,619**

26. Current Assets Held for Sale

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

2019-20 £'000s		2020-21 £'000s
-	**Balance as at 1 April**	**7,276**
23,347	Assets newly classified as held for sale	647
4,586	Additions	-
2,407	Revaluation gains	691
(19,497)	Revaluation losses/impairment	(491)
(3,567)	Disposals	(3,363)
7,276	**Balance as at 31 March**	**4,760**

The main disposal in 2020-21 relates to Dreamland assets (excluding the car park which completed in 2021-22).

27. Creditors

In order to alleviate the financial pressures of the pandemic on businesses, Central Government awarded additional relief to business ratepayers during the year. To compensate for the resulting loss of business rate income and ease cash flow, Central Government paid all of the corresponding grant to local billing authorities (under S31 Local Government Act 2003).

The 2019-20 Amounts falling due in one year have been restated to separately disclose the council's original estimated share of the S31 grants which were paid early on account in 2019-20 to assist with cash flow. The short term creditors total of (£15.448m) remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £,000s	Restated 2019-20 £'000s	Amounts falling due in one year	2020-21 £'000s
(605)	(605)	Council Tax & Non Domestic Rates	(988)
(5,318)	(5,318)	Trade payables	(5,090)
(8,353)	(5,852)	* Central & Local Government	(2,112)
-	(2,501)	* Central Government - Business Rate S31 grant	(12,177)
(1,172)	(1,172)	Other payables	(2,268)
(15,448)	**(15,448)**	**Total Short Term Creditors**	**(22,635)**

The creditor for 2020-21 represents the share of the S31 due to major preceptors under collection fund statute (see Notes to the Collection Fund Statement).

28. Provisions

	Compensation Claims £'000s	NNDR Appeals £'000s	Dreamland CPO Compensation £'000s	Dreamland Legal Costs £'000s	Port £'000s	Legal £'000s	Other £'000s	Total £'000s
Balance as at 1 April 2019	**(481)**	**(2,449)**	**-**	**-**	**-**	**-**	**(476)**	**(3,406)**
Additional provisions made in year	(1)	(803)	(3,644)	(942)	-	-	-	**(5,390)**
Amounts used during the year	-	69	-	-	-	-	476	**545**
Balance as at 31 March 2020	**(482)**	**(3,183)**	**(3,644)**	**(942)**	**-**	**-**	**-**	**(8,251)**
Balance as at 1 April 2020	**(482)**	**(3,183)**	**(3,644)**	**(942)**	**-**	**-**	**-**	**(8,251)**
Additional provisions made in year	-	(608)	-	-	(563)	(612)	-	**(1,783)**
Amounts used during the year	-	484	3,613	837	-	-	-	**4,934**
Balance as at 31 March 2021	**(482)**	**(3,307)**	**(31)**	**(105)**	**(563)**	**(612)**	**-**	**(5,100)**

Compensation Claims

The Council holds a provision of £482k in respect of asbestos-related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants.

NNDR Appeals

The Council has a Business Rates provision of £3.307m for past and future appeals against the Valuation Office (VO) rateable valuation list. A methodology has been agreed with other councils in Kent to arrive at a consistent countywide approach as part of the Kent Business Rates Pool.

Port

A provision of £563k has been created to recognise anticipated revenue costs associated with the berth 4/5 capital scheme. This was reported in detail to Cabinet at its 29 July 2021 meeting, but the major elements are:

- **Main Contractor** - £383k payments to the main contractor due to delays, which do not meet the criteria to be recognised as capital expenditure
- **Port Operator** - The commercial operator of berth 4/5 is Brett Aggregates, due to the berth being non-operational they have had to use road haulage as an alternative. It is estimated that they will claim costs in the region of £180k.

This is in addition to a forecast £380k capital pressure, expected to materialise in future years, resulting in a total overspend on the scheme of £825k. Additional budget provision was approved at 29 July 2021 Cabinet meeting.

Legal

On 8 June 2021 Cabinet approved 2020-21 supplementary revenue budgets totalling £733k in relation to legal costs associated with on-going disciplinary and grievance proceedings. During 2020-21 revenue expenses in relation to these matters of £121k have been recognised in the CIES, under the net cost of service, for the relevant costs incurred in the financial year. In addition to this, a revenue provision of £612k has been created to recognise in the 2020-21 accounts the future costs anticipated at the balance sheet date in relation to these matters. It is deemed appropriate to create a provision because the following criteria have been met:

- **Present obligation as a result of a past event** - At the balance sheet date there was an expectation to pay the costs set out above, with the past event considered to be the engagement of legal firms and barristers to support the processes associated with the grievance and disciplinary action
- **Costs are probable** - based on the Council's current strategy for resolution, these costs would be unavoidable. Actions to resolve the matters are not solely within the council's control
- **Reliable estimates** - These estimates have been produced by the legal firm that have been contracted to oversee and manage these processes and are based on the maximum time and processes necessary to bring matters to conclusion.

It should be noted that the forecasts represent the Council's costs only and therefore there is a risk that the Council's financial exposure could exceed this envelope. There is also a risk that costs may exceed these current estimates if the proceedings' durations extend beyond current expectations or if appeals are lodged. These possibilities have been considered as a contingent liability, as disclosed elsewhere at Note 40.

Other Provisions

Under 'Other Provisions' the short term amounts used during 2019-20 relate to the settlement of the final claim against the council for matters relating to live animal exports at Ramsgate port. The new capital provision set aside in 2019-20 relates to the Dreamland Compulsory Purchase Order (£3.644m) and associated legal costs (£942k).

29. Usable Reserves

2019-20 £'000s			2020-21 £'000s
(8,544)	Capital Receipts Reserve	Note 30	(6,316)
(15,469)	Major Repairs Reserve		(15,425)
(2,011)	General Fund Balance		(2,011)
(8,645)	HRA Balance		(7,749)
(43)	Capital Grants Unapplied		(43)
(12,453)	GF Earmarked Reserves		(23,584)
(1,075)	HRA Earmarked Reserves		(1,049)
(48,240)	**Total Usable Reserves**		**(56,177)**

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

Capital Receipts Reserve – see Note 30 below.

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

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

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

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

GF & HRA Earmarked Reserves – see Note 17.

30. Usable Capital Receipts Reserve

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

The 2019-20 figures have been restated to separately disclose the repayment of debt. The balance as at 31 March of £(8.544)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £,000s	Restated 2019-20 £'000s		2020-21 £'000s
(9,437)	**(9,437)**	**Balance as at 1 April**	**(8,544)**
(2,332)	(2,332)	Capital Receipts in year	(3,537)
2,975	2,975	Capital Receipts used to finance capital expenditure	3,259
-	(7)	* Capital Receipts used to repay debt	2,249
232	232	Housing Pooled Capital Receipts payment to government	196
18	25	* Cost of sales/Right to Buy admin costs	61
(8,544)	**(8,544)**	**Balance as at 31 March**	**(6,316)**

The £6.316m balance as at 31 March 2021 includes £4.716m for housing capital receipts, which are ring fenced for the HRA (31 March 2020 balance £8.544m includes £5.945m for housing capital receipts).

31. Unusable Reserves

2019-20 £'000s			2020-21 £'000s
(123,446)	Revaluation Reserve	Note 31a	(135,467)
(96,498)	Capital Adjustment Account		(92,761)
90,435	Pensions Reserve	Note 31c	102,686
(544)	Collection Fund Adjustment Account		9,924
-	Accumulated Absences Account		615
(130,053)	**Total Unusable Reserves**		**(115,003)**

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.

2019-20 £'000s		2020-21 £'000s
(119,030)	**Balance as at 1 April**	**(123,446)**
(10,715)	Upward revaluation of assets	(22,388)
2,691	Downward revaluation of assets and impairment losses charged to the reserve	8,780
(113)	Gains through acquisition/recognition of non-current assets in the year	(20)
(8,137)	**Surplus or deficit arising on revaluation of non-current assets**	**(13,628)**
564	Difference between fair value depreciation and historical cost depreciation	550
3,157	Accumulated gains on assets disposed of	1,057
3,721	Amount written off to the Capital Adjustment Account	**1,607**
(123,446)	**Balance as at 31 March**	**(135,467)**

Upward revaluation of assets in 2020-21 of £22.387m includes £17.705m for Council dwellings.

31b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).
The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The 2019-20 figures for Capital Financing applied in the year figures have been restated to disclose additional information for the repayment of debt to make the reconciliation to Note 16 clearer. The balance as at 31 March of £(96.498)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
(115,155)	**(115,155)**	**Balance as at 1 April**	**(96,498)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,611	8,611	Charges for depreciation and impairment of non-current assets	7,659
21,781	21,781	Revaluation losses on Property, Plant and Equipment	8,345
24	24	Amortisation of intangible assets	-
3,874	3,874	Revenue expenditure funded from capital under statute	3,312
3,951	3,951	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,868
(76,914)	**(76,914)**		**(73,314)**
(3,721)	(3,721)	Adjusting amounts written out of the Revaluation Reserve	(1,607)
(80,635)	**(80,635)**	Net written out amount of the cost of non-current assets consumed in the year	**(74,921)**

		Capital Financing applied in the year:	
(2,945)	(2,975)	* Use of the Capital Receipts Reserve to finance new capital expenditure	(3,259)
(554)	286	* Use of Capital Receipts Reserve for Repayment of debt	(2,249)
-	30	* Costs of disposal funded from capital receipts	(18)
(1,745)	(1,745)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,094)
(6,295)	(6,295)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,508)
(1,203)	(1,203)	Statutory Minimum Revenue Provision (MRP) for the financing of capital investment charged against the General Fund	(1,333)
-	(840)	* Repayment of HRA Debt	-
-	-	* HRA Voluntary Revenue Provision (VRP)	(241)
(2,015)	(2,015)	Capital Expenditure charged against the General Fund and HRA balances	(1,636)
(1,106)	(1,106)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(512)
(96,498)	**(96,498)**	**Balance as at 31 March**	**(92,761)**

31c. Pensions Reserve

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

2019-20 £'000s		2020-21 £'000s
86,274	**Balance as at 1 April**	**90,435**
700	Re-measurement of the net defined benefit liability	5,994
(4,861)	Employers contributions payable in the year	(5,402)
8,322	Reversal of items relating to retirement benefits debited to the (surplus) or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	11,659
90,435	**Balance as at 31 March**	**102,686**

31d. Collection Fund Adjustment Account

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

2019-20 £'000s		2020-21 £'000s
(814)	**Balance as at 1 April**	**(544)**
90	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	404
180	Amount by which non domestic rates (business rates) income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	10,064
(544)	**Balance as at 31 March**	**9,924**

The increase in the business rate balance is as a result of the award of 100% business rate relief (introduced by Central Government) for retail and hospitality businesses and children's nurseries in order to alleviate the financial pressures of the pandemic and successive lockdowns. The balance will be charged to the General Fund over future years in accordance with statute.

32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019-20 £'000s		2020-21 £'000s
(364)	Interest Received	(176)
1,125	Interest Paid	957

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

2019-20 £'000s		2020-21 £'000s
(8,611)	Depreciation	(7,659)
(21,781)	Impairment and downward valuations	(8,345)
(24)	Amortisation	-
1,193	Movement in Creditors	(11,341)
1,632	Movement in Debtors	9,675
89	Movement in Inventories	(13)
(3,461)	Pension Liability	(6,257)
(3,951)	Carrying amount of non-current assets sold	(3,869)
1,106	Movement in Investment Property Values	512
(536)	Contribution (to)/from Provisions	3,152
(34,344)		**(24,145)**

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

2019-20 £'000s		2020-21 £'000s
-	Disposal of short-term Investments	(7,183)
128	Capital Grants credited	(8,184)
2,322	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,528
2,450		**(11,839)**

33. Cash Flow Statement - Investing Activities

2019-20 £'000s	Investing Activities	2020-21 £'000s
16,810	Purchase of Property, plant and equipment, investment property and intangible assets	19,493
69	Purchase of short term and long term investments	-
30	Other Payments for investing activities	1,895
(2,324)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,528)
(3,566)	Other receipts from investing activities	(5,977)
11,019	**Net cash flows from Investing activities**	**11,883**

34. Cash Flow Statement - Financing Activities

2019-20 £'000s	Financing Activities	2020-21 £'000s
-	Payments for the reduction of a finance liability	1
5,432	Repayments of short and long term borrowing	631
(1,859)	Other payments for financing activities	4,103
3,573	**Net cash flows from Financing activities**	**4,735**

34a. Reconciliation of Liabilities Arising from Financing Activities

	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)**

	1 April 2020 £'000s	Financing Cash flows £'000s	Other Non Cash changes £'000s	31 March 2021 £'000s
Long term borrowings	**(24,394)**	-	4,179	**(20,215)**
Short term borrowings	**(912)**	631	(4,174)	**(4,455)**
Lease liabilities	**(347)**	1	-	**(346)**
Total	**(25,653)**	**632**	**5**	**(25,016)**

Financing cash flows on short term borrowings of £632k (2019-20: £5.432m) represents the repayment of maturing loans during the year.

35. Related Party Transactions

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

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

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

Members and Senior Officers – Members of the Council and certain senior officers have direct control over the financial and operating policies of the Authority and are therefore in a position of influence. The total of members' allowances paid in 2020-21 is shown in Note 11. During 2020-21 a questionnaire was distributed to the 53 current Members and 4 relevant officers. Two Councillors stated an interest in companies that involved revenue transactions to/from the authority during 2020-21 amounting to £396k to the council (rental income from London Array Ltd £372k and Margate Media Community Project Ltd £24k) and £16k from the council to Margate Media Community Project Ltd for room hire. These Councillors excuse themselves from meetings where there could be a conflict of interest (there were no prior year declarations in 2019-20).

At the time of preparing this statement 5 returns remained outstanding. Previous declarations have been reviewed and no material disclosures have been made before by them.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 6 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2021 are shown in Note 15.

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

Income from Canterbury of £3.138m (2019-20 £3.109m) and Dover £2.421m (2019-20 £2.529m) was invoiced during the year for their share of the Civica management contract. Payments were made to Canterbury of £175k (2019-20 £175k) and Dover £196k (2019-20 £196k) for various fixed cost support services provided to Civica UK Limited as part of the main contract, and to Dover of £167k (2019-20 £129k) as host of the Audit and HR Partnership.

Balances were owed to Canterbury of £10k (2019-20 £287k) and Dover £130k (2019-20 £257k) at the year end for ad hoc services provided by the partners (on a short term basis) and for joint projects (Note 39 Long Term Liabilities) still to be delivered by East Kent Services. Debtors remained outstanding from Canterbury of £140k (2019-20 £117k) and Dover £175k (2019-20 £264k) for their share of costs incurred for Council Tax support administration and data sharing.

36. Capital Expenditure and Capital Financing

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

2019-20 £'000s		2020-21 £'000s	2020-21 £'000s
47,284	**Opening Capital Financing Requirement**		**54,622**
	Capital Investment		
18,120	Property, Plant and Equipment	20,153	
1	Investment Properties	9	
40	Capital loan granted (debtor)	20	
24	Intangible assets	-	
3,874	Revenue expenditure funded from capital under statute (including external funding)	3,312	
22,059			23,494
	Sources of finance		
-	Repayment of GF debt (Dreamland)	(2,249)	
(840)	Repayment of HRA debt	-	
-	Voluntary Revenue Provision (VRP)	(241)	
(2,964)	Capital Receipts	(3,259)	
(7,699)	Government Grants and other contributions	(12,713)	
(2,015)	Direct revenue contributions	(1,636)	
(1,203)	Minimum Revenue Provision (MRP) for the repayment of debt	(1,333)	
(14,721)			(21,431)
54,622	**Closing Capital Financing Requirement**		**56,685**
	Explanation of movements in year		
9,381	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)		5,886
(1,203)	Minimum Revenue Provision (MRP) for the repayment of debt		(1,333)
-	Repayment of GF debt (Dreamland)		(2,249)
(840)	Repayment of HRA debt		-
-	Voluntary Revenue Provision (VRP)		(241)
7,338	**Increase/(decrease) in CFR**		**2,063**

Capital Expenditure and Financing

The total capital expenditure in 2020-21 amounted to £23.494m (including revenue expenditure funded from capital). This included £11.118m in relation to HRA which was funded through the Major Repairs Allowance £4.094m, grants £240k, Capital receipts £1.567m and revenue/reserves £940k. The balance of £4.277m was unfunded.

General fund capital expenditure was £12.376m, funded from grants £3.929m, capital receipts £1.692m, and revenue/reserves £696k. The balance of £6.059m was unfunded.

Included in the General Fund capital expenditure of £12.376m is £3.543m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant General Fund expenditure includes £2.885m for disabled facility grants and £4.450m in relation to the Dreamland CPO settlement.

37. Finance and Operating Leases

Finance Leases

The Council has one car park lease for the Royal Harbour Car Park in Ramsgate, which is 125 years long. This lease has been reviewed and substantially all the risks and rewards of the lease lie with the Council. Therefore, to reflect this, a long term obligation exists for the remaining years of the lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet. The car park lease was re-valued during 2017-18 and has been assessed as having a nil value due to the significant on-going revenue deficits being incurred for the car park.
The Authority is committed to making minimum payments under this lease comprising the settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

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

	2019-20 £'000s	**2020-21 £'000s**
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	(315)	(314)
Finance costs payable in future years	(32)	(32)
Minimum lease payments	**(347)**	**(346)**

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

	2019-20 £'000s	2020-21 £'000s
More than 1 year less than 5 years	(2)	(2)
More than 5 years	(345)	(344)
	(347)	**(346)**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020-21 £168k contingent rents were payable by the Authority (2019-20 £190k).

Operating Leases: Council as Lessor

As a lessor, the Council has in excess of 200 operating leases relating to its General Fund and HRA investment properties that are considered cancellable. The majority of minimum lease payments receivable (£1.132m subject to rent review) relate to more than 5 years, the average lease term for such properties being 6 years. These assets can be found in the fixed asset note under Investment Properties. The asset valuations are apportioned as follows:

Asset Valuations

2019-20 £'000s		2020-21 £'000s
6	Investment Properties HRA	6
22,959	Investment Properties General Fund	23,286
22,965	**Total**	**23,292**

In addition to the above the council has one subsequent lease whereby despite the term of the lease, the risk and reward of ownership remains with the lessor, i.e. the lease term is in excess of 5 years. The income values attached to this lease remained the same for both 2019-20 and 2020-21, this being £69,069.

Embedded Leases:

A review of all contracts is undertaken annually and no embedded leases have been identified as a result.

38. Defined Benefit Pension Scheme

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

Thanet District Council participates in the Local Government Pension Scheme (LGPS) administered by Kent County Council in accordance with the Local Government Pension Scheme (Amendment) Regulations 2018. This is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The administering authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund, whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate, some functions are delegated to the Fund's professional advisors.

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

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

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

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

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

McCloud/Sargeant Ruling on Pension Account Disclosures:

Two successful employment tribunal cases were brought against the Government in relation to age discrimination on reforms to public sector pensions in 2015. The Government were refused leave to appeal the McCloud/Sargeant judgements on 27 June 2019, with instruction for the parties involved to return to their respective employment tribunals to formulate a remedy to resolve the age discrimination of the pension changes. In addition, whilst the judgements concerned the Judges and Uniformed Police and Firefighters Pension Schemes, the Chief Secretary to the Treasury announced on 15 July 2020 that the rulings would apply to all public service pension schemes, with each scheme expected to produce its own solution to meet the implications of the judgements.

Government consultation was published on 16 July 2020 and closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of Regulations are published. At the suggestion of both the Government Actuaries Department (GAD) the Ministry of Housing, Communities & Local Government (MHCLG) and external auditors, the Fund's Actuaries Barnett Waddingham were asked to undertake a review on whether the ruling would have a material impact on the figures shown within previous years accounts. They concluded that any impact would not have been of a material nature, so an allowance for the impact of the McCloud/Sargeant judgements was instead included in the 2019-20 accounts in recognition of the past service cost, and no further adjustments have been made to this figure in light of the ongoing consultation process. Using analysis provided by GAD, focused on key assumptions around assumed rates of future salary increases, the potential impact of these judgements was estimated at £985k for this purpose.

Cost of Retirement Benefits

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

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

2019-20 £'000s	**Amounts recognised in the Comprehensive Income and Expenditure Statement**	**2020-21 £'000s**
	Cost of Services	
4,681	Current service cost	5,862
1,540	Past Service costs, curtailments and settlements	3,628
2,101	Net Interest on the defined liability	2,169
8,322	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**11,659**

2019-20 £'000s	Re-measurement of Net Defined Benefit	2020-21 £'000s
13,724	Return on plan assets in excess of interest	(35,602)
2,524	Other actuarial gains/(losses) on assets	-
(17,272)	Changes in financial assumptions	47,698
(2,555)	Changes in demographic assumptions	(2,648)
4,279	Experience gain/(loss) on defined benefit obligation	(3,454)
700	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**5,994**

2019-20 £'000s		2020-21 £'000s
	Amounts recognised in the Movement in Reserves Statement	
(8,322)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(11,659)
	Actual amount charged against the General Fund and Housing Revenue Account balance for pensioners:	
4,861	Employers contributions payable to the scheme	5,402

Assets and Liabilities in relation to Retirement Benefits

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

2019-20 £'000s		2020-21 £'000s
(227,217)	**Balance as at 1 April**	**(215,544)**
(4,681)	Current service cost	(5,862)
(5,368)	Interest cost	(4,482)
17,272	Change in financial assumption	(47,698)
2,555	Change in demographic assumption	2,648
(810)	Contributions by scheme participants	(893)
(4,279)	Experience loss/(gain) on defined benefit obligation	3,454
7,944	Benefits paid	6,931
580	Unfunded pension payments	567
-	Liability extinguished on settlement	(6,937)
(1,540)	Past service costs including curtailments/settlements	(3,628)
(215,544)	**Closing Defined Benefit Obligation**	**(271,444)**

As a result of East Kent Housing members transferring back into the council's employ during the year, liabilities have been settled at a cost that's different to the accounting reserve. The capitalised loss of this settlement is £3.628m, which comprises liabilities of £10.565m and assets of £6.937m.

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

2019-20 £'000s		2020-21 £'000s
140,943	**Balance as at 1 April**	**125,109**
3,349	Interest on assets	2,416
(13,724)	Return on assets less interest	35,602
(2,524)	Other actuarial gains/(losses)	-
(82)	Administration expenses	(103)
4,861	Employer contributions including unfunded	5,402
810	Contributions by scheme participants	893
(8,524)	Benefits paid including unfunded	(7,498)
-	Settlement prices received/(paid)	6,937
125,109	**Closing Fair Value of Employer Assets**	**168,758**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual gain on scheme assets in the year was £38.018m (2019-20 £10.375m loss).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £102.686m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The contributions expected to be made to the scheme by the Council in the year to 31 March 2022 is £4.6m.

Balance Sheet Disclosure as at 31 March 2021

Net Pension Assets	31 March 2019 £'000s	31 March 2020 £'000s	31 March 2021 £'000s
Present value of funded obligation	(219,349)	(208,242)	(264,089)
Fair value of scheme assets (bid value)	140,943	125,109	168,758
Net Liability	**(78,406)**	**(83,133)**	**(95,331)**
Present value of unfunded obligation	(7,868)	(7,302)	(7,355)
Net Liability in Balance Sheet	**(86,274)**	**(90,435)**	**(102,686)**

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2020		31 March 2021
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8 yrs	Men	21.6 yrs
23.7 yrs	Women	23.6 yrs
	Longevity at 65 for future pensioners:	
23.2 yrs	Men	22.9 yrs
25.2 yrs	Women	25.1 yrs
2.0%	Rate of inflation (CPI)	2.9%
3.0%	Rate of increase in salaries	3.9%
2.0%	Rate of increase in pensions	2.9%
2.4%	Rate for discounting scheme liabilities	2.0%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

Further assumptions are that:

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

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

31 March 2020 £'000s	%		31 March 2021 £'000s	%
76,967	61	Equity investments	108,668	64
972	1	Gilts	1,003	1
16,307	13	Bonds	21,075	13
17,023	14	Property	17,466	10
3,274	3	Cash	8,368	5
10,566	8	Target Return Portfolio	12,178	7
125,109		**Total**	**168,758**	

The following provides detail of these assets as at 31 March 2021, representing the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not.

Employer asset share – bid value		**31 March 2021 % Quoted**	**% Unquoted**
Fixed Interest			
Government Securities	UK	-	-
	Overseas	0.6%	-
Corporate Bonds	UK	3.9%	-
	Overseas	8.6%	-
Equities	UK	14.3%	-
	Overseas	38.6%	8.1%
Property	All	-	10.3%
Others	Target return portfolio	7.2%	-
	Private equity	-	2.4%
	Infrastructure	-	1.0%

	Derivatives	-	-
	Cash/temporary investments	-	4.7%
Net Current Assets	Debtors	-	0.5%
	Creditors	-	-0.2%
Total		**73.2%**	**26.8%**

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

Sensitivity Analysis

	£'000s	**£'000s**	**£'000s**
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	266,581	271,444	276,339
Projected Service Cost	6,594	6,813	7,039
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	271,840	271,444	271,051
Projected Service Cost	6,817	6,813	6,809
Adjustment to Pension Increases & Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	275,957	271,444	267,010
Projected Service Cost	7,037	6,813	6,596
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	284,929	271,444	258,637
Projected Service Cost	7,099	6,813	6,537

These assumptions are set with reference to market conditions as of 31 March 2021. Our estimate of the duration of the Employer's liabilities is 18 years. An estimate of the Council's future cash flows is made using notional cash flows based on 18 years' estimated duration.

These cash flows are then used to derive a Single Equivalent Discount Rate. This derived rate equates to the net present value of the cash flows, discounted using the annualized Merrill Lynch AA rated corporate bond yield curve.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made an assumption about CPI which is that it will be 0.4% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date. Salaries are assumed to increase at 1.0% p.a. above CPI in addition to the promotional scale. This is consistent with the approach used at the previous accounting date.

Projected Pension Expense for the year to 31 March 2022

	£'000s
Current Service Cost	6,813
Net Interest on the Defined Liability (asset)	2,002
Administration Expenses	139
Total	**8,954**
Employer Contributions	4,592

39. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car park finance lease obligation £346k (2019-20 £347k, see Note 37 for further detail), the pension liability £102.686m (2019-20 £90.435m, see previous note), and a deferred credit of £879k (2019-20 £1.218m) which relates to capital expenditure incurred on one of the Council's leisure facilities by the entity that operates it under a lease arrangement, where expenditure is released to the Comprehensive Income and Expenditure Statement over the remaining term of the lease. In addition £284k (2019-20 £339k) relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 35 for further detail of the arrangement).

40. Contingent Liabilities

Hand Arm Vibration

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

Awards or Settlements in Relation to Grievance and Disciplinary Matters
As disclosed at Note 28 for Provisions, there are Grievance and Disciplinary Matters at the Council and the anticipated legal costs have been provided for in the accounts. However at this stage it is not considered probable, nor can a reliable estimate be formed, for possible compensation awards or settlement payments relating to these matters.

41. Joint Operations

East Kent Opportunities

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

In accordance with IFRS 11 the Council accounts for its share of the assets, liabilities, and income and expenditure within its own single entity accounts. After the sale of a substantial parcel of the land on 31 March 2017 the Council's share of the remaining land is currently valued at £1.005, (2019-20 £1.034m).

42. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Director of Corporate Services & Section 151 Officer, Chris Blundell, signed the Statement of Responsibilities for the Statement of Accounts.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2021

The 2019-20 figures have been restated to disclose the Investment Property fair value loss, revaluation loss on non-current assets and the statutory repayment of debt under adjustments between accounting and funding basis items instead of movements in other reserves, in line with the Movement in Reserves Statement. The rows marked with an * show where changes have occurred, and the original and restated figures are reported below in Col.1 and Col.2.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
		INCOME	
(12,829)	(12,829)	Dwelling rents (gross)	(13,007)
(248)	(248)	Non-dwelling rents (gross)	(237)
(443)	(443)	Charges for services and facilities	(492)
(303)	(303)	Contributions towards expenditure	(711)
(13,823)	**(13,823)**	**Sub-Total Income**	**(14,447)**
		EXPENDITURE	
3,464	3,464	Repairs and maintenance	3,958
3,791	3,790	* Supervision and management – General	4,551
669	669	Supervision and management – Special	738
248	248	Rents, rates, taxes and other charges	210
446	446	Movement in the allowance for bad debts	317
6,477	6,458	* Depreciation, impairments and revaluation losses of non current assets	11,042
8	8	Debt management costs	7
15,103	**15,083**	**Sub-Total Expenditure**	**20,823**
1,280	**1,260**	*** Net expenditure and income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**	**6,376**
113	113	HRA services' share of corporate and democratic core	117
1,393	**1,373**	*** Net expenditure of HRA services**	**6,493**
1,507	1,507	(Gain) or loss on HRA non-current assets	464
-	20	* Investment Property fair value loss	-
718	718	Interest payable and similar charges	659
(187)	(187)	Interest and investment income	(57)
(876)	(876)	Capital grants and contributions receivable	(240)
2,555	**2,555**	**(Surplus)/Deficit for the year on HRA services**	**7,319**

Movement on the Housing Revenue Account Statement

Following the restatement of the 2019-20 figures in the Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2021, the balances reported in the the Movement in Reserves Statement below has also changed. The Balance on the HRA at the end of the current year of £(8.645)m remains unchanged and is shown below in Col.1 as reported in the audited 2019-20 statement of accounts. The rows that have been changed are marked with an * and Col.2 below shows the restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
(9,308)	**(9,308)**	**Balance on the HRA at the end of the previous year**	**(8,645)**
2,555	2,555	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	7,319
(776)	(441)	* Adjustments between accounting basis and funding basis under regulations (note 9)	(6,397)
3,331	**2,114**	*** (Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves**	**922**
(2,668)	(1,451)	* Transfer to/(from) Earmarked & Other Reserves	(26)
663	**663**	**(Increase)/decrease in the year on the Housing Revenue Account**	**896**
(8,645)	**(8,645)**	**Balance on the HRA at the end of the current year**	**(7,749)**

Notes to the Housing Revenue Account

1. Housing Revenue Account

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

2. Housing Stock

The Council was responsible for managing an average of 3,061 dwellings during 2020-21 including the Authority’s share of shared ownership dwellings. The Council added 48 new properties and sold 6 during the financial year.

The stock as at 31 March 2021 is comprised of the following types of dwellings:

31 March 2020		31 March 2021
1,551	Houses	1,573
188	Low Rise Flats (1 to 2 Storey)	193
875	Medium-Rise Flats (3 to 5 Storey)	890
405	High-Rise Flats (6 Storeys or more)	405
3,019	**Total**	**3,061**

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

31 March 2020 £’000s		31 March 2021 £’000s
152,960	Council Dwellings	166,292
4,312	Operational Land & Buildings	2,414
6	Investment	6
5,318	Assets Under Construction	3,955
162,596	**Total**	**172,667**

The vacant possession value of dwellings within the Authority’s Housing Revenue Account as at 1 April 2020 was £480m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Housing Revenue Account Capital Expenditure

2019-20 £'000s		2020-21 £'000s
3,036	Houses (dwellings)	9,031
7,551	Other land and buildings and assets under construction	2,087
-	Loan	-
10,587	**Total Housing Revenue Account Capital Expenditure**	**11,118**

2019-20 £'000s		2020-21 £'000s
4,253	Borrowing	4,277
1,904	Revenue Contribution to Capital	940
1,745	Financed from Major Repairs Reserve	4,094
1,809	Funded from Capital Receipts	1,567
876	Funded by grants and external contributions	240
10,587	**Total Housing Revenue Account Capital Expenditure**	**11,118**

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

2019-20 Total £'000s		2020-21 Usable £'000s	2020-21 Contribution to Gov't Pool £'000s	2020-21 Total £'000s
(1,790)	Sale of Dwellings	(556)	196	**(360)**
23	Sale of Other Land and Buildings	(35)	-	**(35)**
(52)	Repayment Discount	-	-	**-**
(2)	Mortgage Repayment	-	-	**-**
(1,821)	**Total**	**(591)**	**196**	**(395)**

5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2021 amounted to £1.330m. This figure includes the full week rent charge but only payments up to and including 31 March 2021.

2019-20 £'000s		2020-21 £'000s
873	Current Tenant Rent Arrears	847
324	Former Tenant Rent Arrears	483
1,197	**Total**	**1,330**

6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £1.633m in 2020-21 (2019-20 £1.316m). The provision includes not only amounts set aside for rent arrears (note 5 above), but also for other HRA debts such as rechargeable repairs, court costs and other miscellaneous income.

7. Depreciation and Impairment of Fixed Assets

2019-20 Depreciation £'000s		2020-21 Depreciation £'000s
4,319	Houses	3,689
130	Other Operational Property	66
4,449	**Total**	**3,755**

8. Pension Costs

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

2019-20 £'000s		2020-21 £'000s
327	Current service costs in the Income & Expenditure Statement	632
(108)	Movement on Pension Reserve	(280)
219	**Total**	**352**
219	**HRA contributions payable to the scheme**	**352**

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

9. Adjustments between Accounting and Funding Basis

The 2019-20 figures have been restated to present the information in more detail and to correct errors in the audited 2019-20 statement of accounts. As a result, the balance (Net additional amount required by statute to be debited/(credited) to the HRA balance for the year) has changed from £776k to £(441)k. Col.1 and Col.2 below show the original and restated figures.

2019-20 Original £'000s	2019-20 Restated £'000s	Reversal of items debited/(credited) to the HRA Income and Expenditure Statement to be removed for determining the movement on the HRA balance for the year	2020-21 £'000s
876	876	Capital Grants and Contributions Receivable	240
(1,507)	(1,534)	* Gain or loss on HRA non-current assets	(474)
(327)	(327)	Net charges made for retirement benefits in accordance with IAS 19	(632)
(958)	**(985)**		**(866)**
		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	
-	(2,009)	Revaluation losses on non-current assets	(7,287)
-	(20)	Movements in the fair value of investment properties	-
-	839	Statutory provision for the repayment of debt	-
-	-	Voluntary revenue provision (VRP)	240
-	-	Voluntary contribution to the Major Repairs Reserve	296
108	108	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	280
1,626	1,626	HRA contribution to finance capital expenditure	940
1,734	**544**		**(5,531)**
776	**(441)**	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**(6,397)**

Collection Fund Statement for the year ended 31 March 2021

2019-20 Council Tax £'000s	2019-20 National Non-Domestic Rates (NNDR) £'000s			2020-21 Council Tax £'000s	2020-21 National Non-Domestic Rates (NNDR) £'000s
		INCOME			
(81,913)		Council Tax	Note 2	(85,039)	
	(35,339)	National Non-Domestic Rates Income	Note 3		(13,766)
(81,913)	**(35,339)**	**Total Income**		**(85,039)**	**(13,766)**
		EXPENDITURE			
80,775		Precepts and Demands from County Council, Police & Crime Commissioner, Fire & Rescue & Billing Authority	Note 5	85,551	
		National Non-Domestic Rates			
	16,362	- Payment to Central Government			17,058
	2,945	- Payment to County Council			3,070
	327	- Payment to Fire and Rescue			341
	13,089	- Payment to Billing Authority			13,646
	197	Cost of Collection Allowance			197
	22	Transitional Protection Payment			196
		Bad and doubtful debts/ appeals			
375	(40)	- Amounts Written Off/On in year		186	3
589	154	- Provision for Bad and Doubtful Debts		1,581	763
	2,009	- Provision for Appeals			1,519
848	725	Payment of previous years surplus		457	2,133
82,587	**35,790**	**Total Expenditure**		**87,775**	**38,926**
674	451	(Surplus)/Deficit for Year		2,736	25,160
(924)	**(1,729)**	**Balance at Beginning of Year**		**(250)**	**(1,278)**
(250)	**(1,278)**	**Balance at End of Year**		**2,486**	**23,882**

Notes to the Collection Fund Statement

1. General

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

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

2. Council Tax

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

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, calculating the Council Tax base for the year:

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	9,914	6/9	6,609
B	14,737	7/9	11,462
C	14,456	8/9	12,850
D	6,827	1	6,827
E	3,664	11/9	4,478
F	1,399	13/9	2,020
G	687	15/9	1,145
H	20	2	40
TOTAL	**51,704**		**45,431**
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (2%)			(909)
COUNCIL TAX BASE			**44,546**

Estimated income for 2020-21 was £85.551m (2019-20 £80.775m), actual income was £85.039m (2019-20 £81.913m). After set aside and write off of bad debt of £1.767m (2019-20 £964k) and redistribution of estimated prior year surpluses to major preceptors £457k (2019-20 £848k), the deficit for the year of £2.736m (2019-20 £674k) has resulted in an overall deficit on the fund of £2.486m (2019-20 £250k surplus).

The Coronavirus pandemic has had an effect on various aspects of collectable council tax income. The table below highlights the main areas:

	2020-21 £'000s	2020-21 £'000s
Lower number of properties on the Valuation Office list than estimated	576	
Increase in qualifying discounts and reliefs	415	
Increase in cases requiring Local Council Tax Support	886	
Increase in number of exempt properties	380	
Loss of Council Tax income		2,257
Prior year deficit and increase to anticipated bad debt provision		229
Deficit on Council Tax Collection Fund		**2,486**

3. Income from Business Rates

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

The 2019-20 figures have been restated to disclose the cost of ratepayer retail discount prior to the pandemic for comparison purposes. The Net collectable National Non-Domestic Rates figure of £(35.339)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £'000s	**Restated 2019-20 £'000s**		**2020-21 £'000s**
(49,962)	(49,962)	National Non-Domestic Rateable Value £98,699,722	(50,534)
		Multiplied by the Uniform Business Rate (51.2p for 2020-21)	
-	727	Retail discount and retail, nursery and hospitality Covid relief	22,241
14,623	13,896	Allowances and other adjustments	14,527
(35,339)	**(35,339)**	**Net collectable** National **Non-Domestic Rates**	**(13,766)**

The National Non-Domestic Rate multiplier for 2020-21 was 49.9p for qualifying properties of less than £51k rateable value and 51.2p for all others (2019-20 49.1p and 50.4p respectively).

Estimated business rate income for 2020-21 was £34.115m (2019-20 £32.723m), actual income was £13.766m (2019-20 £35.339m). After set aside and write off of bad debt and rateable value appeals of £2.285m (2019-20 £2.123m) and redistribution of estimated prior year surpluses to major preceptors £2.133m (2019-20 £725k), the deficit for the year of £25.160m (2019-20 £451k) has resulted in an overall deficit on the fund of £23.882m (2019-20 £1.278m surplus). The main reason for the loss in income was the award of 100% business rate relief introduced by Central Government for retail and hospitality businesses and children's nurseries in order to alleviate the financial pressures of the pandemic and successive lockdowns.

Under S31 Local Government Act 2003, Central Government compensated billing authorities and major preceptors for this loss of income, with the S31 grant being paid to billing authorities in 2020-21, but in accordance with Collection Fund statute, the council's share of the deficit will not actually be charged to the General Fund until 2021-22 and beyond (being held in the Collection Fund Adjustment Account), so the grant funding has been transferred to the Covid NNDR S31 Grant earmarked reserve (see Note 17 - Notes to the Core Statements) to be drawn down in future years to finance the loss.

Kent Business Rate Pool

Under the Business Rate Retention Scheme local authorities are able to come together on a voluntary basis to pool their business rate income in order to benefit from additional business rate growth through collaborative working and improve the business rate income retained within the district. The Kent Business Rate Pool came into effect on 1 April 2015. The other pool members include Kent County Council (KCC), Kent Fire and Rescue (KFR) and 12 local authorities from the Kent area (including Thanet). Where levy payments are due to Central Government as a result of business rate income growth, the pool is allowed to retain 50% of the calculated collective levy to distribute between pool members and set aside a growth fund to promote economic growth, in the proportions set down in the pool agreement. The pool is also designed to provide protection to any authority that would have received greater funding outside the pool. The Council's share of the income from the pool for 2020-21 was £282k (2019-20 £275k) and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £282k (2019-20 £275k) which has been transferred to the Equalisation earmarked reserve to finance future projects to encourage economic growth.

Business Rate Appeals

An appeal court ruling in November 2018 found that Automatic Teller Machines (ATM's) should not be separately assessed for business rates by the Valuation Office (VO) contrary to current practice, and should be included as part of the business premises they occupy. As a result business rates that have already been paid in relation to ATM's would need to be refunded. The VO appealed against this decision to the Supreme Court and judgement was handed down in May 2020, upholding the Court of Appeals original decision. The majority of the refunds have been made to ratepayers in 2020-21, with only £222k (TDC share £89k) remaining as set aside in the appeals provision.

4. (Surplus)/Deficit of the Revenue Account

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major preceptors and the billing authority. The estimated surplus for 2019-20 to be distributed during 2020-21 was £457k. As a result of the pandemic, there was an actual deficit on the Council Tax Collection Fund for 2020-21 of £2.486m (2019-20 £250k surplus) which represents partly a decrease in the resources available to the Authority, and partly amounts due from major preceptors. In order to comply with the Code of Practice on Local Authority Accounting (the Code) 2020-21 this has been split between Thanet District Council fund balances owed to the Collection Fund £371k (2019-20 £33k owed from the Collection Fund) and other local authority debtors £2.115m (2019-20 £217k creditors) within the Balance Sheet.

A change in statutory regulations for the distribution of national non-domestic rates income similarly requires any surplus or deficit estimated at 31 January to be shared between central government, major preceptors (excluding the Police and Crime Commissioner) and the billing authority in prescribed proportions. As a result of the pandemic, there was an actual deficit on the Non Domestic Rates Collection Fund for the year 2020-21 of £23.882m (2019-20 £1.278m surplus) which has been split between Thanet District Council fund balances owed to the Collection Fund £9.553m (2019-20 £511k owed from the Collection Fund) and other local authorities and central government debtors £14.329m (2019-20 £767k creditors).

5. Precepts and Demands on the Collection Fund

2019-20 £		2020-21 £
56,866,868	Kent County Council	60,193,768
8,452,876	Kent Police and Crime Commissioner	9,049,601
3,403,032	Kent Fire and Rescue	3,532,084
10,205,157	Thanet District Council	10,608,280
78,927,933	**Total**	**83,383,733**
	Parishes and Charter Trustees	
2,940	- Acol	5,496
104,992	- Birchington	109,210
567,612	- Broadstairs	661,452
15,976	- Cliffsend	16,446
19,000	- Manston	20,972
129,500	- Margate	152,250
73,031	- Minster	82,748
13,995	- Monkton	14,135
760,500	- Ramsgate	941,003
22,298	- St Nicholas at Wade	22,599
136,906	- Westgate on Sea	141,173
1,846,750	**Total**	**2,167,484**

Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

Amortisation

The process of paying off debt over time in regular instalments of interest and principal sufficient to repay the loan in full by its maturity date.

Asset

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

Balance Sheet

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

Budget

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

Business Rate Tariff

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Comprehensive Income and Expenditure Statement (CIES)

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

ConstitutionContingent Asset

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

Contingent Liability

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

Creditor

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

Current Service Cost

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

Debtor

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

Depreciation

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

Fair Value

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

Finance Lease

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

Financial Instrument

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

Government Grants

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

Heritage Asset

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

Housing Revenue Account (HRA)

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

Impairments

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

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

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

Liability

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

Minimum Revenue Provision (MRP)

A prudent annual revenue charge to reduce General Fund aggregate unfunded capital expenditure.

Non-Current Assets

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

National Non-Domestic Rates (NNDR)

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

Non-Operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Cost

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

Precept

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

Projected Unit Method

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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

Section 31 Grants

Section 31 of the Local Government Act 2003 is a well-established statutory means by which central government may disburse funds to local authorities for them to provide grants for a specified purpose while retaining control of the recipients.

Section 151 Officer

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Value Added Tax (VAT)

A tax added to most products and services sold.

Ward

An administrative division of a city or borough that typically elects and is represented by a councillor or councillors.

- End of Report -