APPENDIX 1

Statement Of Accounts

2016/17

CONTENTS

NARRATIVE REPORT

1. INTRODUCTION

This foreword provides a brief summary of the Council’s financial performance over the last year and its year-end position at 31 March 2017

These accounts are produced for Dover District Council as a single entity and explain:

- What the Council's services cost in the year of account;
- Where the money came from; and
- What assets and liabilities the Council held at the year-end.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 95 to 100.

2. CHANGES IN ACCOUNTING AND PRESENTATION

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The Code is based on a hierarchy of approved accounting standards.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

This year the presentation of the Comprehensive Income and Expenditure Statement has changed. Up until this financial year the segments that made up the cost of services were set out in the Service Reporting Code for Practice, however this has now changed and the cost of services is now to be based on the Management Accounts of the Council.

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Statement of Accounts includes the following financial statements and associated notes:

(a) **Narrative Report (pages 2 to 12)**

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year, highlights any major events or changes in presentation or accounting that impact on the accounts and includes a review of the year and consideration of potential future issues.

(b) **Statement of Responsibilities for the Statement of Accounts (page 13)**

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer.

(c) **Core Financial Statements (page 14 to 18)**

The core financial statements consist of the following five statements and associated notes:

- **Movement in Reserves Statement - MIRS (pages 15 to 16)**

  This statement shows the movement in the year of the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council'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 for council tax setting. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The balance as at 31 March for all useable reserves is detailed at the end of the MIRS.

- **Comprehensive Income and Expenditure Statement – CIES (page 14)**

  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 Council Tax collected. Authorities raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet (page 17)**

  The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

- **Cash Flow Statement (page 18)**

  The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

- **Notes to the Core Financial Statements (pages 19 to 71)**

  The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, e.g. the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

(a) **Supplementary Financial Statements (pages 75 to 91)**

In addition to the five core statements the following supplementary statements and associated notes are included within the accounts:

- **Collection Fund (pages 75 to 83)**

  All council tax and business rates Dover District collects are paid into this separate account before being passed to the precepting authorities and Central Government.

  The Collection Fund for English authorities 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 the distribution to local authorities and Central Government of council tax and national non-domestic rates.

- **The Housing Revenue Account (pages 84 to 89)**

  The HRA Income and Expenditure Statement shows the economic cost in the year of providing social housing services in accordance with generally accepted accounting practices. The increase or decrease in revenue balance in the year is shown in the Movement on the HRA Statement.

- **Charities Administered by Dover District Council (pages 90 to 91)**

  This section includes summarised accounts for three charities for which Dover District Council is the sole trustee.

(b) **Independent Auditors' Report (page 92)**

The Council's external auditors provide an independent opinion on whether the financial statements present a true and fair view of the financial position of the Council at the Balance Sheet date and of its income and expenditure for the year.

(c) **Glossary (pages 95 to 100)**

This is a glossary of terms used in the Statement of Accounts.

SUMMARY OF THE 2016/17 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Spending is split between revenue (as shown in the Comprehensive Income and Expenditure Statement) and capital in accordance with statute and accounting practice. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets. Revenue expenditure is generally incurred on items that are utilised within the year and is further split between the General Fund Revenue Account and the Housing Revenue Account. The General Fund Revenue Account includes the costs of providing day-to-day services to Council Tax payers and is financed from council tax, national non-domestic rates, government grants, fees and charges, use of reserves and other income. Expenditure charged to the Housing Revenue Account is defined in legislation, and relates to the cost of managing the Council's housing stock, which is financed by rental income.

The summaries of the financial year for these areas are detailed below.

GENERAL FUND REVENUE ACCOUNT

The General Fund Revenue Account shows the net cost of providing day-to-day services. The following paragraphs and tables provide details of actual General Fund spend compared to the budget on which the council tax was set. The presentation of information in the tables below has been simplified as far as possible, and so it is different to the accounting cost reflected within the financial statements – but they both reflect the Council's underlying financial position.

In March 2016 the Council set a net revenue budget of £13.990m. This was to be met by financing of £13.990m made up of central government grant of £5.695m, council tax income of £6.215m, New Homes Bonus of £1.899m and a Collection Fund surplus of £145k. This resulted in forecast balanced budget for the year.

During the year the forecast budget was decreased by £37k to £13.953m. The financing was revised by £43k to £14.033m, resulting in an anticipated surplus of £80k. The outturn was a requirement of £14.490m, £537k higher than the forecast position. The financing received in the year was £14.477m, an increase of £444k from the forecast, mainly due to receipt of Community Housing Grant. Overall the year-end position resulted in a £12k deficit for the year.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium Term Financial Plan.

2015/16 (restated) Actual £000		2016/17 Original Budget £000	2016/17 Revised Budget £000	2016/17 Actual £000
	Directorate			
1,742	Chief Executive	1,643	2,327	1,000
2,263	Governance	2,486	2,367	2,236
7,376	Finance, Housing & Community	6,678	7,680	7,361
5,068	Environment & Corporate Assets	5,103	4,865	4,832
112	Non-distributed costs	152	221	186
369	Special Revenue Projects	605	913	630
16,930	**Directorate Service Costs**	**16,667**	**18,373**	**16,245**
67	River Stour Drainage Board	68	68	68
96	Council Tax Support Funding to Towns & Parishes	67	67	67
(1,361)	Recharge Income from HRA & Capital Projects	(1,284)	(1,328)	(1,227)
(14)	Accrued Annual Leave Adjustment	0	0	113
	Contribution to/(from) Reserves:			
1,151	- Special Projects & Events Reserve	(601)	(909)	48
72	- Periodic Operations Reserve	47	(33)	162
(120)	- Urgent Works Reserve	0	0	(539)
462	- Dover Regeneration Reserve	188	150	466
404	- IT Equipment Reserve	58	58	(142)
1,106	- Revenue Grants in Advance Reserve	0	(34)	614
0	- Business Rates & Council Tax Reserve	(1,211)	(1,175)	(924)
18,793	**Net Service Expenditure**	**13,999**	**15,237**	**14,951**
	Financing Adjustments			
(412)	Interest Receivable	(247)	(256)	(263)
242	Interest Payable	238	237	237
9	Loan Principal Repayments	0	9	9
(2,311)	Revenue Expenditure Funded by Capital Under Statute	0	(1,274)	(1,099)
78	Direct Revenue Financing of Capital (excluding direct expenditure)	0	0	654
16,399	**Total Budget Requirement**	**13,990**	**13,953**	**14,489**
	Financed by:			
4,296	Non-Domestic Rates	2,897	2,876	2,806
1,852	Business Rates - Enterprise Zone Relief Retained	1,040	1,096	1,081
2,597	Revenue Support Grant	1,758	1,758	1,758
5,947	Council Tax	6,251	6,251	6,251
112	Council Tax - Collection Fund Surplus	145	145	145
1,581	New Homes Bonus	1,899	1,907	1,907
120	New Burdens & Other Grants	0	0	529
16,505	**Total Financing**	**13,990**	**14,033**	**14,477**
(106)	**General Fund Deficit/(Surplus) for the Year**	**0**	**(80)**	**12**
(2,889)	**General Fund Balance at Start of Year**	**(2,992)**	**(2,995)**	**(2,995)**
0	**Transfer to Earmarked Reserves**	**450**	**450**	**450**
(2,995)	**Leaving Year End Balances of**	**(2,542)**	**(2,625)**	**(2,533)**

Major Variations

The table below provides a summary of the main variations between the original budget and the actual for the year.

	Variance £000	Budget £000
Original Budget Surplus		**0**
Homelessness - Increased costs of emergency accommodation	220	
Internal Recharges - net increase in recharges recovered	(185)	
Property services restructure costs to deliver future savings	82	
Car Parks - increase in parking fee income and residents permits	(76)	
Judicial review costs re planning decision on Western Heights	62	
Enterprise Zone Relief - net extra grant, less other adjustments	(36)	
East Kent Services - additional management fees savings	(47)	
Benefits Admin Grant - additional sum for CTRS scheme admin	(46)	
Land Charges - increase in search fees, less legal fees, etc.	(31)	
NNDR – net savings on corporate properties	(28)	
Miscellaneous other variances (net)	5	
Revised Budget Surplus		**(80)**
Reduced use of earmarked reserves	287	
Internal Recharges - net variance	(10)	
Savings in Apprenticeships budget	(20)	
Business rates – extra levy, less S.31 and EZ relief grant	50	
Members - expenditure reductions, incl. training and allowances	(13)	
HR - reduced internal training costs	(16)	
Dog Control - reduced kennelling of strays & out of hours support	(12)	
Reduced bad debt provision for sundry debts	(45)	
Premature Retirement Pension Costs - lower than budgeted	(21)	
Court costs income increased for Council Tax debts	(122)	
Net credit from HB subsidy & overpayments reduced	90	
Homelessness - increased costs of emergency accommodation	30	
Recycling - reduced contract inflation & recycling initiatives income	(56)	
Street Cleansing - reduced costs due to lower contract inflation	(45)	
Grounds Maintenance Team - software licences and set-up costs	24	
Cemeteries - additional Landscape Maintenance costs	15	
Corporate Properties - increased rental income and lower costs	(58)	
Miscellaneous other variances (net)	14	
Actual Budget Deficit		**12**

Financing

The financing of the budget of £14.4m came from:

	£000	%
Council tax [1]	6,251	43.2
Revenue Support Grant [2]	1,758	12.1
Non-domestic rates [3]	2,806	19.4
Enterprise Zone Relief Retained [4]	1,081	7.5
New Homes Bonus [5]	1,907	13.2
New Burdens, CT freeze & other grants [6]	529	3.6
Collection Fund Surplus – Council Tax [7]	145	1.0
Total	**14,447**	**100.0**

(1) Council tax is paid by the residents of the district to the Council. However, only 14.7% of the council tax collected was retained by the district, of which 10.8% was for its own use

as 3.9% was to meet the precepts of the various town and parish councils. 71.2% was paid to Kent County Council with 9.6% paid to The Police & Crime Commissioner for Kent and 4.5% to the Kent and Medway Fire & Rescue Authority.

(2) Revenue Support Grant is received directly from Central Government based on their assessment of local authorities' requirements.

(3) National non-domestic rates are set by Government but collected by the Council from businesses in the district. Under the current rates retention scheme the amounts collected are split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). In 2016/17 £35.8m of NNDR was billed to ratepayers in the district. However, Dover's 40% share is reduced significantly by a tariff payable to Central Government of £10.6m which, in 2016/17, reduces its retained funding (after provisions, for example for Business Rates appeals) to £575k above the baseline level that the Government has calculated that it needs. As a result, Dover pays a 50% levy of £288k to Government on this sum (i.e. on the "growth" of £575k). See the Collection Fund section for more information (pages 75 to 83).

(4) Enterprise Zone Relief is granted to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2016/17 is £1,116k, which is above the sum budgeted of £1,024k and therefore the extra £92k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to prior years EZ relief of £57k. The net Enterprise Zone Relief Grant recognised in the year is £1,081k.

(5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2016/17 was £1,907k.

(6) The Government has provided £15k New Burdens Grants for "DCLG custom build LA payments". £509k has been provided as a Community Housing grant and a further £5k for further S31 grants.

(7) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2016) as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2016 relating to Council Tax, which has been distributed in 2016/17.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,337 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £2,087k was paid off the PWLB loan principle sum during 2016/17. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2016/17 the HRA outturn was a surplus balance of £1,047k compared to the original budget forecast of a surplus of £1,102k, an adverse variance of £55k. The main reasons for the variance are as follows:

- Transfer to Housing Initiatives Reserve - £1.792m
- Re-phased spend on the Capital Works Programme - (£1.645m).
- Reduction in revenue maintenance budgets (£319k)

In 2016/17 £4.3m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of £1m.

CAPITAL INVESTMENT

The Council invested £10.4m in major projects in 2016/17, the most significant of which were:

- £125k on works to progress the development of the Waterfront project in the Dover Town Investment Zone;
- £160k on the purchase of retail units within the Aylesham development;
- £104k on the heating upgrade for the Whitfield Offices building;
- £3.7m on Housing Revenue Account projects including £3.5m on property projects; and £137k on the refurbishment of play areas;
- £137k on grants and loans for private sector housing;
- £644k on disabled facility grants;
- £250k on grant funding issued to the Discovery Park Enterprise Zone;
- £100k on ICT projects including a new telephony system;
- £200k contribution to the KCC project to provide a Deal Youth Centre;
- £150k on play area facilities at North Deal Playing Fields and Pencester Gardens;
- £282k to purchase and install replacement pay and display meters in car parks across the district;
- £499k to purchase equipment for the Grounds Maintenance service being brought in-house;
- £3.7m on the development of new leisure facilities for the district;
- The remainder has been spent on a number of smaller projects.

The main sources of capital financing applied in the year were:

- £1.069m in grants from external bodies including KCC Better Care Fund, Department for Communities and Local Government, Environment Agency, and the Heritage Lottery Fund;
- £3m from the Major Repairs Reserve;
- £525k from the Housing Revenue Account (revenue financing);
- £787k from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts;
- £423k from Section 106 monies (developer contributions);
- £910k from earmarked reserves.

Overall, the capital programme is within budget.

Right to Buy sales continue to be high due to Government initiatives to encourage sales; overall sales in 2016/17 were slightly lower than in 2015/16.

OTHER KEY FINANCIAL AREAS

In addition the Council has responsibilities for the following key financial areas:

- Treasury Management – the management and reporting of the authority's investments, cash flow and borrowing;
- Balance Sheet – the detail of the assets and liabilities held by the authority;
- Pension Fund – reporting on the position of the authority's pension fund.

TREASURY MANAGEMENT

The Council adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) revised Code of Practice for Treasury Management in November 2009.

At 31 March 2017 the Council had investment balances and day-to-day cash balances managed in-house of approximately £64.m. In addition, the Council held £1.9m of UK Gilts.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.50% for the year.

The total interest received for the year was approximately £344k. This was higher than the original budget of £329k, which is a favourable variance of £15k. This is partly due to the greater use of notice accounts, fixed term deposits and short-term lending to other local authorities, thereby reducing the level of cash held in low interest call accounts, as well as the higher level of balances available for deposit generally. This has enabled us to maintain projected investment income against a background of decreasing interest rate returns.

The Council has remained within its Treasury Management guidelines, and has complied with the Prudential Code during the year.

The Council has just under £85m of borrowing from the Public Works Loans Board (PWLB). The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

During 16/17 the Council employed the services of Capita as treasury management advisers, from the 1st April 2017 this service will now be provided by Arlingclose Ltd.

BALANCE SHEET – The Council's Assets and Liabilities

At the end of each year a Balance Sheet is drawn up that represents how much the Council's land and buildings are worth, how much is owed to others, how much others owe the Council and the amount of cash the Council has:

As at 31 March	2016 (Restated) £000	2017 £000
Value of land, property and other assets	279,642	291,762
Investments held and cash at bank	50,701	66,347
Money owed to DDC for goods and services	8,852	6,626
Loans owed to DDC (short and long term)	2,048	2,074
Money owed by DDC for goods and services	(14,583)	(11,493)
Loans owed by DDC (short and long term)	(90,008)	(91,913)
Grants for assets received but not yet used	(95)	(378)

Share of pension scheme liabilities owed by DDC	(76,958)	(85,823)
Total Assets less Total Liabilities	**159,599**	**177,202**
Financed by:		
Usable reserves[1]	46,009	60,833
Unusable reserves[2]	113,590	116,369
Net Worth of Council	**159,599**	**177,202**

[1] Usable reserves are made up of:

Capital receipts and grants	9,472	20,480
Revenue balances	4,008	3,580
Earmarked reserves	32,529	36,773
	46,009	**60,833**

[2] Unusable reserves mainly comprise revaluations of assets from their original purchase value and the Pensions Reserve.

PENSION FUND

The Council is a member of the Local Government Pension Scheme administered by Kent County Council. This Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits).

Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Pension Fund. This cost, referred to as the current service cost, is calculated by the Fund's actuary.

The net liability at 31 March 2017 was £85.8 (£76.9m at 31 March 2016).

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2013. An actuarial valuation of the Fund was carried out as at 31 March 2016 and contributions were set based on the level of funding required for the period 1 April 2017 to 31 March 2020.

Further information relating to the pension scheme is included in note 19.

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2017/18 and Medium Term Financial Plan (MTFP) 2017/18 – 2020/21 were approved in March 2017. The MTFP covers both revenue and capital budgets for the General Fund and the Housing Revenue Account over a three-year forecasting period. The main features of the MTFP are:

- Balanced General Fund budget for 2017/18;
- Prudent General Fund balances maintained in 2017/18;
- Underlying net expenditure slightly reduced from 2016/17;

- Council Tax increases continue to be capped at £5 with the Council Tax base forecast to continue growing;
- Forecasting for future years shows savings of £1m per annum needed in 2018/19 and a further £700k per annum in 2019/20 and 2020/21;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- The current capital programme is funded, subject to the borrowing arrangements for Dover Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are;
    - Property Investment Strategy;
    - Replacement of Dover Leisure Centre;
    - Refurbishment of Dover Town Hall.
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2017/18 and the Medium Term Financial Plan can be found on the Council's website at: https://www.dover.gov.uk/Corporate-Information/Financial-Information/Budgets--Accounts.aspx

THE FUTURE

The Council, in common with others, will need to continue to make progress on and / or give consideration to:

- The economic climate and the impact of the EU Referendum outcome;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants;
- The sustainability of the NHB scheme;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the implementation of 100% business rates retention;
- Proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees; and
- Developing partnership arrangements with others in order to achieve cost efficiencies.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance, Housing and Community;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Director of Finance, Housing and Community's Responsibilities

The Director of Finance, Housing and Community is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).*

In preparing this Statement of Accounts, the Director of Finance, Housing and Community has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Director of Finance, Housing and Community has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

By signing the Statement of Accounts, the Director of Finance, Housing and Community is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

This Statement of Accounts is authorised for issue following its approval by the Director of Finance, Housing and Community and the Chairman of the Governance Committee at the date given below.

Signed:	Signed:
M. J. Davis.	Pat Heath
Mike Davis CPFA Director of Finance, Housing and Community	Councillor Patrick Heath Chairman, Governance Committee
Dated: 28th September 2017	Dated: 28th September 2017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 (restated)					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	**Continuing Operations**	Note No	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,755	(2,105)	2,650	Chief Executive		13,405	(2,719)	10,686
46,000	(41,817)	4,183	Director of Finance, Housing & Community		44,796	(40,899)	3,897
17,997	(10,191)	7,806	Director of Environment & Corporate Assets		19,364	(10,042)	9,322
3,559	(937)	2,622	Director of Governance		3,384	(981)	2,403
546	(165)	381	Special Projects		748	(118)	630
(6,814)	(21,169)	(27,983)	Local Authority Housing (HRA)		(2,951)	(20,655)	(23,606)
0	(113)	(113)	Non-distributed Costs		0	(57)	(57)
66,043	**(76,497)**	**(10,454)**	**Net Cost of Services**		**78,746**	**(75,471)**	**3,275**
			Other Operating Expenditure:				
			Amounts due to precepting authorities:				
		2,272	– Town and Parish Councils				2,310
		67	– River Stour Drainage Board Levy				68
		299	Contribution of Housing Capital Receipts to Central Government Pool	24			297
		(748)	(Gain) or loss on disposal of fixed assets	8			(9,761)
		(22)	Other income				(15)
			Financing and Investment Income & Expenditure:				
		3,085	Interest payable and similar charges				3,021
		70	Interest and investment income				(492)
		(67)	Changes in the value of Investment Properties	6			(16)
		2,549	Net Interest on Defined Benefit Liability	19			2,629
			Taxation & Non-specific Grant Income:				
		(8,350)	Demand on the Collection Fund – Council Tax	20			(8,661)
		(5,323)	Income from National Non-Domestic Rates	21			(4,898)
		(4,299)	Government grants (not attributable to specific services)	22			(4,189)
		(2,790)	Capital Grants and Contributions	22			(1,398)
		(23,711)	**(Surplus) or Deficit on Provision of Services**				**(17,830)**
		(5,654)	(Surplus) or deficit arising on revaluation of fixed assets	**36**			(7,293)
		0	Prior Year Other Land and Buildings Adjustment	**5**			(50)
		0	Prior Year Soft Loan Adjustment	16			(26)
		144	(Surplus) or deficit on revaluation of available-for-sale financial assets	17			8
		(5,924)	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	**19**			7,589
		(11,434)	**Other Comprehensive Income & Expenditure**				**228**
		(35,145)	**Total Comprehensive Income & Expenditure**				**(17,602)**

MOVEMENT IN RESERVES STATEMENT

2015/16 (Restated)

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,889**	**1,094**	**21,052**	**4,790**	**4,567**	**4,620**	**39,012**	**85,440**	**124,452**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(2,404)	26,118					23,714		23,714
Other comprehensive income & expenditure									11,434	11,434
Total Comprehensive Income & Expenditure		**(2,404)**	**26,118**	**0**	**0**	**0**	**0**	**23,714**	**11,434**	**35,148**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation and amortisation of non-current assets	5	2,994			1,721			4,715	(4,715)	0
Impairment of non-current assets	5	25						25	(25)	0
Depreciation charged to the HRA	HRA		(3,066)		3,066					0
MRA transferred to fund capital expenditure	3				(4,787)			(4,787)	4,787	0
Capital grants and contributions applied	22	(2,862)				357	(1,346)	(3,851)	3,851	0
Capital grants and contributions unapplied	22									0
Changes in the value of Investment Properties	6	(67)						(67)	67	0
Revenue expenditure funded from capital under statute	11	2,311						2,311	(2,311)	0
(Gain) or loss on disposal of non-current assets	8	640	(1,388)			3,177		2,429	(2,429)	0
Revaluation gain	34	(90)	(15,814)					(15,904)	15,904	0
Adjustments under statutory provisions relating to soft loans	16	692						692	(692)	0
Loan Principal Repayments	14	(9)						(9)	9	0
Net charges made for retirement benefits	19	1,388	38					1,426	(1,426)	0
Council tax income regulatory adjustment	20	(116)						(116)	116	0
NNDR income regulatory adjustments	21	53						53	(53)	0
Enterprise Zone Relief regulatory adjustment	21	783						783	(783)	0
Renewable Energy regulatory adjustment	21	(12)						(12)	12	0
Capital expenditure charged to revenue	10	(457)	(2,370)					(2,827)	2,827	0
Employee benefits – accrued annual leave	23	14						14	(14)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	299				(299)				0
Capital receipts applied	10					(1,591)		(1,591)	1,591	0
Net Increase or Decrease before Transfers to / from Earmarked Reserves		**3,182**	**3,518**	**0**	**0**	**1,644**	**(1,346)**	**6,998**	**28,150**	**35,148**
Transfers to or (from) earmarked reserves	26	(3,076)	(3,599)	3,088	3,599		(12)	0		0
Increase or Decrease in Year		**106**	**(81)**	**3,088**	**3,599**	**1,644**	**(1,358)**	**6,998**	**28,150**	**35,148**
Balance at 31 March		**2,995**	**1,013**	**24,140**	**8,389**	**6,211**	**3,262**	**46,010**	**113,590**	**159,600**

MOVEMENT IN RESERVES STATEMENT

2016/17

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,995**	**1,013**	**24,140**	**8,389**	**6,211**	**3,262**	**46,010**	**113,590**	**159,600**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(3,600)	21,432	0	0	0	0	17,832	0	17,832
Other comprehensive income & expenditure		0	0	0	0	0	0	0	(228)	(228)
Total Comprehensive Income & Expenditure		**(3,600)**	**21,432**	**0**	**0**	**0**	**0**	**17,832**	**(228)**	**17,604**
Depreciation and amortisation of non-current assets	5	3,665	0	0	1,945	0	0	5,610	(5,610)	0
Impairment of non-current assets	5	9,182	0	0	0	0	0	9,182	(9,182)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(3,141)	0	3,141	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(5,086)	0	0	(5,086)	5,086	0
Capital grants and contributions		(1,413)	0	0	0	214	(94)	(1,293)	1,293	0
Movement in the market value of Investment Properties	6	(16)	0	0	0	0	0	(16)	16	0
Revenue expenditure funded from capital under statute	11	1,099	0	0	0	0	0	1,099	(1,099)	0
(Gain) or loss on disposal of non-current assets	8	(8,759)	(1,004)	0	0	11,888	0	2,125	(2,125)	0
Revaluation gain	34	(22)	(12,448)	0	0	0	0	(12,470)	12,470	0
Adjustments under statutory provisions relating to soft loans	16	(63)	0	0	0	0	0	(63)	63	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
HRA Housing Finance Reform		0	0	0	0	0	0	0	0	0
Net charges made for retirement benefits	19	1,256	20	0	0	0	0	1,276	(1,276)	0
Council tax income regulatory adjustment	20	(17)	0	0	0	0	0	(17)	17	0
NNDR income regulatory adjustments	21	(944)	0	0	0	0	0	(944)	944	0
Enterprise Zone Relief regulatory adjustment	21	(35)	0	0	0	0	0	(35)	35	0
Renewable Energy regulatory adjustment	21	(33)	0	0	0	0	0	(33)	33	0
Capital expenditure charged to revenue	10	(802)	(632)	0	0	0	0	(1,434)	1,434	0
Employee benefits – accrued annual leave	23	(113)	0	0	0	0	0	(113)	113	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	297	0	0	0	(297)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(787)	0	(787)	787	0
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**(327)**	**4,227**	**0**	**0**	**11,018**	**(94)**	**14,824**	**2,780**	**17,604**
Transfers to or (from) earmarked reserves	26	(134)	(4,193)	134	4,110	83	0	0	0	0
Increase or (Decrease) in Year		**(462)**	**34**	**134**	**4,110**	**11,101**	**(94)**	**14,824**	**2,780**	**17,604**
Balance at 31 March		**2,533**	**1,047**	**24,274**	**12,499**	**17,312**	**3,168**	**60,833**	**116,369**	**177,202**

BALANCE SHEET

31 March 2015 (restated) £000	31 March 2016 (restated) £000		Notes	31 March 2017 £000
164,928	183,498	Council dwellings		196,030
73,379	76,469	Land and buildings		75,953
1,104	1,093	Vehicles, plant and equipment		2,123
7,156	8,890	Infrastructure assets		8,646
182	178	Community assets		174
3,098	2,992	Assets under construction		2,189
249,847	**273,120**	**Property, Plant and Equipment**	5	**285,115**
4,127	4,127	Heritage assets	7	4,127
2,201	2,268	Investment property	6	2,355
157	66	Intangible assets	5	38
6	6	Long term investments	12	6
2,817	2,048	Soft loans	16	2,074
1,006	1,212	Long term debtors	27	1,011
10,314	**9,727**	**Long Term Assets**		**9,611**
22,046	34,504	Short term investments	12	55,796
168	61	Stocks in hand		127
12,318	11,748	Short term debtors	27	9,727
(3,448)	(4,108)	Less provision for bad debts	27	(4,112)
22,932	16,191	Cash and cash equivalents	28	10,545
54,016	**58,396**	**Current Assets**		**72,083**
(2,187)	(2,252)	Short term borrowing	13	(6,320)
(10,064)	(10,877)	Short term creditors	29	(7,861)
(3,249)	(1,161)	Provisions	30	(982)
(2,164)	(2,545)	Receipts in advance	31	(2,650)
(17,664)	**(16,835)**	**Current Liabilities**		**(17,813)**
(89,851)	(87,756)	Long term borrowing	13	(85,593)
(754)	(95)	Capital grants received in advance	33	(378)
(81,456)	(76,958)	Pensions liability	19	(85,823)
(172,061)	**(164,809)**	**Long Term Liabilities**		**(171,794)**
124,452	**159,600**	**Net Assets**		**177,202**
2,889	2,995	General Fund balance	25	2,533
1,094	1,013	Housing Revenue Account balance	25	1,047
21,052	24,140	Earmarked reserves	26	24,274
4,790	8,389	Housing Revenue Account reserves	26	12,499
4,567	6,211	Usable capital receipts reserve	24	17,312
4,620	3,262	Capital grants unapplied	32	3,168
39,012	**46,010**	**Reserves Available to Fund Services**		**60,833**
37,605	41,540	Revaluation reserve	36	46,405
130,339	151,614	Capital adjustments account	34	157,195
166	22	Available-for-sale financial instruments reserve	17	14
(832)	(1,524)	Financial adjustments account	15	(1,461)
(1,411)	404	Collection Fund adjustment account-Council tax	20	422
288	(1,464)	Collection Fund adjustment account-NNDR	21	(519)
840	57	Enterprise Zone relief adjustment account	21	92
0	12	Renewable Energy adjustment account	21	44
(99)	(113)	Employee adjustment account	23	0
(81,456)	(76,958)	Pensions reserve	19	(85,823)
85,440	**113,590**	**Reserves Unavailable to Fund Services**		**116,369**
124,452	**159,600**	**Total Reserves**		**177,202**

CASH FLOW STATEMENT

2015/16 (restated) £000	£000		2016/17 £000	£000
22,932		Cash & cash equivalents – at 1 April	16,191	
16,191		Cash & cash equivalents – at 31 March	(10,545)	
	6,741	**Net (increase) or decrease in Cash & Cash Equivalents**		5,646

£000	£000		£000	£000
	(23,713)	**Net surplus on Income & Expenditure**		**(17,603)**
		Non-cash transactions:		
(3,000)		Depreciation and amortisation	(3,669)	
15,946		Revaluation gains / losses	3,304	
747		Gains / losses on disposal of fixed assets	9,754	
(1,426)		Pension adjustments	(1,276)	
(548)		Financial instruments adjustments	71	
2,087		Provisions	179	
(1,721)		Transfer to/from earmarked reserves	(1,945)	
	12,085			6,418
		Items on an accruals basis:		
(106)		Increase or (decrease) in stock and work in progress	66	
221		Increase or (decrease) in debtors	(1,862)	
206		Increase or (decrease) in long term debtors	(201)	
(555)		Movement in provision for bad debts	(48)	
(379)		(Increase) or decrease in creditors	422	
(382)		(Increase) or decrease in receipts in advance	(334)	
(709)		Collection Fund adjustment accounts	1,029	
	(1,704)			(928)
		Adjustments re investing and financing activities:		
(2,311)		Revenue expenditure funded from capital	(1,098)	
2,862		Capital grant contributions and capital receipts	1,413	
	551			315
	(12,781)	**Net Cash Flows from Operating Activities**		**(11,798)**
		Investing activities:		
9,102		Purchase of property, plant, equipment, etc.	9,190	
(78)		Other payments for investing activities	(63)	
(4,699)		Proceeds from long and short term investments	(19,115)	
17,125		Purchase of long and short term investments	40,400	
(3,534)		Proceeds from the sale of non-current assets	(12,102)	
465		Movement in capital grants	(383)	
	18,381	**Net Cash Flows from Investing Activities**		17,927
		Financing activities:		
2,031		Net movement in short & long term borrowing	(1,905)	
(890)		Net movement in Collection Fund cash position	1,422	
	1,141	**Net Cash Flows from Financing Activities**		(483)
	6,741			**5,646**

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The Code is based on a hierarchy of approved accounting standards:

- International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB);
- International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC);
- Interpretations originating from the International Financial Reporting Interpretations Committee (IFRIC);
- Interpretations originating from the Standing Interpretations Committee (SIC);
- International Public Sector Accounting Standards (IPSAS) approved by the International Public Sector Accounting Standards Board (IPSASB);
- Financial Reporting Standards (FRS) approved by the Accounting Standards Board (ASB);
- Statements of Standard Accounting Practice (SSAP) approved by the Accounting Standards Committee (ASC);
- Urgent Issues Task Force's (UITF) Abstracts.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

(b) Qualitative Characteristics of Financial Information

- Relevance – in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- Reliability – the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- Comparability – the accounts contain comparative information about the Council so that performance may be compared with a prior period.
- Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- Materiality – an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

(c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the accounts have been prepared on a going concern basis.
- Accruals – the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation – local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

(d) Accruals of Income and Expenditure (Debtors and Creditors)

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.
- Supplies are recorded as expenditure when they are consumed, where supplies remain unconsumed as at the balance sheet date they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles periodic payments, such as utility bills, which are charged at the date of invoice rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

(e) Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of 100 days or less from the date of acquisition of the investment.

(f) **Council Tax and National Non-Domestic (Business) Rates**

Revenue relating to council tax and NNDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

For the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal.

However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to council tax and business rates (NDR) whereby the Council is collecting council tax and NDR income on behalf of itself and preceptors (Kent County Council (KCC), The Police and Crime Commissioner for Kent (PCCK) and Kent Fire and Rescue Authority (KFR) in relation to Council Tax, and the Department for Communities and Local Government (DCLG), KCC and KMFRA in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the Collection Fund includes the accrued amount of council tax and NDR collected as well as amounts from previous years' estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

(g) **Provisions**

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise. Provisions are recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

(h) **Contingent Assets and Liabilities**

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

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts, detailing the nature of the contingency, a brief description and an estimate of its financial effect.

(i) **Debt Write-Off**

The Director of Finance, Housing and Community approves the processes and reporting for the write-off of debt and reviews the actual write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical. In order to mitigate the financial impact of write-offs a provision is made for bad debt taking into account the size and age of the debt outstanding and the likelihood of recovery.

(j) **Employee Benefits**

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories:

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year end. They include benefits such as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year the employee renders service to the Authority.

Termination Benefits

This covers costs that are payable as a result of either an employer’s decision to terminate an employee’s employment before the normal retirement date; or an employee’s decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure, which will involve the payment of termination benefits. Any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, 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 that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits 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 pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. A formal valuation of the Kent County Council Pension Fund for funding purposes was undertaken as at 31 March 2016. Changes to contribution rates as a result of the 31 March 2016 valuation take effect from 1 April 2017.

(k) **Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 30 September.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; or
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

(l) **Exceptional Items**

When exceptional items (where items of income and expense are material) occur, they are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of any exceptional items would be given within the notes to the accounts.

(m) **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(n) **Financial Instruments**

Financial instruments are broken down between financial assets (investments and debtors) and financial liabilities (creditors and loans payable).

Debtors and creditors are measured at fair value and are carried in the Balance Sheet at amortised cost.

Financial Assets

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as loans and receivables (e.g. bank deposits) or available-for-sale (e.g. fund manager portfolio).

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market; these are recognised at fair value and are carried on the Balance Sheet at amortised cost.

Available-for-sale assets have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value.

Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment. This is a departure from the Code which requires accrued interest to be shown as part of the debtors' balance.

Realised gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Unrealised gains and losses are recognised in the Balance Sheet under the appropriate investment heading offset by an adjustment to the Available-for-Sale Financial Instruments Reserve.

Soft Loans

The Authority makes Private Sector Housing loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. For most of the borrowings that the Authority has, 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 according to the loan agreement.

(o) **Foreign Currency Transactions**

Any gains and losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of payment or receipt.

(p) **Government Grants and Other Contributions**

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

(q) **Long Term Contracts**

Long term contracts are accounted for on the basis of charging the "surplus or deficit on the provision of services" with the value of works and services received under the contract during the financial year.

(r) **Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Where the lease transfers substantially all the risk and rewards associated with the ownership of an asset (title may or may not eventually be transferred) the lease is defined as a finance lease. A lease other than a finance lease is called an operating lease. A definition of a lease includes hire purchase arrangements.

Finance Leases

The Council currently has no material finance lease arrangements where it is the lessor or where it is a lessee.

Operating Leases

Lease payments under an operating lease shall be recognised as income or expenditure on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council where the Council is a lessor or lessee respectively.

(s) **Non-Current Assets**

The Council has set a de-minimus level of £10k for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer, is below the de-minimus level, but the aggregate value of similar items purchased in the year exceed the de-minimus level, the expenditure may be treated as capital expenditure.

(i) Impairment of Non-Current Assets

A review for impairment of a non-current asset should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in market value during the period;
- evidence of obsolescence or physical damage;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates; and
- a commitment by the Council to undertake a significant reorganisation.

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist, or written off to revenue through the Comprehensive Income and Expenditure

Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements.

(ii) Gains or Losses on Disposal of Non-Current Assets

When an asset is disposed of or de-commissioned, the net book value of the asset and the receipt from the sale are both charged to the Comprehensive Income and Expenditure Statement which could result in a net gain or loss on disposal.

Receipts in excess of £10k are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10k are usually considered de-minimus and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

(iii) Assets Held for Sale

Non-current assets that have been identified for sale by the Council will be reclassified as current assets when the asset is being actively marketed and has a high probability of sale within twelve months of the Balance Sheet date.

(iv) Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services or for administrative purposes, and expected to be used during more than one period.

Property, plant and equipment are split into five categories as described below:

- Land and buildings
- Vehicles, plant and equipment
- Infrastructure assets
- Community assets
- Assets under construction

The policy for each type of asset is explained below.

- Land and Buildings

The Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. Additionally, assets with a value in excess of £1m are revalued on an annual basis.

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS). Valuations are based on the market value for existing use or, where a market value cannot be determined as the property is of a specialist nature, the depreciated replacement cost. The method used on the current year's valuation will be explained in the notes to the accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives up to 80 years depending on the building. In accordance with the Code land is not depreciated.

Under the Code the Council is required to consider the componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council has carried out a review of its non-current assets and has set a minimum asset value of £1m to be considered for componentisation.

- Vehicles, Plant and Equipment

Vehicles, plant and equipment, other than plant that is integral to the operation of a building, are recognised in the Balance Sheet at historic cost and are subject to straight line depreciation over a period of up to 12 years.

- Infrastructure Assets

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation. These assets are subject to straight line deprecation over a period of up to 40 years. Examples of infrastructure assets are sea defences, footpaths and signage.

- Community Assets

These are non-current assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

- Surplus Assets

This covers assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.

- Assets under Construction

This covers assets not yet ready for operational use, but expected to be operational within twelve months of the Balance Sheet date. Assets under construction are not subject to revaluation or depreciation.

(v) 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

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 income 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 the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

(vi) Intangible Assets

These are non-current assets that do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible assets held by this Council currently consist of IT software and associated costs.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

(vii) Heritage Assets

These are assets held principally for their contribution to knowledge or culture and meet the definition of a heritage asset. Heritage Assets may be either tangible or intangible with historical, artistic or scientific qualities.

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10k for heritage assets based on the method of valuation above.

Heritage Assets are not subject to depreciation.

(t) **Overheads and Support Services**

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on services, or other appropriate basis, and costs of buildings are apportioned on a floor area basis. The costs of Corporate Management and Democratic Core, resulting from the Council being a multifunctional organisation, are allocated to a separate objective head and, in accordance with the Code, are not reapportioned.

(u) **Reserves**

The Council maintains both general and earmarked reserves. General reserves are to meet general future expenditure and earmarked reserves are for identified purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement. This is then offset by a reserve appropriation within the Movement in Reserves Statement.

(v) **Revenue Expenditure Funded from Capital Under Statute**

This is expenditure of a capital nature on non-current assets not owned by the Council. Under the Code this is revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources.

(w) **Value Added Tax (VAT)**

VAT is included within the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable.

(x) **Critical Judgements in Applying Accounting Policies**

The Council continues to face a significant financial challenge brought about by reductions in funding from Government and the general economic climate, as well as some specific government-led initiatives that will impact on the Council's finances.

Taking account of the above, critical judgements made in respect of the Statement of Accounts are:

- The Council continues to face a significant financial challenge bought about by, in the main, the Government's budget deficit reduction programme and the economic climate, as well as some specific government led-initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets;

- The result of the EU referendum was a vote to leave the European Union. This decision could have an impact on the Council's future financial position but at this stage it is not possible to assess what that impact might be however it is not considered necessary to require any change in the financial position reported;
- It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Shepway, Dover and Kent County councils, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the appropriate service lines in the Comprehensive Income and Expenditure Statement; and
- The Council is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock. The company has been treated as a related party and transactions of the ALMO recorded as a service provider.

2. 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 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.
Property, Plant and Equipment	Asset valuations are calculated on a maximum 5-year cycle with the exception of Housing Revenue Account dwellings and garages which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.96m change in the balance sheet values, equating to approximately £450 per dwelling. There would also be an impact of approximately £20k on the annual depreciation charge

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations 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 present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.8m.
Bad Debts Provisions	The Council has bad debt provisions of £4.11m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 38.28% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is designed to demonstrate 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. This is in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	**Net Expenditure Chargeable to the GF and HRA Balances £000**	Adjustments between Funding and Accounting Basis £000	**Net Expenditure in the CIES £000**
Chief Executive	1,742	614	**2,356**	295	**2,651**
Director of Finance, Housing & Community	7,376	(1,762)	**5,614**	(1,432)	**4,182**
Director of Environment & Corporate Assets	5,018	(301)	**4,717**	3,089	**7,806**
Director of Governance	2,263	(26)	**2,237**	385	**2,622**
Special Projects	369	12	**381**	0	**381**
Local Authority Housing (HRA)	(27,983)	21,671	**(6,312)**	(21,671)	**(27,983)**
Non-distributed Costs	111	(227)	**(115)**	2	**(113)**
Net Cost of Service	(11,103)	19,981	**8,879**	(19,333)	**(10,454)**
Other Income & Expenditure	(13,958)	(1,632)	**(15,591)**	2,332	**(13,259)**
(Surplus) or deficit			**(6,712)**	**(17,001)**	**(23,713)**
Opening General Fund and Housing Revenue Account Balance 1 April 2015			(29,825)		
Closing General Fund and Housing Revenue Account Balance 31 March 2016			**(36,537)**		
Made up of:					
General Fund Balance			(2,995)		
Housing Revenue Account Balance			(1,013)		
General Fund Earmarked Reserves			(24,140)		
Housing Revenue Account Earmarked Reserves			(8,389)		
			(36,537)		

2016/17	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	**Net Expenditure Chargeable to the GF and HRA Balances £000**	Adjustments between Funding and Accounting Basis £000	**Net Expenditure in the CIES £000**
Chief Executive	1,000	725	**1,725**	8,961	**10,686**
Director of Finance, Housing & Community	7,361	(1,765)	**5,596**	(1,699)	**3,897**
Director of Environment & Corporate Assets	4,832	113	**4,944**	4,378	**9,322**
Director of Governance	2,236	(204)	**2,032**	371	**2,403**
Special Projects	630	0	**630**	0	**630**
Local Authority Housing (HRA)	(23,606)	16,676	**(6,931)**	(16,676)	**(23,606)**
Non-distributed Costs	187	(245)	**(58)**	1	**(57)**
Net Cost of Service	(7,361)	15,300	**7,939**	(4,664)	**3,275**
Other Income & Expenditure	(10,676)	(1,079)	**(11,755)**	(9,350)	**(21,105)**
(Surplus) or deficit			**(3,816)**	**(14,014)**	**(17,830)**
Opening General Fund and Housing Revenue Account Balance 1 April 2015			(36,537)		
Closing General Fund and Housing Revenue Account Balance 31 March 2016			**(40,353)**		
Made up of:					
General Fund Balance			(2,533)		
Housing Revenue Account Balance			(1,047)		
General Fund Earmarked Reserves			(24,274)		
Housing Revenue Account Earmarked Reserves			(12,499)		
			(40,353)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2015/16 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Depreciation / Impairment £000	Soft Loan Adjustments £000	Charge for Pension Adjustment £000	Other Capital Adjustments £000	Other Adjustments £000	Total Adjustment Between Funding & Accounting Basis £000
Chief Executive	95	0	199	0	0	295
Director of Finance, Housing & Community	35	161	(1,628)	0	0	(1,432)
Director of Environment & Corporate Assets	2,734	0	354	0	0	3,089
Director of Governance	13	0	372	0	0	385
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(15,814)	0	(421)	(5,436)	0	(21,671)
Non-distributed Costs	2	0	0	0	0	2
Net Cost of Service	**(12,935)**	**161**	**(1,123)**	**(5,436)**	**0**	**(19,333)**
Other Income & Expenditure	(748)	531	2,549	(735)	735	2,332
Total	**(13,683)**	**692**	**1,426**	**(6,171)**	**735**	**(17,001)**

2016/17 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Depreciation / Impairment £000	Soft Loan Adjustments £000	Charge for Pension Adjustment £000	Other Capital Adjustments £000	Other Adjustments £000	Total Adjustment Between Funding & Accounting Basis £000
Chief Executive	8,761	0	200	0	0	8,961
Director of Finance, Housing & Community	23	86	(1,807)	0	0	(1,699)
Director of Environment & Corporate Assets	4,028	0	350	0	0	4,378
Director of Governance	13	0	358	0	0	371
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(12,449)	0	(453)	(3,774)	0	(16,676)
Non-distributed Costs	1	0	0	0	0	1
Net Cost of Service	**377**	**86**	**(1,353)**	**(3,774)**	**0**	**(4,664)**
Other Income & Expenditure	(9,761)	(149)	2,629	(9,480)	(1,111)	(9,350)
Total	**(9,384)**	**(63)**	**1,276**	**(13,254)**	**(1,111)**	**(14,014)**

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

2015/16				2016/17		
Totals per Resources Allocations	Adjustments per Accounting Code	Totals per CIES		Totals per Resources Allocations	Adjustments per Accounting Code	Totals per CIES
£000	£000	£000		£000	£000	£000
(7,977)	0	(7,977)	Fees, charges and other service income	(8,527)	0	(8,527)
(48,689)	0	(48,689)	Grants	(47,761)	0	(47,761)
0	(13,287)	(13,287)	Recharges to other accounts	0	(13,784)	(13,784)
(56,667)	**(13,287)**	**(69,954)**	**Total General Fund Income**	**(56,288)**	**(13,784)**	**(70,027)**
12,692	2,751	15,443	Employees	13,383	2,868	16,251
1,848	0	1,848	Premises	1,606	0	1,606
163	0	163	Transport	186	0	186
8,440	0	8,440	Supplies and services	7,998	0	7,998
12,101	0	12,101	Third Parties	12,170	0	12,170
38,169	0	38,169	Transfer Payments	37,444	0	37,444
0	8,229	8,229	Recharges from other accounts	0	8,386	8,386
0	161	161	Financial Instrument Adjustments	0	86	86
0	2,929	2,929	Capital charges	0	12,825	12,825
73,411	**14,071**	**87,482**	**Total General Fund Expenditure**	**72,788**	**24,165**	**96,953**
(6,312)	(21,671)	(27,983)	Housing Revenue Account	(6,931)	(16,676)	(23,606)
10,433	**(20,888)**	**(10,455)**	**Total Cost of Services**	**9,569**	**(6,294)**	**3,275**

5. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Eqpt £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction (WIP) £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2015	**164,928**	**76,045**	**4,019**	**13,626**	**575**	**0**	**3,097**	**262,290**
Additions – Expenditure in year	6,179	634	77	2,018	0	0	(106)	8,802
Additions–transfer from WIP*	0	0	0	0	0	0	0	0
Revaluation increases or decreases recognised in the Revaluation Reserve	0	5,654	0	0	0	0	0	5,654
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	14,227	(2,106)	0	0	0	0	0	12,121
Transfers	0	0	0	0	0	0	0	0
De-recognition – Other	(1,836)	(614)	0	0	0	0	0	(2,450)
Disposals	0	0	0	0	0	0	0	0
At 31 March 2016	**183,498**	**79,613**	**4,096**	**15,644**	**575**	**0**	**2,991**	**286,417**
Accumulated Depreciation and Impairment								
At 1 April 2015	0	(2,665)	(2,915)	(6,471)	(392)	0	0	(12,443)
Depreciation charge	(1,587)	(2,670)	(88)	(284)	(4)	0	0	(4,633)
Disposals	0	0	0	0	0	0	0	0
Deprecation written out to CIES	1,587		0	0	0	0	0	1,587
Deprecation written out to Revaluation Reserve		2,194						2,194
Subtotal	**0**	**(3,140)**	**(3,003)**	**(6,755)**	**(396)**	**0**	**0**	**(13,295)**
Net Book Value								
At 31 March 2016	183,498	76,473	1,093	8,889	179	0	2,991	273,122
At 31 March 2015	164,928	73,379	1,106	7,156	182	0	3,097	249,848

Movement on Balances 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Eqpt £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction (WIP) £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2016	**183,498**	**79,613**	**4,096**	**15,644**	**575**	**0**	**2,991**	**286,417**
Additions – Expenditure in year	3,477	2,823	1,127	80	0	0	1,538	9,045
Additions–transfer from WIP*	0	2,334	1	0	0	0	(2,341)	(6)
Revaluation increases or decreases recognised in the Revaluation Reserve	0	4,866	0	0	0	0	0	4,866
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	10,655	(9,401)	0	0	0	0	0	1,254
Transfers	0	45	0	0	0	0	0	45
Disposals	(1,601)	(483)	0	0	0	0	0	(2,084)
Other movements in cost or Valuation	0	29	0	0	0	0	0	29
At 31 March 2017	**196,030**	**79,828**	**5,223**	**15,724**	**575**	**0**	**2,188**	**299,568**
Accumulated Depreciation and Impairment								
At 1 April 2016	0	(3,137)	(3,003)	(6,754)	(397)	0	0	(13,291)
Depreciation charge	(1,794)	(3,368)	(98)	(324)	(4)	0	0	(5,587)
Deprecation written out to CIES	1,794	240	0.	0	0	0	0	2,034
Deprecation written out to Revaluation Reserve		2,397						2,397
Other Movements in Depreciation and Impairment	0	(6)	0	0	0	0	0	(6)
Subtotal	**0**	**(3,874)**	**(3,101)**	**(7,078)**	**(400)**	**0**	**0**	**(14,454)**
Net Book Value								
At 31 March 2017	196,030	75,954	2,122	8,646	175	0	2,189	285,115
At 31 March 2016	183,498	76,473	1,093	8,889	179	0	2,991	273,122

Tangible Non-current Assets and Depreciation

The depreciation methods and useful lives used in the preparation of the accounts have been specified within the accounting policies. The depreciation charged in year was:

	2015/16 £000	2016/17 £000
General Fund	2,911	3,635
Housing Revenue Account	1,721	1,952
Total	**4,632**	**5,587**

Intangible Non-Current Assets

	2015/16 £000	2016/17 £000
Opening Net Book Value	157	65
Additions – transferred from	0	6
Additions – expenditure in year	0	0
Amortisation	(92)	(34)
Closing Net Book Value	**65**	**37**

Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies. From 1 April 2014 assets valued at over £1m will be revalued on an annual basis.

The valuations have been made in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and Guidance notes. They have also been carried out in accordance with the relevant international accounting standards. All properties held for investment are revalued annually. The basis for valuation is the Fair Value as there is sufficient evidence of market transactions. Housing stock is valued using existing use value – social housing.

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2016. Housing Revenue Account dwellings and garages were valued as at 31 March 17 and the valuation was valid for the 3 months.

In arriving at the valuation of this year's assets the following assumptions have been made:

- That the most valuable use of each property is the existing use; and
- That all properties are in a reasonable state of repair.

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. During 2016/17 the land held for the regeneration of Dover Town Investment Zone has been transferred to the developers, this has resulted in a significant revaluation loss. Improvement in the housing market has resulting in a gain in the housing stock valuation for 2016/17.

	2015/16 £000	2016/17 £000
General Fund		
General gain/(loss) on Other Land and Buildings	(3,568)	(9,765)
Losses written out of Revaluation Reserve	3,300	377
Prior year losses written out	0	47
Write back Depreciation	243	159
Total charged to the General Fund	**(25)**	**(9,182)**
Housing Revenue Account		
General gain/(loss) on Housing Stock	14,227	10,655
Write back Depreciation	1,587	1,794
Total charged to the HRA	**15,814**	**12,449**
Total charged to Property, Plant & Equipment	**(25)**	**(9,182)**
Impairments charged to Revaluation Reserve		
Total charged to Income & Expenditure Account	**(25)**	**(9,182)**

6. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for within Net Cost of Services in the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2016/17 £000
Rental income from investment property	309	340
Direct operating expenses arising from investment property	(120)	(90)
Net gain or loss	**189**	**250**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or to repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year. The revaluation gains and losses are shown separately in the Comprehensive Income and Expenditure Statement in the Financing and Investment Income & Expenditure Section.

	2015/16 £000	2016/17 £000
Balance at start of the year	2,201	2,268
Revaluation gains from fair value adjustments	87	30
Revaluation losses from fair value adjustments	(20)	(14)
Transfer of Asset	0	(45)
Acquisitions	0	160
Disposals	0	(44)
Balance at end of year	**2,268**	**2,355**

7. HERITAGE ASSETS

Heritage Assets where the Council holds information on their cost or value are to be recognised on the Balance Sheet and are detailed in the table below.

	At 31 March 2016 £000	At 31 March 2017 £000
Historic Buildings	210	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	**4,127**	**4,127**

8. GAIN OR LOSS ON DISPOSAL OF NON-CURRENT ASSETS

	2015/16 £000	2016/17 £000
Net Book Value		
HRA right-to-buy	1,851	1,601
Demolished	579	0
HRA other sales	0	15
General Fund sales	0	511
Total	**2,430**	**2,127**
Sales Proceeds		
HRA right-to-buy	(3,034)	(2,607)
HRA other sales	(204)	(11)
General Fund sales	0	(9,317)
Total	**(3,238)**	**(11,936)**
Less admin fees	61	48
(Gain) or Loss on Disposal	**(747)**	**(9,761)**

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2017 the Authority was contractually committed to capital expenditure amounting to £590k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Dover Leisure Centre – new facility provision	Faithful & Gould	314	March 2019
Dover Leisure Centre – new facility provision	Various	110	March 2019
Parks for People – Kearsney Abbey & Russell Gdns	Various	99	Oct 2020
Dover Town Investment Zone - Waterfront	WSP	67	On-going
Total		**590**	

10. CAPITAL EXPENDITURE AND FINANCING

The following statement identifies capital expenditure during the year and how that expenditure was financed:

	2015/16 £000	2016/17 £000
Opening Capital Financing Requirement	**92,082**	**90,043**
Capital Investment:		
Plant, property and equipment	8,796	9,094
Intangible assets	6	60
Revenue expenditure funded by capital	2,311	1,099
Private sector housing loans	257	137
Total Capital Investment	**11,370**	**10,390**
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(1,591)	(787)
Government grants	(4,162)	(1,069)
Major repairs reserve	(2,765)	(3,000)
Direct revenue financing/Reserves	(2,828)	(1,435)
Section 106 funding	(24)	(423)
Total Financing	**(11,370)**	**(6,714)**
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,022)	(2,087)
Under/Over Borrowing	(17)	3,619
Closing Capital Financing Requirement	**90,043**	**91,575**

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This represents capital expenditure on non-current assets not owned by the Council. The Code considers this to be revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute allows the expenditure to be funded from capital resources.

	2015/16		**2016/17**	
	£000	**£000**	**£000**	**£000**
Gross expenditure:				
Disabled facilities grants	812		644	
Small Works Adaptation Grants	0		5	
Deal Beach Management Study	50		0	
White Cliffs Landscape Partnership	74		0	
Discovery Park	1,345		250	
Deal Youth Centre	0		200	
Leisure Centre Fitness Equip	30		0	
		2,311		1,099
Grants & contributions received:				
Disabled Facilities Grant (DCLG)	(674)		(644)	
Heritage Lottery/Partnership Funding	(74)		0	
Building Foundations for Growth	(1,345)		(250)	
Environment Agency	(50)		0	
		(2,143)		(894)
Total deferred charges		168		205
Written off to revenue in year		(168)		(205)
Total		0		0

12. INVESTMENTS

The value of investments on the balance sheet is broken down as follows:

Short Term Investments

	2015/16 £000	2016/17 £000
Investments managed by Fund Managers	1,946	1,938
In-house managed investments	20,041	38,458
Cash flow short term investment	12,517	15,401
Total	**34,504**	**55,796**

The Council's internal investments have been classified as loans and receivables. Externally managed funds are classed as available-for-sale except for cash on deposit.

Long Term Investments

	2015/16 £000	2016/17 £000
Stocks	6	6
Total	**6**	**6**

Investment Portfolio

The Council's investment portfolio as at 31 March 2017 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2017
Internal Investments:			
Barclays	05.04.2017	8,000	UK 'A'
Leeds BS	06.04.2017	5,000	UK 'A-'
Lloyds	11.05.2017	1,000	UK 'A+'
Lloyds	20.06.2017	3,000	UK 'A+'
Bank of Scotland	28.06.2017	7,400	UK 'A+'
Lloyds	28.06.2017	2,000	UK 'A+'
Nationwide	04.07.2017	1,000	UK 'A'
Lloyds	31.07.2017	2,000	UK 'A'
Nationwide	01.08.2017	3,000	UK 'A+'
Nationwide	24.08.2017	3,000	UK 'A'
Eastleigh Borough Council	24.08.2017	3,000	UK'AA'
Total Internal Investments		**38,400**	
External Investments:			
Fixed Interest Securities			
United Kingdom Gilts 1.25%	22.07.2018	1,910	'AA+'
Total External Investments		**1,910**	

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2017
Cash and Cash Equivalents:			
Cash in hand	n/a	(107)	
Nat West	Instant Access	1,070	UK 'BBB+'
Santander UK	Instant Access	1	UK 'A'
Bank of Scotland	Instant Access	37	UK 'A+'
Barclays	Instant Access	16	UK 'A+'
Goldman Sachs MMF	Instant Access	1,527	UK 'A'
Standard Life MMF	Instant Access	8,000	UK 'AAA'
HSBC	90 Day Notice	7,526	UK 'AA-'
Santander	95 Day Notice	7,868	UK 'A'
Total Cash and Cash Equivalents		**26,256**	

13. BORROWING

	2015/16 £000	2016/17 £000
Short term borrowing		
Accrued Interest	157	157
PWLB	2,086	2,154
Temporary loan	0	4,000
LTA loan	9	9
Total Short Term Borrowing	**2,252**	**6,320**
Long term borrowing		
PWLB	84,669	82,515
LOBO	3,000	3,000
LTA Loan	87	78
Total Long Term Borrowing	**87,756**	**85,593**

14. FINANCIAL INSTRUMENTS

Market Valuation

The Code requires the accounts to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Methods and Assumptions in Valuation Technique

The fair value of an instrument is determined by calculating the net present value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin that represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2017. The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rate used is the rate for new borrowing;
- Lender Option Borrower Option (LOBO) debt is measured based on the contractual life and contractual cash flows and as provided by our Treasury Management advisors;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of financial assets and liabilities is shown in the table below:

Financial Assets

Balance as at:	**31 March 2016**		**31 March 2017**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
<u>Short term Assets</u>				
Cash held by external fund manager	1,946	1,946	1,938	1,938
Deposits with banks and building societies	20,041	20,054	35,456	35,470
Notice accounts with Bank and building societies	12,517	12,517	15,401	15,401
Local Authorities	0	0	3,001	3,001
Total Short Term Investments	34,504	34,517	55,796	55,810
Debtors	9,116	9,116	2,593	2,593
Cash and liquid assets	16,191	16,191	10,545	10,545
Total short term assets	59,811	59,824	68,934	69,948
<u>Long term Assets</u>				
Long Term Debtors	26	26	17	17
Stocks	6	6	6	6
Soft Loans	2,047	2,047	2,073	2,073
Total long term assets	2,079	2,079	2,097	2,097
Total Financial Assets	**61,890**	**61,903**	**71,301**	**71,045**

Financial Liabilities

Balance as at:	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
Short Term Liabilities				
Accrued Interest	157	157	157	157
PWLB repayments due	2,087	2,087	2,154	2,154
Temporary Loan	0	0	4,000	4,000
Lawn Tennis Association Loan	9	9	9	9
Total Short Term Borrowing	2,253	2,253	6,320	6,320
Creditors	8,464	8,464	3,566	3,566
Total Short Term Liabilities	10,717	10,717	9,866	9,866
Long Term Liabilities				
PWLB – maturity	4,001	8,728	4,001	9,653
PWLB – Annuity	80,668	98,017	78,514	98,058
LOBOs	3,000	4,581	3,000	4,774
Lawn Tennis Association Loan	87	87	78	78
Total Long Term Liabilities	87,756	111,413	85,593	112,563
Total Financial Liabilities	**98,473**	**122,130**	**95,479**	**122,449**

Maturity Analysis

The maturity analysis of financial liabilities is shown in the table below:

	31 March 2016 £000 Principal	31 March 2016 £000 Carrying Amount	31 March 2017 £000 Principal	31 March 2017 £000 Carrying Amount
PWLB	4,001	4,085	4,001	4,084
PWLB – HRA Self Financing	82,755	82,786	80,668	80,699
Lawn Tennis Association Loan	96	96	87	87
LOBO	3,000	3,042	3,000	3,043
Temporary Loan	0	0	4,000	4,000
Creditors	8,443	8,443	3,566	3,566
Total	**98,295**	**98,452**	**95,322**	**95,479**
Less than 1 year	10,538	10,695	9,729	9,886
Between 1 and 2 years	3,269	3,269	3,373	3,373
Between 2 and 5 years	7,020	7,020	7,243	7,243
Between 5 and 10 years	13,276	13,276	13,695	13,695
More than 10 years	64,192	64,192	61,282	61,282
Total	**98,295**	**98,452**	**95,322**	**95,479**

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account reflects adjustments for soft loans and LOBO.

	2015/16		2016/17	
	£000	£000	£000	£000
Opening balance				
LOBO (KA Finanz)	0		0	
Soft loans	833		1,525	
	833			
Movement during the year				
LOBO adjustment		0		0
Soft loans		692		(64)
Balance at 31 March		**1,525**		**1,461**

16. SOFT LOANS

Soft loans are loans with a lower than market rate of interest. These are given as part of the organisation's Private Sector Housing schemes. Financial instrument adjustments are made to the holding values of the loans to reflect the difference between the interest rate charged and the market rate.

	2015/16	2016/17
	£000	£000
Opening balance	2,817	2,047
Advances in year	257	137
Repayments in year	(335)	(200)
Financial instruments adjustments	(692)	89
Closing balance	**2,047**	**2,073**

17. AVAILABLE FOR SALE RESERVE

The amount shown on the Available-for-Sale Financial Instruments Reserve represents unrealised gains/losses in respect of the Council's externally managed investments.

Available for sale reserve	**2015/16**	**2016/17**
	£000	£000
Opening balance	165	22
Unrealised profit/(loss) on certificates of deposits and fixed securities	(143)	(8)
Closing balance	**22**	**14**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks. These include:

- 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; and

- market risk - the possibility that losses may arise due to changes in interest rates and market prices.

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

Risk management in this area is carried out by the treasury team (supported by specialist external advisors) under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for risk management, has adopted the CIPFA Treasury Management Code of Practice and has set Treasury Management indicators to control key Financial Instrument risks in accordance with CIPFA's Prudential Code.

Credit Risk

The Code requires the Council to attempt to quantify the potential maximum exposure to credit risk, based on experience of defaults and uncollectability over recent years. However, due to the lack of empirical evidence on defaults for investments, the Council is unable to quantify its exposure with any degree of accuracy.

Credit risk arises from investments; therefore deposits are not made with banks and financial institutions unless they are rated independently with a minimum rating score of AA-. During the year in-house investments were only made with Government-backed institutions or part-nationalised banks.

The Council's investments are such that it does not expect any losses from non-performance by any of its counterparties in relation to investments.

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

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. Instead the risk is that the Council will have to re-invest a significant proportion of its investments at a time of unfavourable interest rates. The liquidity of investments held is shown below:

	2015/16	**2016/17**
	£000	**£000**
Cash and cash equivalents	16,191	10,545
Less than 1 year	34,504	55,796
More than 1 year	6	6
Total	**50,701**	**66,347**

The Council has taken into account that all trade and other payables creditors are due to be paid in less than one year, and treasury management procedures allow for sufficient cash flow funds to be maintained to settle these as they become due.

Market Risk

The Council is not exposed to significant risk in terms of its exposure to interest rate movements because the majority of investments are in fixed rate instruments. However, investments held in fixed rate deposits carry a market risk in that interest rates could rise above the current level and therefore achieve lower rates than those available in the market in the future.

The Council has a policy of holding all investments to maturity and is, therefore, insulated from temporary changes in the prices of those investments.

Foreign Exchange Risk

The Council has no Financial Instruments denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

Interest Rate Risk

The Council received interest of £344k on its investments of £66.3 m achieving an average interest rate of 0.50%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £663k in the interest received.

The Council paid interest on its borrowings of £3m based on an average rate of 3.39%. The loans associated with this borrowing are held at fixed interest rates and therefore there is no associated interest rate risk with the existing commitments.

19. PENSION COSTS

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the Local Government Pension Scheme Regulations 2014, as amended. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The last actuarial valuation of the Fund was carried out as at 31 March 2016 and has set contributions for the period 1 April 2017 to 31 March 2020.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	2,450	2,330
Curtailments and past service costs	35	33
Administrative expense	54	50
Net Operating Expenditure		
Net Interest on the Defined Liability	2,549	2,629
Charge to the Surplus or Deficit on the Provision of Services	**5,088**	**5,042**
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	(1,639)	13,391
Actuarial gains and losses arising on changes in demographic assumptions	0	3,930
Actuarial gains and losses arising on changes in financial assumptions	7,768	(28,508)
Experience loss/(gain) on defined benefit obligation	(205)	4,073
Other	0	(475)
Re-measurement of the net defined benefit liability	**5,924**	**(7,589)**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,088)	(5,042)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,662	3,766
Contribution (From) or To Pensions Reserve	**(1,426)**	**(1,276)**

As required under IAS19 the valuation method used is the projected unit method of valuation. With this method where the age profile of the active membership is rising the current service cost will increase as the members of the scheme approach retirement.

Pension Assets and liabilities recognised in the Balance Sheet

The table below summarises the reconciliation of the present value of scheme liabilities:

Liabilities	2015/16 £000	2016/17 £000
Opening balance at 1 April	159,683	154,510
Current service costs	2,450	2,330
Interest cost	5,029	5,321
Change in financial assumptions	(7,768)	28,508
Change in demographic assumptions	0	(3,930)

Liabilities	2015/16 £000	2016/17 £000
Experience loss/(gain) on defined benefit obligation	205	(4,073)
Benefits paid net of transfers in	(5,043)	(4,990)
Past service costs, including curtailments	35	33
Contributions by scheme participants	545	571
Unfunded pension payments	(626)	(616)
Closing balance at 31 March	**154,510**	**177,664**

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits.

The table below summarises the reconciliation of the present value of scheme assets:

Assets	2015/16 £000	2016/17 £000
Opening balance at 1 April	78,227	77,552
Interest on assets	2,480	2,692
Return on assets less interest	(1,639)	13,391
Other actuarial gains / (losses)	0	(475)
Administration expenses	(54)	(50)
Contributions by employer including unfunded	3,662	3,766
Contributions by scheme participants	545	571
Estimated benefits paid plus unfunded net of transfers in	(5,669)	(5,606)
Closing balance at 31 March	**77,552**	**91,841**

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.

Net Pension Liability

The table below details the net pension liability included in the Balance Sheet:

	2015/16 £000	2016/17 £000
Present value of funded obligation	145,169	167,874
Fair value of scheme assets (bid price)	(77,552)	(91,841)
Net Liability	**67,617**	**76,033**
Present value of unfunded obligation	9,341	9,790
Net Liability in Balance Sheet	**76,958**	**85,823**

The figures presented are prepared only for the purpose of IAS19. They are not relevant for calculations undertaken for funding purposes. IAS19 does not have any impact on the actual level of employer contributions paid to Kent County Council Pension Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Reconciliation of Opening & Closing Surplus or Deficit

The table below reconciles the opening and closing deficit on the scheme:

Surplus or Deficit	**2015/16 £000**	**2016/17 £000**
Opening balance at 1 April	(81,456)	(76,958)
Current service costs	(2,450)	(2,330)
Past service costs and curtailments	(35)	(33)
Employer's contributions	3,662	3,766
Administrative expenses	(54)	(50)
Remeasurement of net defined benefit liability	5,924	(7,589)
Interest on net defined benefit liability	(2,549)	(2,629)
Closing balance at 31 March	**(76,958)**	**(85,823)**

Breakdown of Assets Held by Pension Fund shown at Fair Value

The fair values of the attributable assets and expected rates of return are given below:

	31 March 2016		**31 March 2017**	
Assets	**Fund Value £000**	**Percentage of Fund %**	**Fund Value £000**	**Percentage of Fund %**
Equities	51,718	66	64,816	70
Gilts	687	1	685	1
Bonds	8,515	11	8,947	10
Property	11,265	15	11,445	12
Cash	1,997	3	2,346	3
Target Return Portfolio	3,370	4	3,602	4
Total	**77,552**	**100**	**91,841**	**100**

Scheme History

	2012/2013 £000	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Present value of liabilities	(136,170)	(137,582)	(159,683)	(154,510)	(177,664)
Scheme assets	71,972	71,754	78,227	77,552	91,841
Surplus or (deficit) in the scheme	**(64,198)**	**(65,828)**	**(81,456)**	**(76,958)**	**(85,823)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £86m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2016/17 and are detailed below:

	2012/13 £000	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Remeasurement of the net defined liability recognised in the CIES	(5,673)	(293)	(14,059)	5,924	(7,589)
Cumulative remeasurement of the net defined benefit liability	**(51,893)**	**(52,186)**	**(66,245)**	**(60,321)**	**(67,910)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and 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, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2013.

The financial assumptions used for the purposes of IAS19 calculations are given below:

	2015/16	**2016/17**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9 years	23 years
Women	25.3 years	25 years
Longevity at 65 for future pensioners		
Men	25.2 years	25.1years
Women	27.7 years	27.4 years
Rate of inflation – RPI	3.2%	3.5%
Rate of inflation – CPI	2.3%	2.6%
Rate of increase in salary	4.1%	4.1%
Rate of increase in pension	2.3%	2.6%
Rate for discounting scheme liabilities	3.5%	2.6%

It has also been assumed that members will exchange half of their commutable pension for cash at retirement.

Sensitivity Analysis

The following table sets out the impact of a small change in the discount rate; salary increase; pension increase; and mortality assumptions on the defined benefit obligation and projected service cost.

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	174,855	177,664	180,520
Projected service cost	3,010	3,078	3,148
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	177,984	177,664	177,345
Projected service cost	3,078	3,078	3,078
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	180,197	177,664	175,170
Projected service cost	3,148	3,078	3,010
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	184,646	177,664	170,953
Projected service cost	3,176	3,078	2,983

Projected Pension Expense for the Year to 31 March 2018

These projections are based on the Actuary's assumptions as at 31 March 2017.

	2016/17 Projection £000
Service cost	3,078
Net interest on the defined liability (asset)	2,183
Administration expenses	59
Total	**5,320**
Employer's contributions	3,148

Further Information

Information can also be found in Kent County Council's Superannuation Fund Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

20. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income	£000	2015/16 £000	£000	2016/17 £000
District council's council tax		5,946		6,251
Parish councils' council tax		2,176		2,243
		8,122		8,494
Current year's actual Collection Fund surplus (Council Tax)	404		422	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	288		404	
Share of estimated prior year surplus distributed in year	(112)		(145)	
	176		259	

Council Tax Income	£000	2015/16 £000	£000	2016/17 £000
		228		163
Council Tax S31 Grant – re discount for Family Annexes		0		4
Amount credited to the CIES from Council Tax		**8,350**		**8,662**

21. INCOME FROM NATIONAL NON-DOMESTIC RATES (NNDR)

	£000	2015/16 £000	£000	2016/17 £000
District council's share of NNDR		13,939		13,785
S31 Grant for NNDR Reliefs given		884		625
Tariff to Central Government		(10,517)		(10,604)
Levy Payable to Government		(210)		(288)
Current year's actual Collection Fund surplus/(deficit) - NNDR	(1,464)		(519)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	(1,411)		(1,464)	
Share of estimated prior year surplus/deficit contributed in year	(200)		724	
	(1,611)		(740)	
		147		221
Income from NNDR		**4,243**		**3,739**
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government	1,012		1,024	
Enterprise Zone Relief due from Government	57		92	
Total Enterprise Zone Relief		**1,069**		**1,116**
Renewable Energy NNDR		**12**		**44**
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		**5,324**		**4,899**

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2016/17 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General Fund are taken to the Collection Fund, Enterprise Zone Relief and Renewable Energy NNDR Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are: the collection fund surplus arising in the year (£221k), which is offset by a £945k MIRS adjustment, changing the surplus to a deficit of £724k, which is the actual amount contributed by the council (in 2015/16 this was a surplus arising in the year of £147k, which was augmented by a further £53k MIRS adjustment, increasing this to the actual surplus distributed of £200k). The accrued Enterprise Zone Relief Grant of £92k (2015/16 £57k) and the Renewable Energy NNDR of £44k (2015/16 £12k) are also reversed through the MIRS.

22. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non-Specific Grant Income	**2015/16 £000**	**2016/17 £000**
General government grants:		
Revenue Support Grant	2,597	1,758
Community Housing Grant	0	509
New Burdens Grant	52	15
Council Tax Freeze Grant	69	0
New Homes Bonus	1,581	1,907
Total non-specific grant income	**4,299**	**4,189**

Capital Grants & Contributions	**2015/16 £000**	**2016/17 £000**
KCC Better Care Fund	599	859
Green Deal	0	1
Dept. of Environment & Climate Change	148	0
Section 106	23	422
Environment Agency	1,995	80
Disabled Facility Grant repayments	75	36
Other	0	0
Total capital grant contributions	**2,840**	**1,398**

Credited to Services	**2015/16 £000**	**2016/17 £000**
Rent Allowance Subsidy	26,757	26,152
Council Tax Benefit Subsidy	7	7
Benefit Administration Grant	336	314
Council Tax Administration Grant	361	314
Non-HRA Rent Rebate Subsidy	148	270
HRA Rent Rebate Subsidy	11,686	11,250
Discretionary Housing Payment Contribution	156	162
NNDR Cost of Collection Allowance	156	160
New Burdens – Council Tax Support	28	0
New Burdens – IER	109	97
Neighbourhood Planning Grant	15	0
Homelessness Grant	3	0
Coast Protection Grant	50	0
Universal Credit Grant	0	40
Other	230	175
Total Credited to Services	**40,042**	**38,941**

Total Grant Income	**47,181**	**44,528**

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in Note 35 Developer Contributions.

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

The table below shows the number of Council officers, including senior employees, whose remuneration exceeds £50k grouped into £5k bands. Remuneration is defined as 'the amount paid to or receivable by an employee, and includes gross pay (i.e. before deduction of employees' pension contributions), redundancy payments, sums due by way of expenses, allowances and the estimated monetary value of benefits such as a leased car and other non-cash items'. Pension contributions made by the Authority are not included. Narrative has been provided to explain the movement of employee numbers between bands.

Remuneration Band	Number of Employees 2015/16	2016/17	Movement in Bands Note Ref
£50,000-£54,999	12	10	A / B
£55,000-£59,999	1	3	A / B
£60,000-£64,999	6	4	C
£65,000-£69,999	4	0	D
£70,000-£74,999	3	10	A / C / D / E
£75,000-£79,999	0	0	-
£80,000-£84,999	1	0	E
£85,000-£89,999	0	0	-
£90,000-£94,999	4	3	C
£120,000-£124,999	0	0	-
£125,000-£129,999	0	0	-
£130,000-£134,999	1	1	-
£135,000-£139,999	0	0	-
£140,000-£144,999	0	1	C
	32	**32**	

Note Ref	Movement in Bands
A	Post reverted to 1FTE following end of maternity leave
B	Restructure impact
C	Post redundancies
D	Annual increment within pay grade
E	Post changed to part time

Exit Packages

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. This includes those for which the Authority is demonstrably committed.

2015/16 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	2	0	2	£20,862	£300
20-40	1	-	1	£38,157	£0
40-60	-	-	-	-	-
60-80	-	-	-	-	-
Total	**3**	**0**	**3**	**£59,019**	**£300**

2016/17 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	7	2	9	£88,793	£18,872
20-40	2	-	2	£51,007	£4,200
40-60	-	1	1	£51,830	-
60-80	-	-	-	-	-
Total	**9**	**3**	**12**	**£191,630**	**£23,072**

Senior Officers' Emoluments

Under the Accounts and Audit Regulations 2015, the Authority is required to include additional remuneration information in the Statement of Accounts about the senior officers, as shown below. These employees are included in the banding table; however, for the note there is an additional inclusion of the employer's pension contributions.

2015/16 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	118	3	10	131	17	148
Dir of Finance, Housing & Comm (S.151 Officer)	83	3	7	93	12	105
Dir of Governance (Monitoring Officer)	83	3	7	93	12	105
Dir of Environment & Corp Assets	83	3	7	93	12	105
Head of Inward Investment	76	0	6	82	11	93
Head of Regeneration and Development	66	0	5	71	10	81
	509	12	42	563	74	637

2016/17 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	119	3	10	132	18	150
Dir of Finance, Housing & Comm (S.151 Officer)	84	3	7	94	12	106
Dir of Governance (Monitoring Officer)	84	3	7	94	12	106
Dir of Environment & Corp Assets	84	3	7	94	12	106
Head of Inward Investment	67	0	5	72	10	82
Head of Regeneration and Development	69	0	5	74	10	84
	507	12	41	560	74	634

Employee Adjustment Account (Accrued Annual Leave)
Dover District Council is no longer required to accrue for untaken annual leave at the end of the accounting period.

24. CAPITAL RECEIPTS

Usable Capital Receipts

These are proceeds from the sale of capital assets that have not yet been used to finance new capital expenditure. Capital receipts are as defined in the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The latter provides for the payment to the Secretary of State of a proportion of the capital receipts from the sale of Housing Revenue Account assets.

	2015/16 (restated) £000	**2016/17 £000**
Balance at 1 April	(4,567)	(6,211)
Right to buy (retained) adjustment	0	(82)
Usable capital receipts received	(3,534)	(12,102)
	(8,101)	(18,395)
Less: usable capital receipts applied:-		
Expenditure on non-current assets	724	787
Financing for Disabled Facilities and Renovation Grants	138	0
Private Sector Housing Loans	258	0
Contribution to Affordable Housing	472	0
Pooled housing capital receipts	299	296
Balance at 31 March	**(6,211)**	**(17,312)**

Pooling of Housing Capital Receipts

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2016/17 £296k has been paid to the DCLG in relation to capital pooling requirements (£299k in 2015/16).

DDC has entered into an agreement with Government to retain receipts above the level anticipated under Housing Finance Reform. These excess receipts (known as 1:4:1 replacement) are ring fenced to provide part funding of the cost of new affordable / social housing.

25. GENERAL FUND AND HRA BALANCES

The Council's policy is to maintain a General Fund balance above £2m and an HRA balance above £1m.

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	**Opening Balance £000**	**Receipts in year £000**	**Applied in year £000**	**Closing Balance £000**
Special Projects & Events	2,918	528	(481)	2,965
Periodic Operations	2,775	989	(233)	3,531
Urgent Works	1,714	26	(565)	1,175
Dover Regeneration	1,555	720	(234)	2,041
ICT Equipment & Servers	866	58	(200)	724
Business Rates & Council Tax	1,812	450	(924)	1,338
District Regeneration & Economic Development	12,500	0	0	12,500
Total	24,140	2,773	(2,637)	24,274

Special Projects & Events – This reserve is set aside to continue to fund one-off General Fund projects as they arise and to support major events in the district. It can be used for both revenue and capital projects.

Periodic Operations - This reserve is to cover costs of cyclical / periodic events such as elections, "carry forward requests" and to hold grants or other income streams for specific purposes, such as the Homelessness grant and On-Street parking surpluses.

Urgent Works - This reserve is set aside to fund urgent works on corporate assets and for other urgent business requirements, for example for future restructures to meet likely on-going grant reductions. The need for this reserve is greater than ever due to the ageing nature of our assets and the reduced levels of investment in them as reflected in the reduced revenue budget.

Dover Regeneration - In order to support the Local Development Framework process and associated regeneration projects a Dover Regeneration Reserve has been established.

ICT Equipment & Servers – The current ICT Equipment & Servers reserve is held in order to support the requirements of the current and future ICT Strategies.

Business Rates & Council Tax Benefits – This reserve was established to allow for the risk of unforeseen pressures from the Redistribution of Business Rates and the Council Tax Support scheme and future changes for Universal Credit. As there are still many uncertainties around these areas, in particular the unknown collection rates this reserve has been retained and will be reviewed on an annual basis.

District Regeneration & Economic Development – This reserve has been established to support the Council's regeneration plans. An element of the reserve has been allocated to fund new Leisure Centre provision and improvements to Dover Town Hall.

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Major Repairs Reserve	0	5,087	(5,087)	0
Housing Initiatives	8,389	4,300	(190)	12,499
Total	**8,389**	**9,387**	**(5,277)**	**12,499**

Major Repairs Reserve – This reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

Housing Initiatives Reserve – This reserve has been established to provide a source of funding for special initiatives arising in respect of affordable housing.

27. DEBTORS

Long Term Debtors	31 March 2016 £000	31 March 2017 £000
Loans to:		
Leaseholders	7	2
Local organisations	19	14
Local Authorities	181	162
Other:		
Housing benefit debtors [1]	783	647
EKH Single System Loan[2]	223	186
Total	**1,213**	**1,011**

[1] **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2017 which is expected to be recovered after one year.

[2] **EKH Single System Loan** – Dover District Council lent East Kent Housing £223k for the purchase of the new Single Housing System. The loan is to be repaid annually for six years commencing on 1 March 2017, therefore the movement from the previous year represents the first annual payment.

Short Term Debtors	**31 March 2016 £000**	**31 March 2017 £000**
General Fund		
Housing rents and other charges	346	329
Central Government	2,081	1,005
Local Authorities	1,402	1,504
Payments in Advance	388	387
Other debtors	5,674	4,796
	9,891	8,021
Collection Fund		
Local tax payers (district council's share)	1,786	1,591
Central Government	71	115
	1,857	1,706
Total	**11,748**	**9,727**

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

The decrease in debtors incorporates: a decrease in the Central Government debts (General Fund) relating to amounts owed by H.M.R.C. for VAT (£147k decrease), a decrease in the benefit subsidy due from Central Government (£761k), a clearing of the prior year debtor from the Environment Agency relating to a coastal project in 2015/16 (£198k) and a decrease in Other General Fund debtors (£878k), offset by an increase in Local Authority debtors (General Fund) mainly due to an increase in the amount owed by Shepway District Council for the joint waste provision (£81k). There is also a decrease in the Collection Fund debts relating to arrears for business rates and council tax (£195k), offset by an increase in Collection Fund debts owed by Central Government relating to Enterprise Zone Relief Grant (£44k).

Provision for Bad Debts	**Council Tax £000**	**NDR £000**	**General Debtors £000**	**Housing Benefits £000**	**HRA £000**	**Total £000**
Balance at 1 April 2015	**460**	**661**	**294**	**1,606**	**446**	**3,447**
Write-offs	(23)	(134)	(90)	(121)	(83)	(442)
Contribution to provision	6	256	361	385	79	1,102
Balance at 31 March 2016	**443**	**783**	**565**	**1,870**	**446**	**4,107**
Write-offs	(37)	(92)	0	(242)	(84)	(455)
Contribution to provision	72	14	54	240	79	459
Balance at 31 March 2017	**478**	**705**	**619**	**1,868**	**441**	**4,111**

The provisions for bad debts in respect of council tax and NNDR represent the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 80.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

Debtors are classified as financial assets under IAS 32 and as such require additional disclosures on the age profile and collectability of the debt.

Age of Debt

An analysis of the age profile of trade debtors is given in the table below which form part of the other debtors figure shown above.

Age of debt	At 31 March 2016 General Debtors £000	HRA £000	Total £000	At 31 March 2017 General Debtors £000	HRA £000	Total £000
< 1 month	1,143	195	1,338	374	180	554
1 – 3 months	89	126	215	133	95	228
3 – 6 months	95	53	148	65	38	103
6 – 12 months	73	144	217	20	10	30
1 year +	164	408	572	219	8	227
Total	**1,564**	**926**	**2,490**	**811**	**331**	**1,142**

Collectability of Debt

The Council does not generally allow credit for customers; however, it is prudent to establish a provision for non-payment of debt. This calculation is based upon the type and age of the debtor and allows a percentage for the expected failure of collection. The Council's potential maximum exposure to default or uncollectability of the debt is shown as the provision balance as at 31 March in the Provision for Bad Debt table above.

28. CASH & CASH EQUIVALENTS

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. Under the Council's accounting policies these are deemed to be internally managed investments with a maturity date within 100 days of the Balance Sheet date and net cash holdings in the Council's bank accounts.

	2015/16 £000	2016/17 £000
Cash held by Authority	1	(107)
Bank call accounts	16,190	10,652
Total Cash and Cash Equivalents	**16,191**	**10,545**

29. SHORT TERM CREDITORS

As at 31 March	2015/16 (restated) £000	2016/17 £000
General Fund		
Government departments	(291)	(637)
Other local authorities	(390)	(79)
Housing tenants	(226)	(268)
Other creditors – revenue	(3,966)	(2,438)
Other creditors – capital	(817)	(782)
	(5,689)	(4,204)
Collection Fund		
Government Departments	(1,493)	(663)

As at 31 March	2015/16 (restated) £000	2016/17 £000
Local Authorities	(2,271)	(2,523)
Local tax payers (DDC's share)	(1,423)	(472)
	(5,187)	(3,658)
Total	**(10,877)**	**(7,862)**

The net decrease in creditors is due to changes in General Fund creditors, being a decrease in Other Revenue Creditors for the joint waste contract (£633k), amounts owed to East Kent Housing (£543k) and other revenue items (£278k). £210k of the decrease in Local Authority creditors relates to the levy payable to Maidstone B.C. for 2015/16 under NDR pooling arrangements, whereas for 2016/17 the equivalent creditor is within amounts owed to Government Departments (Collection Fund) instead (£288k), as there is no pooling in place for 2016/17 and the levy is payable directly to Government. Collection Fund creditors have reduced mainly due to a decrease in Transitional Protection Relief owed to Government (£759k). The Local Taxpayers' creditor has reduced by £951k, which is made up of a decrease of £974k of business rates prepaid or overpaid, offset by an additional £23k of council tax prepaid or overpaid.

30. PROVISIONS

Localisation of Business Rates

Under the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2016/17 and prior years. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £2.4m (2015/16 £2.8m) can be seen within the separate Collection Fund section.

The decrease in appeals provision is partly due to the settlement of appeals during the year and a reassessment of remaining outstanding appeals. The likely reduction in business rates income arising from appeals is difficult to estimate accurately, as decisions by both the Valuation Office Agency (VOA) and Valuation Tribunal Service are difficult to predict. This was seen recently with the Tribunal decision to value purpose-built doctors' surgeries on a different basis than before (construction cost as opposed to rental value), which led to an average 66% reduction in rateable value and, therefore, income backdated to 1st April 2010 for all surgeries falling within this class, which had to be provided for in the 2014/15 accounts. The current provision includes an estimate for the Council's largest ratepayer that remains the subject of negotiation between VOA and the ratepayer (and its agent), with no decision yet made, but for which the impact could be significant.

Municipal Mutual Insurance

In 1992 the company failed and went into solvent "run-off". If a solvent "run-off" is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £182,782 less £50,000. In 2012/13 the scheme administrator indicated that a levy of between 9.5% and 28% would be required to achieve a projected solvent run off. A provision of 25% of the claim payment was therefore set aside. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £19,917. In 2016/17 another 10% levy (£13,278) was paid, and there may be a further levy of 15%. To provide for this, the provision has been set at 15% of the total claim.

	2015/16 £000	2016/17 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(1,128)	(962)
Municipal Mutual Insurance provision	(33)	(20)
Total	**(1,161)**	**(982)**

31. RECEIPTS IN ADVANCE

As at 31 March	2015/16 £000	2016/17 £000
Government departments	(974)	(1,290)
Other local authorities	(665)	(294)
Other	(906)	(1,066)
Total	**(2,545)**	**(2,650)**

32. CAPITAL GRANTS UNAPPLIED

Capital Grants Unapplied holds grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

	2015/16 £000	2016/17 £000
Balance at 1 April	**(4,620)**	**(3,262)**
Contributions received	(822)	(895)
Applied to projects	2,167	989
Contribution to revenue	13	0
Balance at 31 March	**(3,262)**	**(3,168)**

33. CAPITAL GRANTS RECEIVED IN ADVANCE

Capital grants received which are subject to conditions relating to specific projects are held as Capital Grants received in advance. These amounts are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

	2015/16 (restated) £000	2016/17 £000
Balance at 1 April	**(754)**	**(95)**
Contributions received	(1,584)	(362)
Applied to capital projects	1,995	80
Contribution to revenue	249	0
Balance at 31 March	**(95)**	**(377)**

34. CAPITAL ADJUSTMENT ACCOUNT

The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. The account is credited with the amounts set aside to finance the cost of acquiring / enhancing non-current assets. It is debited with the cost of acquisition / enhancement as the assets are depreciated / impaired to the CIES. The account also contains accumulated gains or losses on investment properties and operational land and buildings pre-dating 1 April 2007.

Capital Adjustment Account	**2015/16 (restated) £000**	**2016/17 £000**
Balance at 1 April	**(130,339)**	**(151,614)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	4,630	5,580
Amortisation of intangible assets	85	30
Revaluation losses on property, plant and equipment	25	9,182
Revaluation gains on property, plant and equipment	(15,904)	(12,471)
Revenue expenditure funded from capital under statute	2,311	1,099
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	2,421	2,117
Adjusting amounts written out of the Revaluation Reserve	(1,711)	(2,417)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,591)	(588)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,765)	(3,000)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(2,019)	(502)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,167)	(989)
Receipt of capital income from long term debtors	335	
Capital expenditure charged against the General Fund and HRA balances	(1,722)	(673)
Capital expenditure charged against Earmarked Reserves	(1,105)	(762)
Movements in the market value of Investment Properties debited or credited to the CIES	(67)	(16)
Loan Repayments Made	(2,031)	(2,095)
Prior year adjusting entry		(76)
Balance at 31 March	**(151,614)**	**(157,195)**

35. DEVELOPMENT CONTRIBUTIONS

Developer contributions received from landowners and/or property developers under Section 106 of the Town and Country Planning Act 1990 that as yet have not been applied to revenue or capital projects.

	2015/16 £000	2016/17 £000
Balance at 1 April	**406**	**1,521**
Contributions received	1,200	630
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(85)	(591)
Balance at 31 March	**1,521**	**1,560**

36. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the council 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.

	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000
Balance carried forward		37,606		41,540
15/16 Adjustment				29
Balance at 1 April				**41,569**
Revaluation gains	8,958		7,640	
Revaluation losses	(3,304)		(377)	
Surplus on revaluation of fixed assets		5,654		7,263
Revaluations relating to disposals written out		(9)		(10)
Historic cost depreciation written out to the capital adjustments account		(1,711)		(2,417)
Balance at 31 March		**41,540**		**46,405**

37. RELATED PARTY TRANSACTIONS

All Members and Chief Officers of the Council are required to disclose where they or any member of their family or household has an interest in a company, partnership or trust that has had transactions with the Council. Disclosures of these transactions allow 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 Council.

Returns were received from all Members and Chief Officers and there were no transactions of material significance to Dover District Council to warrant separate disclosure in the accounts, however the following may be significant to the recipient parties:

Organisation	Value	Details
Deal Town Council	£5,000	Five Members also Town Councillors.
Sandwich Toll Bridge Fund	£37,829.05	Members of Sandwich Town Council are by definition Trustees of this Fund. Through this, two Members of Dover District Council are Trustees.
Dover, Deal & District Citizens Advice Bureau	£97,000	Two Members are Trustees of this local charity.
Canterbury Archaeological Trust	£14,484	One Member is employed by the Trust

Dover District Council has also provided minimal administrative support to White Cliffs Country Tourism Association, of which one councillor is an Executive Member.

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 22 Grant Income on reporting for resources allocation decision.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2016/17 was the sixth year of operation.

In 2016/17 £2.21m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £473k, Dover District Council made a loan to East Kent Housing in 2015/16, of which £37k was repaid in 2016/17. Please see note 27 Debtors for further details.

See also note 42 Interest in Companies and Other Entities for further financial information for East Kent Housing.

38. MEMBERS' ALLOWANCES

The total paid in Members' allowances, excluding travel and subsistence expenses, is shown in the table below:

	2015/16 £000	2016/17 £000
Basic Allowance	176	178
Special Responsibility Allowance	85	94
Members' National Insurance Contributions	4	3
Total	**265**	**276**

The Council also produces a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. This may be seen on notice boards at the Council's main offices and on the Council's website at:

https://www.dover.gov.uk/Council--Democracy/Allowances/Councillor-Allowances.aspx

39. EXTERNAL AUDIT FEES

The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2016/17:

	2015/16 £000	2016/17 £000
External audit services – Grant Thornton	54	54
Certification of grant claims and returns	16	38
Other services	2	2
Total	**72**	**94**

In addition, during 2016/17 the Council incurred £4k of additional fees relating to 2015/16 grant certification. The 2015/16 fee has been revised to reflect this additional cost.

40. CONTINGENT LIABILITIES

Private Finance Initiative

In 2007/08 and 2014/15 the Council entered into partnership agreements with Kent County and other district councils within Kent to provide new homes for vulnerable people. The projects are known as Better Homes Active Lives (BHAL) and Kent Excellent Homes For All (KEHFA). The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period.

Under the agreements the Council will be jointly financially liable if the PFI contracts are terminated for reasons such as contractor default or force majeure. For BHAL the implications of a termination in year 10 was assessed as approximately £60m and the cost implication for KEHFA will be similar. This would mean a contribution of £4.48m as at year 10 of the scheme in respect of BHAL and £8m for KEHFA based on the cost share percentages set out in the agreements. However, the risks of such an event occurring continue to be assessed as very remote.

Munich Municipal Insurance (MMI)

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years' insurance cover will be met from the company's assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims.

As at 31 March 2016, the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £183k less £50k. The Council are awaiting confirmation of the position as at the end of March 2017, however there is no indication of any changes.

A provision of 25% of the claim was made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. In 2015/16, the provision was increased by £20k, returning it to £33k. In 2016/17 a further payment of £13k was made. The £80k balance of the claim remains as a contingent liability.

East Kent Housing Pension Deficit

The Council is a joint owner of East Kent Housing Ltd, a company limited by guarantee. The Council has entered into an agreement with East Kent Housing that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the Council, then the Council will meet such payments.

East Kent Housing Ltd's total pension liability increased from £7.3m to £10.2m at 31 March 2017, of which Dover District Council's share would be £2.54m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability.

Revised future contribution rates will not be set until 2017/18, meaning that the company should be able to meet its pension obligations at least up to that point. The impact of any increase to its future contribution rate will have to be assessed within the context of the negotiation of future management fees.

Rent Deposit Scheme

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £62k.

41. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2016. The Council does not consider there to have been any material post balance sheet events.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council, together with Canterbury City Council, Shepway District Council and Thanet District Council, jointly owns East Kent Housing Ltd (EKH), an Arms Length Management Organisation, whose principal activity is to manage each of the four authorities' council housing stock. For financial accounting purposes, EKH is regarded as neither a joint venture nor a joint operation and is therefore not required to be included within the statement of accounts. This is because the day-to-day operations are managed by the Board and, at Board level, the member Councils only have one board member each out of twelve in total and so, at Board level, the Councils are a minority and do not have control of the Board, even if acting together.

This Council therefore considers that its interest in EKH does not amount to a controlling interest and therefore Group Accounts do not need to be prepared.

However, for information, the financial (draft unaudited) results of EKH for 2016/17 and the Council's share is as follows:

East Kent Housing Ltd 2015/16	DDC share 25% 2015/16		East Kent Housing Ltd 2016/17	DDC share 25% 2016/17
£000	**£000**		**£000**	**£000**
(8,760)	(2,190)	Turnover	(8,653)	(2,163)
9,629	2,407	Expenses	9,554	2,388
869	217	Operational (profit)/loss	901	225
286	72	Finance costs	290	73
1,155	**289**	**(Profit)/loss after taxation**	**1,191**	**298**
(1,855)	(464)	Re-measurement of post-employment benefit obligations	1,927	482
(700)	(175)	Total comprehensive (income)/loss for the year	3,118	780
406	102	Non-current assets	658	164
1,699	425	Current assets	964	241
(893)	(223)	Current liabilities	(806)	(202)
(7,984)	(1,996)	Non-current liabilities	(10,706)	(2,676)
(6,772)	(1,692)		(9,890)	(2,473)
(558)	(141)	Profit and loss reserve	(285)	(71)
7,330	1,833	Pensions reserve	10,175	2,544
(6,772)	(1,692)		(9,890)	(2,473)

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2016/17. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.
Accounting Standards that have been issued but not yet adopted include:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from contracts with Customers
- IFRS – Leases

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

44. PRIOR YEAR ADJUSTMENT OF STATEMENT - TELLING THE STORY

This year the presentation of the Comprehensive Income and Expenditure Statement has changed. Up until this financial year the segments that made up the cost of services were set out in the Service Reporting Code for Practice, however this has now changed and the cost of services is now to be based on the Management Accounts of the Council. The restatement of the 2015/16 CIES net cost of services is detailed below.

	Central Services to the Public £000	Cultural and Related Services £000	Environmental and Regulatory Services £000	Planning and Development Services £000	Highways and Transport Services £000	Local Authority Housing (HRA) £000	Other Housing Services £000	Corporate and Democratic Core £000	Public Health £000	Non-distributed Costs £000	**Total £000**
Chief Executive	0	19	0	1,750	0	0	0	839	11	32	**2,651**
Director of Finance, Housing & Community	1,369	16	359	212	0	0	2,074	146	1	5	**4,182**
Director of Environment & Corporate Assets	0	4,318	3,648	355	(712)	0	188	8	0	0	**7,806**
Director of Governance	575	0	1,295	0	0	0	0	752	0	0	**2,622**
Special Projects	0	23	0	94	31	0	106	0	0	128	**381**
Local Authority Housing (HRA)	0	0	0	0	0	(27,983)	0	0	0	0	**(27,983)**
Non-distributed Costs	0	0	0	0	0	0	0	0	0	(113)	**(113)**
NET COST OF SERVICES	**1,944**	**4,376**	**5,302**	**2,410**	**(681)**	**(27,983)**	**2,368**	**1,744**	**12**	**53**	**(10,454)**

45. PRIOR YEAR ADJUSTMENT OF STATEMENT – SOFT LOANS

It has been identified that Soft Loan balances were previously incorrectly accounted for as a Creditors in the balance sheet whereas they should have been charged to the Capital Adjustments Account. In addition a small element of loan repayments had been incorrectly added to the capital grant income whereas it should have been treated as capital receipts. These changes are relating to the accounting treatment of the transactions and do not affect the Council's financial outturn for previous years. These changes have been made in the restated Balance Sheet showing both the revised opening and closing positions for the financial year 2015/16. The changes made are summarised below.

Balance Sheet (Extract)

2015/16 Opening Balance – Original £000	2015/16 Opening Balance – Restated £000	Balance Sheet Category	2015/16 Closing Balance – Original £000	2015/16 Closing Balance – Restated £000
(13,417)	(10,064)	Short Term Creditors	14,151	10,877
(1,514)	(754)	Capital grants received in advance	933	95
120,339	**124,452**	**Net Assets**	**155,487**	**159,599**
4,148	4,567	Usable capital receipts reserve	5,714	6,210
126,645	130,339	Capital adjustments account	147,998	151,614
120,339	**124,452**	**Total Reserves**	**155,487**	**159,599**

Capital Expenditure and Financing (Extract)

Sources of Finance	2015/16 Original £000	2015/16 Restated £000
Capital Receipts (including Excess RTB Receipts)	(1,334)	(1,591)
Government Grants	(4,419)	(4,162)

Usable Capital Receipts

	2015/16 Original £000	2015/16 Revised £000
Balance at 1 April	(4,148)	(4,567)
Usable capital receipts received	(3,199)	(3,534)
	(7,347)	(8,101)
Less: usable capital receipts applied:-		
Expenditure on non-current assets	724	724
Financing for Disabled Facilities and Renovation Grants	138	138
Private Sector Housing Loans		258
Contribution to Affordable Housing	472	472
Pooled housing capital receipts	299	299
Balance at 31 March	**(5,714)**	**(6,210)**

Short Term Creditors (Extract)

	2015/16 Original £000	2015/16 Restated £000
Government Departments	(3,565)	(291)
Total	**(14,151)**	**(10,877)**

Capital Grants Received in Advance

	2015/16 Original £000	2015/16 Restated £000
Balance at 1 April	**(1,514)**	**(754)**
Contributions received	(1,920)	(1,584)
Applied to capital projects	2,252	1,995
Contribution to revenue	249	249
Balance at 31 March	**(933)**	**(95)**

Capital Adjustments Account (Extract)

	2015/16 Original £000	2015/16 Restated £000
Balance at 1 April	**(126,645)**	**(130,339)**
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,334)	(1,591)
Receipt of capital income from long term debtors		335
Balance at 31 March	**(147,998)**	**(151,614)**

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The billing authority's share of the Collection Fund is consolidated with the other accounts of the billing authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000		2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000
			Income			
			Council tax:			
0	(56,147)	(56,147)	Billed to Council Tax payers	0	(59,327)	(59,327)
0	(3)	(3)	Grants Receivable	0	0	0
			National Non-domestic rates:			
(34,775)	0	(34,775)	Billed to NNDR payers	(35,825)	0	(35,825)
(1,303)	0	(1,303)	Enterprise Zone relief from Government	(1,375)	0	(1,375)
0	0	0	Transitional Protection Payments	0	0	0
(36,078)	**(56,150)**	**(92,228)**	**Total Income**	**(37,200)**	**(59,327)**	**(96,527)**
			Expenditure			
			Precepts, Demands & Shares:			
17,674	0	17,674	Central Government	16,326	0	16,326
3,181	39,222	42,403	Kent County Council	2,939	41,785	44,724
0	5,295	5,295	Police & Crime Commissioner for Kent	0	5,609	5,609
354	2,542	2,896	Kent & Medway Fire & Rescue Authority	327	2,655	2,982
14,139	6,059	20,210	Dover District Council	13,061	6,396	19,457
0	2,175	2,175	Town and Parish Councils	0	2,243	2,243
35,348	55,293	90,653		32,653	58,688	91,341
			Enterprise Zone Relief Payable:			
1,042	0	1,042	Dover District Council	1,100	0	1,100
235	0	235	Kent County Council	248	0	248
26	0	26	Kent & Medway Fire & Rescue Authority	27	0	27
1,303	0	1,303		1,375	0	1,375
			Renewable Energy Retained			
12	0	12	Dover District Council	44	0	44
12	0	12		44	0	44
			Charges to the Collection Fund:			
336	123	459	Write-offs of Uncollectable Amounts	229	222	451
305	(80)	225	Increase/(decrease) in Bad Debt provis'n	(197)	273	76
(2,036)	0	(2,036)	Increase/(decrease) in Appeals provision	569	0	569
156	0	156	Cost of Collection Allowance	158	0	158
(1,239)	43	(1,196)		759	495	1,254
787	0	787	**Transitional Protection Payments**	8	0	8
36,211	**55,336**	**91,547**	**Total Expenditure**	**34,839**	**59,183**	**94,022**
133	**(814)**	**(681)**	**(Surplus) or Deficit for the Year**	**(2,361)**	**(144)**	**(2,505)**
3,526	(1,922)	1,604	Balance brought forward at 1 April	3,659	(2,736)	923
3,659	**(2,736)**	**923**	**Balance Carried Forward at 31 March**	**1,298**	**(2,880)**	**(1,582)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at their 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council (KCC), The Police and Crime Commissioner for Kent (PCCK), Kent and Medway Fire and Rescue Authority (KMFRA) and the District Council (DDC), and dividing this by the council tax base.

Council tax benefit (CTB) was abolished by Government from April 2013 and billing authorities were required to implement a local ‘Council Tax Reduction Scheme’ (CTRS). Council Tax Benefit was previously administered by local authorities, but fully funded by central government subsidy, so that money paid to claimants for CTB was fully recovered through subsidy income and there was no impact on the billing authority or preceptors. However, under the Council Tax Reduction Schemes (CTRS), Government grant funding to local schemes was reduced by 10% compared to its funding for CTB.

CTB was a “benefit” scheme. CTRS is a “discount” scheme. With a discount scheme, instead of raising Council Tax bills to claimants and then settling the debts with benefit, the bills are reduced through the use of a discount instead. In principle, there is little difference between the two methods, but the reduction in funding by Government means that if the level of discount given to claimants under CTRS was equivalent to the level of CTB previously awarded, there would be a shortfall in overall Council Tax income (including grant/subsidy) by the proposed 10% funding cut by Government. In arriving at a local scheme that could offset the loss of funding, the level of discounts awarded (both to prior benefit claimants and recipients of other types of discounts) would need to be reduced. However, Government stipulated that pensioners must not be disadvantaged and incentives to work should not be removed.

The East Kent CTRS (covering the billing authorities of Dover District Council, Canterbury City Council and Thanet District Council) has the following features:

- A reduction in ‘benefit’ to claimants of circa 6% (DDC figure, increasing to 10% from 2017/18). That means that claimants who weren’t paying Council Tax are now required to pay 6% of the bill (increasing to 10% from 2017/18);
- Empty homes discounts were reduced to 0% for Class C empty properties from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding;
- Second home discounts were removed from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding.

Precepts

Authorities who made a precept on the Collection Fund for **Council Tax** are as follows, including their share of the surplus paid:

Preceptor	2015/16 Precept £000	2015/16 Surplus £000	**2015/16 Total £000**	2016/17 Precept £000	2016/17 Surplus £000	**2016/17 Total £000**
Kent County Council	38,699	523	**39,222**	41,093	692	**41,785**
Police and Crime Commissioner for Kent	5,224	71	**5,295**	5,516	93	**5,609**
Kent and Medway Fire & Rescue Authority	2,508	34	**2,542**	2,610	45	**2,655**
Dover District Council	5,947	112	**6,059**	6,251	145	**6,396**
	52,378	740	**53,118**	55,470	975	**56,445**
Parish councils	2,175	-	**2,175**	2,243	-	**2,243**
Total Demand on the Collection Fund	**54,553**	**740**	**55,293**	**57,713**	**975**	**58,688**

Authorities who made a precept on the Collection Fund for **Business Rates** are as follows, including their share of the surplus paid:

Preceptor	2015/16 Precept £000	2015/16 Surplus £000	**2015/16 Total £000**	2016/17 Precept £000	2016/17 Deficit £000	**2016/17 Total £000**
Kent County Council	3,136	45	**3,181**	3,101	(162)	**2,939**
Kent and Medway Fire & Rescue Authority	349	5	**354**	345	(18)	**327**
Dover District Council	13,939	200	**14,139**	13,785	(724)	**13,061**
	17,424	250	**17,674**	17,231	(904)	**16,327**
Central Government	17,424	250	**17,674**	17,231	(905)	**16,326**
Total Demand on the Collection Fund	**34,848**	**500**	**35,348**	**34,462**	**(1,809)**	**32,653**

Council Tax Base

The council tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings, was calculated as follows:

	2015/16			2016/17		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	2.62	5/9ths	1.46	2.36	5/9ths	1.31
A	3,627.93	6/9ths	2,418.62	3,752.37	6/9ths	2,501.58
B	11,362.47	7/9ths	8,837.48	11,612.42	7/9ths	9,031.88
C	10,660.27	8/9ths	9,475.80	10,880.68	8/9ths	9,671.72
D	5,884.71	9/9ths	5,884.71	6,059.17	9/9ths	6,059.17
E	3,714.94	11/9ths	4,540.48	3,773.44	11/9ths	4,611.99
F	2,072.66	13/9ths	2,993.84	2,118.36	13/9ths	3,059.86
G	1,273.82	15/9ths	2,123.04	1,265.82	15/9ths	2,109.70
H	48.81	18/9ths	97.62	46.17	18/9ths	92.34
	38,648.23		36,373.05	39,510.79		37,139.55
Estimated Collection Rate			**97.61%**			**97.61%**
Council Tax Base			**35,503.73**			**36,251.91**

Band D Council Tax

	2015/16 £000	2016/17 £000
Kent County Council	1,089.99	1,133.55
Police and Crime Commissioner for Kent	147.15	152.15
Kent and Medway Fire & Rescue Authority	70.65	72.00
Dover District Council	167.49	172.44
	1,475.28	1,530.14
Parish councils (average)	61.28	61.86
Total	**1,536.56**	**1,592.00**

This basic amount of council tax for a Band D property of £1,592.00 for 2016/17 (£1,536.56 for 2015/16) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of ‘rate poundage’ of 49.7p (49.3p) for large businesses or 48.4p (48.0p) for small businesses in 2016/17 (2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under the BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government (50%), the billing authority (40%) and the major precepting authorities, being Kent County Council (9%) and Kent & Medway Fire and

Rescue Authority (1%). There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year, as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

However, from April 2013 the Department of Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline funding level for the billing authority. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline) result in safety net payments from Government or levy payments to it. Dover is in a levy position for 2016/17 and pays a levy, estimated to be £288k. This is slightly different from 2015/16 when Dover was paying a reduced levy rate by being part of a Kent-wide 'business rates pool' for that year (£211k), but volatility in expected business rates income led Dover to withdraw from the pool for 2016/17. Similar arrangements exist for the other major preceptors. Tariff, levy and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself.

The NNDR income, after reliefs, of £35.825m for 2016/17 (£34.775m for 2015/16), was based on the total rateable value for the Council's area, which at the year-end was £89.405m (£89.541m in 2015/16).

Separately, there has been a revaluation of the rateable values of businesses as at 1st April 2017 (the "2017 valuation"). Such revaluations take place at intervals and are carried out by the Valuation Office Agency (VOA). This is the first revaluation since 2010. Initially it appeared that the total rateable value of the Council's area would increase significantly (from £89.8m to about £111.3m) with a proportionate increase in NNDR income, but this is not the case as the Government have introduced higher thresholds to exempt or reduce payments by small businesses, lower multipliers to calculate the amounts payable by all businesses, as well as transitional arrangements to phase in increases for those businesses whose rateable values have increased, all of which reduce the NNDR income. Additionally, the tariff payable by Dover on its 40% share of business rates income has been increased by Government by circa £2m to keep its net funding similar to the old basis (i.e. under the "2010 valuation"). Since the revised higher tariff was set, a significant reduction in RV has been agreed by VOA for a major ratepayer, resulting in a reduction in expected income from business rates (calculated on a lower RV of £103.6m). There are provisional arrangements in place in a Government consultation document intended to reduce the impact on Dover (and other authorities) of such changes, by adjusting the tariff for 2018/19 and subsequent years. These arrangements, which have yet to be exactly determined by Government and evaluated by the advisory accounting body, CIPFA, may create short term timing differences and, possibly, unexpected results that may impact future years.

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000	2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000
Balance at 1 April	3,091	1,653	4,744	3,011	1,958	4,969
Write-Offs	(123)	(336)	(459)	(222)	(229)	(451)
Contribution to Provision	43	641	684	495	32	527
Balance at 31 March	**3,011**	**1,958**	**4,969**	**3,284**	**1,761**	**5,045**

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 16 January 2016 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, The Police and Crime Commissioner for Kent, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £975k for 2015/16, so there was an additional payment to major preceptors of this amount in 2016/17. The distributable surplus for 2016/17 was estimated as £1,603k and will be distributed to major preceptors during 2017/18. The actual surplus of £2.88m at 31 March 2017 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2017/18 (N.B. "Council Tax Cash" in note 5 shows cash surpluses at 31 March 2016 and 2017, but these surpluses are mainly due to prepayments on account of the following years' debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2015 £000	Movement in Year £000	Surplus at 31 March 2016 £000	Movement in Year £000	Surplus at 31 March 2017 £000
Kent County Council	(1,362)	(584)	(1,946)	(108)	(2,054)
Police and Crime Commissioner for Kent	(184)	(78)	(262)	(13)	(275)
Kent & Medway Fire & Rescue Authority	(88)	(36)	(124)	(5)	(129)
Dover District Council	(288)	(116)	(404)	(18)	(422)
Total	**(1,922)**	**(814)**	**(2,736)**	**(144)**	**(2,880)**

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2016 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rates income. The District Council estimated that the fund would have an accumulated deficit of £1,809k for 2015/16 and this was collected from major preceptors during 2016/17. The District Council estimated that the fund would have an accumulated deficit of £1,820k for 2016/17 and this will be collected from major preceptors during 2017/18. The actual deficit of £1,298k is a favourable position at 31 March 2017. Therefore the amount collected during 2017/18 will be £522k higher than strictly required (i.e. DDC should be recovering a deficit of £1,298k rather than £1,820k). This will be adjusted against the 2018/19 proportionate shares of non-domestic rates income. The main reason for the reduction in the deficit is that the amount of “part occupied relief” estimated as being owed to a major ratepayer at the end of the 2015/16 year was higher than the final figure agreed by the VOA, resulting in a bigger sum being due (and paid) by the ratepayer during 2016/17 of approximately £900k. This is offset by other adverse reductions from appeals/revaluations.

The proportionate shares (prescribed by legislation) of the actual collection fund deficit for non-domestic rates are shown below:

	Proportionate Shares	Deficit at 31 March 2016 £000	Movement in Year £000	Deficit at 31 March 2017 £000
Central Government	50%	1,830	(1,181)	649
Kent County Council	9%	329	(212)	117
Kent & Medway Fire & Rescue Authority	1%	36	(23)	13
Dover District Council	40%	1,464	(945)	519
Total	**100%**	**3,659**	**(2,361)**	**1,298**

5. **ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES**

Each of the major precepting authorities' shares of the arrears, prepayments and other balances are shown below:

At 31 March 2016

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,220	432	204	666	0	4,522
Council tax provision for bad debts	(2,144)	(288)	(136)	(443)	0	(3,011)
Council tax overpayments & prepayments	(895)	(120)	(57)	(185)	0	(1,257)
Council tax cash	1,765	238	113	366	0	2,482
Collection Fund surplus	(1,946)	(262)	(124)	(404)	0	(2,736)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	252	0	28	1,120	1,401	2,801
NNDR provision for bad debts	(176)	0	(19)	(783)	(980)	(1,958)
NNDR provision for appeals	(254)	0	(28)	(1,128)	(1,410)	(2,820)
NNDR overpayments & prepayments	(278)	0	(31)	(1,238)	(1,547)	(3,094)
NNDR cash	127	0	14	565	706	1,412
Collection Fund deficit	329	0	36	1,464	1,830	3,659
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

At 31 March 2017

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,458	461	215	704	0	4,838
Council tax provision for bad debts	(2,347)	(313)	(146)	(478)	0	(3,284)
Council tax overpayments & prepayments	(1,024)	(136)	(64)	(208)	0	(1,432)
Council tax cash	1,967	263	124	404	0	2,758
Collection Fund surplus	(2,054)	(275)	(129)	(422)	0	(2,880)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	200	0	22	888	1,109	2,219
NNDR provision for bad debts	(158)	0	(17)	(705)	(881)	(1,761)
NNDR provision for appeals	(217)	0	(24)	(962)	(1,203)	(2,406)
NNDR overpayments & prepayments	(59)	0	(7)	(264)	(329)	(659)
NNDR cash	117	0	13	524	655	1,309
Collection Fund deficit	117	0	13	519	649	1,298
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

6. **BUSINESS RATES RELIEFS**

The Council has received applications for mandatory relief from business rates on behalf of NHS Trusts, but it considers the basis of these applications to be unfounded and has made no allowance for them in its financial statements. This is a national issue and remains unresolved.

HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing social housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2015/16 £000		Note	2016/17 £000
	Income		
(19,767)	Dwellings rents	10	(19,258)
(490)	Non-dwelling rents		(483)
(413)	Tenant charges for services and facilities		(413)
(321)	Leaseholder charges for services and facilities		(249)
(178)	Contributions towards expenditure		(170)
(21,169)	**Total Income**		**(20,573)**
	Expenditure		
2,732	Repairs and maintenance		2,964
3,905	Supervision and management		3,938
53	Rent, rates, taxes and other charges		44
1,730	Depreciation and impairment of fixed assets	5	1,956
(15,814)	Exceptional Item – revaluation gain, reversal of prior year loss	9	(12,449)
25	Debt management expenses		28
89	Increase (decrease) in impairment of debtors	12	(5)
(7,280)	**Total Expenditure**		**(3,524)**
(28,449)	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		(24,097)
450	HRA share of corporate and democratic core		476
16	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		15
(27,983)	**Net Cost of HRA Services**		**(23,606)**
(1,388)	(Gain) or loss on sales of HRA non-current assets		(1,003)
2,843	Interest payable and similar charges		2,783
(49)	Interest and investment income		(79)
459	Net Interest on Defined Benefit Liability	13	473
(26,118)	**(Surplus) or Deficit for the year on HRA Services**		**(21,432)**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2015/16		2016/17		
£000		**£000**	**£000**	**£000**
(1,094)	Balance on the HRA at the end of the previous year			**(1,013)**
(26,118)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(21,432)	
	Adjustments between Accounting Basis and Funding under Statute:			
15,814	Impairment of non-current assets	12,449		
3,066	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,143		
1,388	Gain on disposal of non-current assets	1,003		
(38)	Net charges made for retirement benefits	(20)		
2,370	Capital expenditure funded by the HRA	632	17,206	
(3,518)			**(4,226)**	
3,599	Transfers to earmarked reserves		4,192	
81	(Increase) or decrease in year on the HRA Balance			**(34)**
(1,013)	**Balance on the HRA at the End of the Current Year**			**(1,047)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2016/17

	Stock at 1 April 2016	Sales	Acquisitions	Stock at 31 March 2017
Houses/bungalows	2,759	28	0	2,731
Flats	1,615	9	0	1,606
Total	**4,374**	**37**	**0**	**4,337**

Total Value of Assets

	1 April 2016 £000	31 March 2017 £000
Dwellings	183,498	196,029
Garages	3,339	3,376
Other land and buildings	319	462
Equipment	45	248
Investment properties	442	455
Assets under construction	247	0
	187,890	**200,570**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2017 was £594m (£573m as at 31 March 2016). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to Government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature.

	2015/16 £000	2016/17 £000
Balance as at 1 April	**0**	**0**
Major Repairs Allowance:		
Depreciation	(1,721)	(1,945)
Voluntary Excess Depreciation charge to HRA	(3,066)	(3,142)
Transfer from reserve for capital expenditure	2,765	3,000
Repayment of principal on loan	2,022	2,087
Balance at 31 March	**0**	**0**

4. OTHER EARMARKED RESERVES

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including "Affordable Housing" and has a balance of £12.5m at 31 March 2017 (£8.39m at 31 March 2016).

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,964k (£1,729k at 31 March 2016) as detailed below.

	2015/16 £000	**2016/17 £000**
Council dwellings	1,587	1,797
Garages	134	148
Equipment	0	7
Intangible assets	8	4
Total	**1,729**	**1,956**

6. SUMMARY OF CAPITAL EXPENDITURE

	2015/16 £000	**2016/17 £000**
Capital expenditure:		
Dwellings	4,108	3,477
Other Land & Buildings	1,670	259
Total	**5,778**	**3,736**
Financed by:		
Funded by HRA	(2,370)	(632)
Transfer from Major Repairs Reserve	(2,765)	(3,000)
Capital Grants	(148)	(0)
Excess RTB Receipts	(472)	(15)
S106 Contribution	(23)	(89)
	(5,778)	**(3,736)**

7. SUMMARY OF CAPITAL RECEIPTS

	2015/16 £000	**2016/17 £000**
Receipts from sales during the year:		
Dwelling sales	(3,175)	(2,607)
Other HRA sales	(86)	(11)
Sub total	(3,261)	(2,618)
Amount pooled to Government	299	296
	(2,962)	**(2,322)**

8. **CAPITAL EXPENDITURE FUNDED BY THE HRA**

£632k (£2,370k in 2015/16) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in Note 6.

9. **REVALUATION GAIN ON HRA STOCK**

The gain of £12.449m is due to the reversal of prior year losses. The housing market has started to make a recovery resulting in an increase in value this year. (£15.814m in 2015/16)

10. **RENT OF DWELLINGS**

This is the total rent income collectable for the year after an allowance is made for empty properties.

The average weekly rent at 31 March 2017 was £85.67 compared with £86.56 at 31 March 2016.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2016			**31 March 2017**		
Former Tenant Arrears	**Current Tenant Arrears**	**Total Rent Arrears**	**Former Tenant Arrears**	**Current Tenant Arrears**	**Total Rent Arrears**
£000	£000	£000	£000	£000	£000
90	255	345	89	241	330

12. **IMPAIRMENT OF DEBTORS**

The following provision has been made against possible non-collection of debt:

	2015/16 £000	**2016/17 £000**
Balance brought forward as at 1 April	426	446
Provision made in the year	89	79
Less amounts written off	(69)	(83)
Balance carried forward at 31 March	**446**	**442**

13. **IAS19 (RETIREMENT BENEFITS) AND THE HOUSING REVENUE ACCOUNT**

A proportion of the pension costs, as identified by the fund's actuary, have been charged to the Housing Revenue Account.

The costs of retirement benefits are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against the HRA Balance is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA Balance.

The following IAS19 adjustments have been made:

	2015/16 £000	**2016/17 £000**
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	6	6
Administrative expense	10	9
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	459	473
Charge to the Surplus or Deficit on the Provision of Services	**475**	**488**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(475)	(488)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	437	468
Contribution (From) or To Pensions Reserve	**(38)**	**(20)**

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

Dover District Council is the sole trustee for the three charities named below and has appointed a Committee to carry out the operational functions of administering them:

- Sir Ernest Bruce Charles — Charity No 1021750
- The Salter Collection — Charity No 288731
- Frederick Franklin Public Park — Charity No 1092171

Summarised accounts for each charity are set out below. All accounts are submitted to the Charity Commission as they prescribe. These accounts do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

Investment of charitable funds is governed by the Trustee Investments Act 1961.

SIR ERNEST BRUCE CHARLES

Purpose of charity - income (after expenses) to be applied for the benefit of Deal and surrounding area inhabitants:

	2015/16	2016/17
	£	£
Income	204	155
Expenditure	0	0
Surplus or (deficit) for year	204	155
Fund balance at 1 April	69,033	69,237
Fund balance at 31 March	**69,237**	**69,392**
Represented by:		
Investments	69,237	69,392
	69,237	**69,392**

THE SALTER COLLECTION CHARITY

Purpose of charity - to maintain a collection of costumes and accessories for display to the public or for research:

	2015/16	2016/17
	£	£
Income	2287	162
Expenditure	0	0
Surplus or (deficit) for year	228	162
Fund balance at 1 April	270,745	270,973
Fund balance at 31 March	**270,973**	**271,135**
Represented by:		
Collection	180,000	180,000
Investment	90,973	91,135
	270,973	**271,135**

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

Purpose of charity - land at Marke Wood and Victoria Park to be used for recreational activities by the inhabitants of Walmer:

	2015/16	2016/17
	£	£
Income	433	308
Expenditure	0	0
Surplus or (deficit) for year	433	308
Fund balance at 1 April	496,358	496,791
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	**496,791**	**497,099**
Represented by:		
Land and other buildings	323,822	323,822
Investment	181,085	179,732
Creditor	(8,116)	(6,455)
	496,791	**497,099**

This charity was set up on 22 April 2002 and replaced the Frederick Franklin Charity for a Public Park (Charity No 299470) and Charles Sports Ground Charity (Charity No 1015537).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

We have audited the financial statements of Dover District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Housing and Community and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance, Housing and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Housing and Community; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2P 2YU

XX September 2017

GLOSSARY

ACCOUNTING PERIOD

This is the period covered by the accounts. For local authorities this is the 12 months commencing 1 April.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Accounts, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs.

ACCOUNTS

This is a statement aggregating items of income and expenditure and assets and liabilities. The accounts may show detailed transactions for every activity (generally used for management and control purposes during a financial year) or be summarised to show the overall position at the end of the period. The latter are known as final accounts and show both the net surplus (profit) or deficit (loss) and a Balance Sheet of the assets, liabilities and other balances at the end of the accounting period. Authorities are required to publish a Statement of Accounts as specified in the *Accounts and Audit Regulations (England)*.

ACCRUALS

This is an accounting concept which ensures that income and expenditure are shown in the accounting period in which they are earned or incurred, not when cash has been received or paid.

AMORTISATION

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

ANNUAL GOVERNANCE STATEMENT

This Statement accompanies the Statement of Accounts, but is not part of the accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

ASSETS

An asset is something the Council owns that has a monetary value. Assets are either current or non-current.

BALANCES

Capital or revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or any other account. Revenue balances may be utilised to provide for unforeseen circumstances, to ensure that payments can be made pending the receipt of income, and if justified they may be used to reduce the Collection Fund levy.

BUDGET

This is a statement defining the Council's policies for a year in terms of finance.

CAPITAL ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

CAPITAL EXPENDITURE

Spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment, which will be used to provide services for a number of years. Under statutory determination expenditure on assets not belonging to the council can be treated as capital expenditure.

CAPITAL FINANCING

This is the raising of money to pay for capital expenditure. Usually the cost of capital assets is met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from the revenue accounts, the proceeds of the sale of capital assets, capital grants, reserves and other contributions.

CAPITAL FINANCING COSTS

Annual charges to the revenue accounts of council services to cover the interest on and repayment of loans raised for capital expenditure.

CAPITAL RECEIPTS

These are proceeds from the disposal of land and other assets. Capital receipts can be used to finance new capital expenditure within the rules set down by the Government, but they cannot be used to finance revenue expenditure. Capital receipts can be used for debt repayment.

CAPITAL RESERVE

This is an internal reserve to finance capital expenditure without resort to borrowing. It can be built up by contributions from the revenue account, capital receipts, and repayments of principal and interest.

CASH EQUIVALENTS

Cash equivalents is defined as internally managed short-term highly liquid investments of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COLLECTION FUND

This is a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the Authority, along with payments to precepting authorities, its own General Fund and, for national non-domestic rates only, a further share payable to Central Government.

COMPONENTISATION

An accounting term that covers the practice of splitting an asset into its component parts (e.g. walls, roof, boiler, lift) to determine the appropriate value and depreciation basis for each component.

CONTINGENT ASSETS

A contingent asset is defined as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

CONTINGENT LIABILITIES

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

The core financial statements consist of the following four statements: Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet and Cash Flow Statement. Supplementary statements for the Collection Fund and the Housing Revenue Account are also prepared. A description of each can be found in the Overview of Statement of Accounts section of the Explanatory Foreword.

CREDITORS

Amounts owed by an authority for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

CURRENT ASSETS

A current asset is one that is expected to be consumed or realised by the end of the next accounting period.

CURRENT LIABLITIES

A current liability is one that is expected to be consumed or realised by the end of the next accounting period.

DEBTORS

Debtors are sums of money due to the authority but unpaid at the Balance Sheet date.

DEPRECIATION

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a tangible non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

GENERAL FUND

This is the main revenue fund of the Authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FORCE MAJEURE

A common clause in contracts which essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as war, strike, riot, crime, act of nature e.g. flooding, earthquake, volcano, prevents one or both parties from fulfilling their obligations under the contract

HOUSING REVENUE ACCOUNT (HRA)

This is an account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

IMPAIRMENT

Impairment is where the value of an asset exceeds the amount that could be recovered through use or sale.

INDEPENDENT AUDITOR'S REPORT

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

INVESTMENTS

Investments fall into the following categories depending on when the investment is due to be repaid:

- Short-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year.
- Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.
- Long-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES

A liability is something that the Council owes that has a monetary value. Liabilities are either current or long term.

NON-CURRENT ASSETS

Tangible assets are those that yield benefits to the local authority and the services it provides for a period of more than one year. Classes of non-current assets held are property, plant and equipment; council dwellings; other land and buildings; vehicles, plant and equipment; infrastructure assets; community assets; assets under construction; surplus assets not held for sale; Heritage Assets and Investment property.

Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the Authority, e.g. computer software licences and patents for goods or services.

PRECEPT

The levy made by precepting authorities on Billing Authorities, requiring the latter to collect income from Council taxpayers on their behalf. County councils, police authorities, fire and rescue authorities are major precepting authorities and Parish Councils are local precepting authorities.

PRIVATE FINANCE INITIATIVE (PFI)

PFI arrangements involve the operator undertaking an obligation to provide infrastructure and/or related services that is used to provide services to the public (irrespective of who provides those services to the public). By extension, this includes providing infrastructure and/or related services for the direct use of a public sector entity where these services contribute to the provision of services to the public (e.g. office and administrative buildings).

PROVISIONS

These are amounts set aside in the accounts for liabilities which are anticipated in the future, but which often cannot be accurately quantified.

RESERVES

Reserves fall into two categories - usable reserves (those that can be applied to fund expenditure including capital expenditure and/or to reduce local taxation) and unusable reserves (those that the Council is not able to use to provide services e.g. the revaluation reserve).

REVALUATION RESERVE

This reserve records unrealised revaluation gains arising (since 1 April 2007) from holding non-current assets.

REVENUE/CAPITAL EXPENDITURE

Revenue expenditure is, for example, the running costs of a leisure centre whereas capital expenditure is the costs of building and fitting out the leisure centre.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital payments that do not give rise to an asset such as house renovation grants.

REVENUE SUPPORT GRANT

A general grant paid by central government to local authorities to help finance the cost of services.

SUPPORT SERVICES

An allocation of the net cost of the administrative and professional departments which provide support for all the Council's services (e.g. Executive Services, Finance, Personnel), together with the costs of pooled administrative buildings.

TEMPORARY LOANS

Money borrowed for an initial period of less than one year.

USABLE CAPITAL RECEIPTS

Funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

WORK IN PROGRESS

This is the cost of work done at the year-end which had not been recharged at the Balance Sheet date.