



**Draft
Statement
Of
Accounts**

2021/22

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NARRATIVE REPORT

1. INTRODUCTION

This Narrative Report provides an overview of the Council, its year-end position at 31 March 2022, a review of the financial year 2021/22 and possible issues for the future.

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.

2. CORPORATE PLAN

The Council's published Corporate Plan sets out our vision:

"Secure a prosperous future for the Dover district, which will be a place where people want to live, work, invest and visit."

The following strategic priorities have been identified to achieve our vision:

1. Thriving Economy
2. Clean, Green and Safe Environment
3. Healthier People and Communities
4. Smarter Council.

Under each priority area are actions that we will be focussing on over the term of the Corporate Plan. Underpinning all of our activities will be the wish to improve health and wellbeing, and quality of life, for our residents.

3. OVERVIEW OF DOVER DISTRICT

The Dover District has a population of around 116,410 and covers an area of 31,484 hectares (123 square miles), with a coastline of around 20 miles. The district contains two urban areas, Dover a market town and a large rural area made up of dozens of villages and smaller settlements.

About 6,900 hectares (22%) of the district is designated as part of the Kent Downs Area of Outstanding Natural Beauty (AoNB) and, of this, 876 hectares (3%) is designated as Heritage Coast, centred on the famous white cliffs either side of Dover.

The Dover District is connected to the main highways network by the M20/A20 and M2/A2 corridors, which provide a direct link to London. High-speed rail links also connect Dover, Martin Mill, Walmer, Deal and Sandwich to London and the wider rail network.

The Dover District is steeped in history and has a tradition of strategic, commercial and symbolic importance, attracting visitors from across the world. Sandwich and Dover are both Cinque Ports and Deal is a member of the Confederation. The district contains the spectacular Norman Castle at Dover, the Tudor castles of Deal and Walmer, the Roman castle at Richborough and extensive Napoleonic era fortifications at Dover's Western

Heights. Sandwich is the most complete medieval town in Britain and Deal is noted for its Georgian seafront.

The Dover District is a great place to live with a wide range of sports and leisure facilities on offer including leisure centres, swimming pools, country parks and gardens, play areas, cinemas, theatres and museums. The Dover District is also famous for its golf courses including the Royal St. George's in Sandwich, which has hosted the Open Championship.

Regeneration is progressing across the district, with new housing, retail and leisure developments adding to the district's relocation appeal for both businesses and families. For example, the new St. James' development in the heart of Dover, with a new cinema, hotel, restaurants and shops; Aylesham Garden Village has established itself as a key development site, with 1,200 new homes being built and sold; the newly built Dover District Leisure Centre in Whitfield, leading a diverse range of sport facilities and a feature venue for competitive swimming, with the first county standard swimming pool in Kent; and additionally we are delivering the major heritage restoration of Kearsney Abbey and Russell Gardens.

The economy of the Dover District is closely linked with the Port of Dover, which is Europe's busiest ferry port and a vital international gateway for the movement of passengers and trade. Additionally, Eurotunnel comes ashore in the district, supporting the links to France and the rest of Europe.

4. THE COUNCIL

The Dover District is part of a "two-tier" system of local government with responsibility for services divided between the district and county council. However, this term is misleading, as the district also has a "third-tier" – the Town and Parish Councils. These also have elected representatives and between them cover the entire district – there are 32 parish councils and three town councils in the Dover District.

Seven Kent County Council (KCC) councillors serve the Dover District over five county divisions. KCC is elected every four years and the most recent elections took place in May 2021.

Local councils are run by democratically elected councillors. They are responsible for making decisions on behalf of the local community about local services, such as planning, housing, refuse collection and leisure facilities.

An electoral ward is a subdivision of a local authority, used to elect local councillors. Following an agreed electoral boundary change of the number of elected members by the Local Government Boundary Commission for England (LGBCE), there are currently 17 electoral wards in the Dover District. The District council elections are held every four years and will be held next in May 2023. The current 32 elected councillors represent the 17 wards in the district, with each ward electing one, two or three councillors depending on the size of its electorate.

5. HOW WE WORK

Our Constitution is a set of rules for how we work, how we make decisions and the procedures that we follow to ensure these are efficient, transparent and accountable to local people.

The Executive (the Leader and the rest of Cabinet) takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet

meetings or individual decision-making processes. Key Decisions to be taken by the Cabinet are set out in our Forward Plan. Where Cabinet decisions fall outside the agreed policy and budget strategy, these must be referred to the Council for consideration as a whole. All meetings of our Cabinet are open to the public.

The Council also has two Overview and Scrutiny Committees to hold the Cabinet to account, contribute an alternative view in the development of policy, and monitor the corporate health of the organisation.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the paid staff of the Council. The role of Chief Executive is a full time appointment and is appointed by the whole Council. The Management Team is responsible for managing the activities of our staff and for advising councillors on the potential implications of political decisions.

Further information on the Council can be found at www.dover.gov.uk.

6. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The Code is based on a hierarchy of approved accounting standards. There have been very few changes to the presentation of the accounts for 2021/22, with only IFRS 9 Financial Instruments affecting this Council.

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

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

- **Statement of Responsibilities for the Statement of Accounts (page 15)**

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

- **Core Financial Statements (page 16 to 19)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 16)**

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.

- **Movement in Reserves Statement - MIRS (pages 16 to 17)**

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 usable reserves is detailed at the end of the MIRS.

- **Balance Sheet (page 18)**

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 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 19)**

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 20 to 75)**

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.

- **Supplementary Financial Statements (pages 76 to 92)**

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.

- **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.

SUMMARY OF THE 2021/22 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 2021 the Council approved the 2021/22 budget, forecasting a deficit of £500k. During the year the forecast budget deficit was decreased to £15k. Overall the year-end position resulted in a £151k deficit for the year, which is £136k more than the forecast position.

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. The major variations between the original budget, forecast position and year-end outturn are also detailed.

<u>2020/21</u> <u>Actual</u> £000		<u>2021/22</u> <u>Original</u> <u>Budget</u> £000	<u>2021/22</u> <u>Revised</u> <u>Budget</u> £000	<u>2021/22</u> <u>Actual</u> £000
	Directorate			
2,614	Chief Executive	4,478	4,478	4,877
6,719	Operations & Commercial Services	7,016	6,816	6,887
4,151	Corporate Resources	9,205	9,205	(2,238)
42	Shared Services (DDC hosted)	229	229	292
446	Special Revenue Projects	120	1,693	770
0	Vacancy Allowance	(150)	(150)	0
0	Estimated on-going impact of Covid Lockdowns	1,895	1,398	0
0	Target Savings/Resource Adjustments	(1,295)	(480)	0
13,971	Net Direct Expenditure	21,498	23,188	10,588
	Other Operating Income & Expenditure:			
0	Contingency	146	146	0
76	River Stour Drainage Board	77	77	77
(3,220)	Recharge Income from HRA & Capital Projects	(3,412)	(3,912)	(5,210)
10,826	Net Operating Expenditure	18,309	19,499	5,456
	Financing Adjustments:			
(788)	Revenue Expenditure Funded by Capital Under Statute	(1,276)	(1,276)	(1,169)
(1,596)	Interest Receivable	(1,673)	(1,576)	(1,444)
126	Interest Payable	363	363	138
1,208	Loan Principal Repayments/Borrowing Allowance	1,453	1,453	1,561
(1,050)	Total Financing Adjustments	(1,133)	(1,036)	(914)
	Contribution to/(from) Reserves:			
1,332	- Special Projects & Events Reserve	500	(1,073)	2,598
5,572	- Periodic Operations Reserve	25	(176)	5,983
313	- Dover Regeneration Reserve	232	232	667
25	- IT Equipment Reserve	85	85	59
5,706	- Business Rates & Council Tax Reserve	265	265	1,969
3,746	- Port Health Reserve	0	0	3,926
16,695	Net Contribution to/(from) Reserves	1,107	(667)	15,202
26,471	Total Budget Requirement	18,282	17,797	19,743
	Financed by:			
13,811	Non-Domestic Rates	7,344	7,344	8,758
57	Revenue Support Grant	418	418	418
7,503	Council Tax	7,689	7,689	7,689
84	Council Tax - Collection Fund Surplus	40	40	12
11	Council Tax – Other S31 Grants	335	335	757
1,733	New Homes Bonus	990	990	990
3,637	New Burdens & Other Grants	966	966	969
26,836	Total Financing	17,782	17,782	19,592
(365)	General Fund (Surplus)/Deficit for the Year	500	15	151
(2,565)	General Fund Balance at Start of Year	(2,930)	(2,930)	(2,930)
0	Transfer to/(from) Smoothing Reserve	0	0	1,300
(2,930)	Leaving Year End Balances of	(2,430)	(2,915)	(1,479)

Major Variations

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

	£000
Original Deficit	500
Estimated reduction in refuse contract charges	(200)
Leisure centre expected to return to management fee income payments	(175)
Sales, Fees & Charges Covid support scheme claim	(272)
Parking income recovery	(260)
Council Tax & NDR penalty & fine income reduced due to limited court dates	30
Tides Management Support funded from Covid grant (Additional Restrictions Grant)	(63)
Corporate savings target forecast reduced	815
Allocation of support costs (staff, backfunding, office space, etc) to Port Health	(500)
Interest receivable forecast reduced	190
Interest payable forecast reduced	(200)
Grant payment to St Radigunds Community centre	150
Forecast Deficit	15
One-off waste savings for vehicles (as no Minimum Revenue Provision until 2023/24)	(636)
Transfer of borrowing savings to Special Projects Reserve	540
Improved income from grants, Dover District Leisure Centre and parking	(308)
Waste services settlement income	(130)
Additional waste income	(280)
Interest receivable less than forecast	130
Short-Term borrowing interest less than forecast	(225)
Homelessness pressures	270
Corporate contingency not applied	(100)
Numerous miscellaneous variances	(325)
Transfer of revenue variance to Special Projects Reserve	1,200
Actual Budget Deficit	151

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,369 houses and flats and shared ownership properties. 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).

In 2021/22 the HRA outturn was a deficit balance of £499k compared to the original budget forecast of a deficit of £30k, an adverse variance of £469k. The main in year were:

Original deficit	30
Reduced rent income including Bomford Place delay due to Covid-19	540
Increased in revenue repairs expenditure	735
Cost for new housing single system (Northgate)	252
Delayed cost of funding the new road at Napchester Road development	(750)
Decreased in capital works programme	(470)
Numerous miscellaneous variances	161
HRA deficit for the year	498
Application of Housing Initiatives Reserve	(489)
HRA deficit after use of reserves	9

With effect from 1 April 2012 Housing Finance Reform brought the housing 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. £2,443k was paid off the PWLB loan principle sum during 2021/22, the balance outstanding on the loan is £71m.

Right-to-buy sales also continued, in 2021/22 17 sales were completed.

CAPITAL INVESTMENT

The Council invested £20m in major projects in 2021/22 the most significant of which were:

- £10.5m on Housing Revenue Account projects including £6.4m on affordable housing projects; £4.1m on Housing Stock projects.
- £1,403k on Purchase of refuse and recycling vehicles;
- £2,180k on Dover Fast Track;
- £1,261k Market Square Public Realm improvements
- £1,066k on disabled facility grants;
- £720k Museum Storage Facility;
- £614k on Restoration of Maison Dieu
- £458k Acquisition of 15 Bench Street;
- The remainder has been spent on a number of smaller projects.

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

- £6.12m from external borrowing;
- £5.62m in grants from external bodies including KCC Better Care Fund, Homes England, and the Environment Agency;
- £2,226k from the Major Repairs Reserve;
- £1,314k from earmarked reserves;
- £1.91m from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

Overall, the capital programme is within budget.

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 2022 the Council had investment balances and day-to-day cash balances managed in-house of approximately £58.3m.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 3.07% for the year.

The total interest received for the year was approximately £1,445k. This was lower than the original budget of £1,673k, which is an adverse variance of £228k. The Council has invested a total of £50m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years.

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

The Council has just over £73m of borrowing from the Public Works Loans Board (PWLB).

During 2021/22 the Council employed the services of Arlingclose Limited as treasury management advisers.

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	2021 £000	2022 £000
Value of land, property and other assets	414,338	447,430
Investments held and cash at bank	56,507	58,355
Money owed to DDC for goods and services	17,242	6,561
Loans owed to DDC (short and long term)	2,402	2,413
Money owed by DDC for goods and services	(37,574)	(36,777)
Loans owed by DDC (short and long term)	(92,147)	(73,744)
Grants for assets received but not yet used	(1,314)	(880)
Share of pension scheme liabilities owed by DDC	(86,973)	(81,965)
Total Assets less Total Liabilities	272,480	321,394
Financed by:		
Usable reserves ¹	87,979	92,182
Unusable reserves ²	184,501	229,212
Net Worth of Council	274,480	321,394

¹ Usable reserves are made up of:

Capital receipts and grants	21,938	18,265
Revenue balances	3,951	2,491
Earmarked reserves	62,090	71,426
	87,979	92,182

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). IAS19 does not have an impact on the level of employer contribution rates paid by the Council.

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 2022 was £82m (£87m at 31 March 2021).

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. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The triennial valuation took effect from April 2019 and set the contributions for the period 1 April 2020 to 31 March 2023. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

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

REVIEW OF THE YEAR

Introduction

This section provides a commentary on Dover District Council's performance and achievements over the last financial year 2021/22.

The Council continues to monitor its performance against a range of performance indicators and, where possible, to benchmark its performance with those of other similar local authorities.

Broadcast of Council Meetings

The Government introduced remote meetings in April 2020 under emergency legislation to enable councils to make critical decisions democratically and without delay during the pandemic. This proved to be successful with an increase in the number of residents watching council meetings and offered better equity of access and an increase in the transparency of decision-making processes.

These arrangements expired in May 2021 with a return to in-person meetings. The Council undertook the necessary measures to facilitate the return in-person meetings while maintaining safety as the country emerged from the pandemic. However, while remote/hybrid meetings were no longer possible for council meetings the Council commenced a trial in 2021/22 for the live broadcast of its in-person council meetings for the first time.

Local Plan Review

The Council has continued the work of preparing a new Local Plan, which sets out the vision, strategic objectives, and overarching development strategy for the growth of the district over the period to 2040. It provides the planning policy framework to guide the future development of the area, addressing needs and opportunities for housing, the economy, community facilities and infrastructure, as well as the basis for conserving and enhancing the natural and historic environment, mitigating, and adapting to climate change, and achieving well designed places. The Council completed the Regulation 18 consultation at the end of 2020/21.

Investment, Growth & Tourism

The Council has continued to support to the district's businesses, industry and town centres providing promotion, information, updates, and advice, as well as grants and associated funding.

The Council undertook work on Jubilee celebration support and the Commonwealth Baton Relay, as well as further work on the upcoming Pilgrimage Festival and Market Square launch event. Work with potential investors and developers has also continued. Tourism and Economic Development representation and collaboration at a national, regional, country, and local level has also continued throughout.

The Council's project work has continued on Dover's Market Square, Fastrack, Future High Street Fund (Creative Centre and Underpass), Aylesham, Stembrook and other projects, including early work on Place Plan developments and supportive Cultural Framework, and Parking Strategy. Work also continues at pace on the Interreg Experience Project (working with both Visit Kent and the Kent Downs AONB) and the Interreg Green Pilgrimage project (working with the Kent Downs AONB).

Research, brand, website, guide, and video developments also continued, and the Council received numerous external meeting requests to discuss opportunities within the district.

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2022/23 and Medium-Term Financial Plan (MTFP) 2022/23 – 2025/26 were approved in February 2022. 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 2022/23;
- Prudent General Fund balances maintained in 2022/23;
- Overall net expenditure levels decreased slightly, expect return to pre-Covid levels of major income streams with savings/income generation target set;
- Council Tax increase of £4.95 (2.5%), rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- GF Smoothing Reserve to be established to enable the Council to take a measured approach to future forecast pressure
- 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 fully funded, future capital receipts are expected to come mainly from on-going housing right to buy sales and one-off asset sales
- The major projects in the programme are:
 - Development of the Dover Fast Track Bus Route
 - Major restoration works on Maison Dieu (Dover Town Hall)
 - Dover market Square Public Realm Improvements
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2022/23 and the Medium-Term Financial Plan can be found on the Council's website at: [Accounts and Budgets \(dover.gov.uk\)](https://www.dover.gov.uk/accounts-and-budgets)

THE FUTURE

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

- The impact of Coronavirus on the local economy and the council's finances;
- The impact of the conflict in Ukraine on the Council's finances, e.g. energy prices, inflation and income including council tax and fees and charges more widely as cost of living pressures deepen;
- The economic climate and the impact of the EU Transition;
- Development and regeneration of the local economy;
- 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;
- Climate change agenda and associated costs;
- Proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees.

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 Strategic Director (Finance and Housing);
- 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 Strategic Director (Finance and Housing)'s Responsibilities

The Strategic Director (Finance and Housing) 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 Strategic Director (Finance and Housing) 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 Strategic Director (Finance and Housing) 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 Strategic Director (Finance and Housing) 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 2022.

This Statement of Accounts is authorised for issue following its approval by the Strategic Director (Finance and Housing) at the date given below.

Signed:

Mike Davis CPFA
Strategic Director (Finance and Housing)

Dated: 24th April 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2020/21 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2021/22 Gross Income £000	Net Expenditure £000
12,621	(10,648)	1,973	Continuing Operations		12,448	(8,338)	4,110
40,221	(38,878)	1,343	Chief Executive		43,949	(48,883)	(4,933)
37,172	(24,795)	12,377	Strategic Director (Corporate Resources)		39,487	(27,767)	11,720
754	(282)	472	Strategic Director (Operations and Commercial)		1,281	(463)	818
16,992	(63,555)	(46,563)	Special Projects		(9,351)	(20,853)	(30,204)
107,760	(138,158)	(30,398)	Local Authority Housing (HRA)		87,815	(106,304)	(18,489)
			Net Cost of Services				
			Other Operating Expenditure:				
	(559)		(Gain) or loss on disposal of fixed assets	8			(603)
	(329)		Other Capital Receipts				(127)
			<u>Amounts due to precepting authorities</u>				
	2,672		– Town and Parish Councils				2,772
	76		– River Stour Drainage Board Levy				77
	294		Contribution of Housing Capital Receipts to Central Government Pool	24			294
			Financing and Investment Income & Expenditure:				
	2,658		Interest payable and similar charges				2,524
	(5,877)		Interest and investment income				(2,099)
	24		Income and expenditure in relation to investment properties and changes in their fair value	6			(632)
	1,723		Net Interest on Defined Benefit Liability	19			1,690
			Taxation & Non-specific Grant Income:				
	(10,050)		Demand on the Collection Fund – Council Tax	20			(10,709)
	(7,250)		Income from National Non-Domestic Rates	21			(7,430)
	(5,427)		Government grants (not attributable to specific services)	22			(2,902)
	(5,030)		Capital Grants and Contributions	22			(4,225)
	(57,473)		(Surplus) or Deficit on Provision of Services				(39,861)
			<u>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
	(5,131)		(Surplus) or deficit arising on revaluation of fixed assets	36			(269)
	3,722		Remeasurement of the net defined benefit liability on pension fund assets and liabilities	19			(8,784)
			<u>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
	0		Deficit on revaluation of available-for-sale financial assets	17			0
	(1,409)		Other Comprehensive Income & Expenditure				(9,053)
	(58,882)		Total Comprehensive Income & Expenditure				(48,914)

MOVEMENT IN RESERVES STATEMENT

2020/21

No tes	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	(2,565)	(1,027)	(33,235)	(13,406)	(16,806)	(4,252)	(71,292)	(142,306)	(213,597)
Comprehensive Income & Expenditure									
(Surplus) or deficit on the provision of services	(9,467)	(48,007)	0	0	0	0	(57,474)	0	(57,474)
Other comprehensive income & expenditure	0	0	0	0	0	0	0	(1,408)	(1,408)
Total Comprehensive Income & Expenditure	(9,467)	(48,007)	0	0	0	0	(57,474)	(1,408)	(58,882)
Depreciation and amortisation of non-current assets	5 (3,488)	0	0	(2,145)	0	0	(5,633)	5,633	0
Non-current asset revaluation loss	5 (2,602)	0	0	0	0	0	(2,602)	2,602	0
Reversal of Major Repairs Allowance credited to HRA	H 0	2,506	0	(2,506)	0	0	0	0	0
	R 0	0	0	4,588	0	0	4,588	(4,588)	0
MRA transferred to fund capital expenditure	3 0	0	0	0	0	0	0	0	0
Capital grants and contributions	5,359	0	0	0	(500)	(1,753)	3,106	(3,106)	0
Movement in market value of Investment Properties	6 (24)	0	0	0	0	0	(24)	24	0
Revenue expenditure funded from capital under statute	11 (788)	0	0	0	0	0	(788)	788	0
Gain or (loss) on disposal of non-current assets	8 (17)	576	0	0	(1,461)	0	(902)	902	0
Non-current asset revaluation gain	34 599	42,649	0	0	0	0	43,248	(43,248)	0
Adjustments under statutory provisions relating to soft loans	16 138	0	0	0	0	0	138	(138)	0
Financial Instruments transferred to/from the Pooled Investment Funds Adjustment Reserve	17 4,068	0	0	0	0	0	4,068	(4,068)	0
LOBO Premium Amortised Costs	15 25	0	0	0	0	0	13	(25)	0
Loan principal repayments	13 43	0	0	0	0	0	43	(43)	0
Minimum Revenue Provision	10 1,140	0	0	0	0	0	1,140	(1,140)	0
Net charges made for retirement benefits	19 (6,140)	90	0	0	0	0	(6,050)	6,050	0
Council tax income regulatory adjustment	20 (219)	0	0	0	0	0	(219)	219	0
NNDR income regulatory adjustments	21 (5,956)	0	0	0	0	0	(5,956)	5,956	0
Enterprise Zone Relief regulatory adjustment	21 187	0	0	0	0	0	187	(187)	0
Renewable Energy regulatory adjustment	21 (792)	0	0	0	0	0	(792)	792	0
Capital expenditure charged to revenue	10 1,788	2,882	0	0	0	0	4,670	(4,670)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24 (294)	0	0	0	294	0	0	0	0
Capital receipts applied	10 0	0	0	0	2,540	0	2,540	(2,540)	0
Net increase / decrease before transfers to/from Earmarked Reserves	(16,440)	696	0	(63)	873	(1,753)	(16,687)	(42,194)	(58,882)
Transfers to or (from) earmarked reserves	26 16,076	(690)	(16,076)	690	0	0	0	0	0
(Increase) or Decrease in Year	(365)	6	(16,076)	627	873	(1,753)	(16,687)	(42,194)	(58,882)
Balance at 31 March	(2,930)	(1,021)	(49,311)	(12,779)	(15,933)	(6,005)	(87,979)	(184,501)	(272,480)

MOVEMENT IN RESERVES STATEMENT

2021/22

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	(2,930)	(1,021)	(49,311)	(12,779)	(15,933)	(6,005)	(87,979)	(184,501)	(274,480)
Comprehensive Income & Expenditure									
(Surplus) or deficit on the provision of services	(11,689)	(28,171)	0	0	0	0	(39,861)	0	(39,861)
Other comprehensive income & expenditure	0	0	0	0	0	0	0	(9,053)	(9,053)
Total Comprehensive Income & Expenditure	(11,689)	(28,171)	0	0	0	0	(39,861)	(9,053)	(48,914)
Depreciation and amortisation of non-current assets	5 (3,471)	0	0	(2,711)	0	0	(6,182)	6,182	0
Non-current asset revaluation loss	5 (863)	0	0	0	0	0	(863)	863	0
Reversal of Major Repairs Allowance credited to HRA	HRA 0	1,927	0	(1,927)	0	0	0	0	0
MRA transferred to fund capital expenditure	3 0	0	0	4,669	0	0	4,669	(4,669)	0
Capital grants and contributions	4,353	0	0	0	(603)	1,260	5,010	(5,010)	0
Movement in market value of Investment Properties	6 632	0	0	0	0	0	632	(632)	0
Revenue expenditure funded from capital under statute	11 (1,169)	0	0	0	0	0	(1,169)	1,169	0
Gain or (loss) on disposal of non-current assets	8 (22)	625	0	0	(4,350)	0	(3,747)	3,747	0
Non-current asset revaluation gain	34 0	24,124	0	0	0	0	24,124	(24,124)	0
Adjustments under statutory provisions relating to soft loans	16 138	0	0	0	0	0	138	(138)	0
Financial Instruments transferred to/from the Pooled Investment Funds Adjustment Reserve	17 457	0	0	0	0	0	457	(457)	0
LOBO Premium Amortised Costs	15 25	0	0	0	0	0	25	(25)	0
Loan principal repayments	13 86	0	0	0	0	0	86	(86)	0
Minimum Revenue Provision	10 1,449	0	0	0	0	0	1,449	(1,449)	0
Net charges made for retirement benefits	19 (3,887)	111	0	0	0	0	(3,776)	3,776	0
Council tax income regulatory adjustment	20 5	0	0	0	0	0	5	(5)	0
NNDR income regulatory adjustments	21 4,548	0	0	0	0	0	4,548	(4,548)	0
Enterprise Zone Relief regulatory adjustment	21 (72)	0	0	0	0	0	(72)	72	0
Renewable Energy regulatory adjustment	21 (142)	0	0	0	0	0	(142)	142	0
Capital expenditure charged to revenue	10 1,480	1,914	0	0	0	0	3,394	(3,394)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24 (294)	0	0	0	294	0	0	0	0
Capital receipts applied	10 0	0	0	0	4,529	0	4,529	(4,529)	0
Net increase / decrease before transfers to/from Earmarked Reserves	(8,436)	529	0	31	(130)	1,260	(6,746)	(42,169)	(48,914)
Transfers to or (from) earmarked reserves	26 9,887	(520)	(9,887)	520	0	0	0	0	0
(Increase) or Decrease in Year	1,451	9	(9,887)	551	(130)	1,260	(6,746)	(42,169)	(48,914)
Balance at 31 March	(1,479)	(1,012)	(59,199)	(12,228)	(16,064)	(4,745)	(94,727)	(226,668)	(321,395)

BALANCE SHEET

31 March 2021 £000		Notes	31 March 2022 £000
248,754	Council dwellings		282,160
98,985	Land and buildings		99,345
1,570	Vehicles, plant and equipment		6,983
7,384	Infrastructure assets		7,175
166	Community assets		2,462
27,452	Assets under construction		15,507
0	Surplus Assets not Held for Sale		3,163
384,311	Property, Plant and Equipment	5	416,795
5303	Heritage assets	7	5,303
23,876	Investment property	6	24,420
412	Intangible assets	5	314
49,555	Long term investments	12	49,965
2,401	Soft loans	16	2,413
1,228	Long term debtors	27	887
82,775	Long Term Assets		83,302
4	Short term investments	12	4
436	Stocks in hand		598
21,622	Short term debtors	27	29,464
(5,608)	Less provision for bad debts	27	(5,494)
6,948	Cash and cash equivalents	28	12,689
0	Assets held for sale		0
23,402	Current Assets		37,261
0	Bank Overdraft	28	(4,303)
(18,602)	Short term borrowing	13	(2,715)
(21,554)	Short term creditors	29	(36,205)
(2,930)	Provisions	30	(3,476)
(13,090)	Receipts in advance	31	(15,391)
(59,176)	Current Liabilities		(62,091)
(73,545)	Long term borrowing	13	(71,028)
(1,314)	Capital grants received in advance	33	(880)
(86,973)	Pensions liability	19	(81,965)
(161,832)	Long Term Liabilities		(153,873)
272,480	Net Assets		321,394
2,930	General Fund balance	25	1,479
1,021	Housing Revenue Account balance	25	1,012
49,311	Earmarked reserves	26	59,199
12,779	Housing Revenue Account reserves	26	12,228
15,933	Usable capital receipts reserve	24	16,604
6,005	Capital grants unapplied	32	4,745
87,979	Reserves Available to Fund Services		94,727
54,552	Revaluation reserve	36	52,985
224,976	Capital adjustments account	34	258,743
0	Financial instruments revaluation reserve	17	0
(663)	Pooled investment fund adjustments reserve	17	(206)
(1,512)	Financial adjustments account	15	(1,349)
(6,117)	Collection Fund adjustment account- NNDR	21	(1,569)
(52)	Collection Fund adjustment account- Council tax	20	(46)
147	Enterprise Zone relief adjustment account	21	75
143	Renewable Energy adjustment account	21	0
(86,973)	Pensions reserve	19	(81,965)
184,501	Reserves Unavailable to Fund Services		226,668
272,480	Total Reserves		321,394

CASH FLOW STATEMENT

2020/21		2021/22	
£000	£000	£000	£000
	9,585	Cash & cash equivalents – at 1 April	6,948
	(6,948)	Cash & cash equivalents – at 31 March	(8,386)
	<u>2,637</u>	Net (increase) or decrease in Cash & Cash Equivalents	<u>(1,438)</u>
£000	£000	£000	£000
	(57,473)	Net surplus on Income & Expenditure	(39,861)
		<u>Non-cash transactions:</u>	
(3,488)		Depreciation and amortisation	(3,502)
40,621		Revaluation gains / losses	23,892
559		Gains / losses on disposal of fixed assets	603
(6,050)		Pension adjustments	(3,776)
138		Financial instruments adjustments	138
(483)		Provisions	(545)
<u>(2,145)</u>		Transfer to/from earmarked reserves	<u>(2,711)</u>
	29,152		14,099
		<u>Items on an accrual's basis:</u>	
161		Increase or (decrease) in stock and work in progress	162
2,309		Increase or (decrease) in debtors	(10,434)
162		Increase or (decrease) in long term debtors	(341)
(133)		Movement in provision for bad debts	114
(2,497)		(Increase) or decrease in creditors	(5,482)
(9,892)		(Increase) or decrease in receipts in advance	(2,301)
<u>6,780</u>		Collection Fund adjustment accounts	<u>4,338</u>
	(16,670)		(13,944)
		<u>Adjustments re investing and financing activities:</u>	
(788)		Revenue expenditure funded from capital	(1,169)
<u>5,359</u>		Capital grant contributions and capital receipts	<u>4,353</u>
	4,571		3,184
	(40,419)	Net Cash Flows from Operating Activities	(36,521)
		<u>Investing activities:</u>	
21,576		Purchase of property, plant, equipment, etc.	18,729
(80)		Other payments for investing activities	(126)
44,000		Proceeds from long and short term investments	27,048
(39,939)		Purchase of long and short term investments	(26,649)
(1,961)		Proceeds from the sale of non-current assets	(4,953)
<u>(3,995)</u>		Movement in capital grants	<u>(2,148)</u>
	19,601	Net Cash Flows from Investing Activities	11,901
		<u>Financing activities:</u>	
(143,198)		Cash receipts of short & long term borrowing	(87,243)
158,543		Payments of short & long term borrowing	105,647
<u>8,112</u>		Net movement in Collection Fund cash position	<u>4,778</u>
	23,457	Net Cash Flows from Financing Activities	23,182
	<u>2,637</u>		<u>(1,438)</u>

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 2020/21. 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 are 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 (PCC) 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 2019. Changes to contribution rates as a result of the 31 March 2019 valuation take effect from 1 April 2020.

(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 31 July.

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 instruments are valued at fair value. The fair value of financial instruments 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.

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 amortised cost (e.g. bank deposits), fair value through other comprehensive income (e.g. strategic pooled funds) or fair value through profit and loss (e.g. money market funds).

Assets classed as amortised cost 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.

Assets classed as fair value through other comprehensive income or fair value through profit or loss 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 Financial Instruments Revaluation 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 depreciation 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 or componentisation.

(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.

(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 brought 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 Folkestone & Hythe, 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

- In line with advice from the Council's treasury management advisors, Arlingclose Limited, the fair value of PWLB loans has been estimated following an alternative market approach based on borrowing rates in the inter-local authority borrowing market, on the basis that the Council considers this to be the principal market for local authority borrowing.

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 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 £1.97m 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 in the CIES.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £3.6m.
Bad Debts Provisions	The Council has bad debt provisions of £5.49m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 19% 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.

2020/21	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	2,613	(1,461)	1,152	821	1,973
Strategic Dir. of Corporate Resources	4,151	(1,840)	2,311	(967)	1,343
Strategic Dir. of Operations & Commercial	6,719	(1,072)	5,646	6,730	12,377
Special Projects	446	27	472	0	472
Local Authority Housing (HRA)	(46,563)	44,746	(1,817)	(44,746)	(46,563)
Net Cost of Service	(32,635)	40,399	7,765	(38,162)	(30,398)
Other Income & Expenditure	(23,341)	(231)	(23,572)	(3,505)	(27,075)
(Surplus) or deficit			(15,808)	(41,666)	(57,473)
Opening General Fund and Housing Revenue Account Balance 1 April 2020			(50,233)		
Closing General Fund and Housing Revenue Account Balance 31 March 2021			(66,041)		
<u>Made up of:</u>					
General Fund Balance			(2,930)		
Housing Revenue Account Balance			(1,021)		
General Fund Earmarked Reserves			(49,311)		
Housing Revenue Account Earmarked Reserves			(12,779)		
			(66,041)		

2021/22	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	4,877	(1,680)	3,197	913	4,110
Strategic Dir. of Corporate Resources	(2,238)	(2,519)	(4,757)	(176)	(4,933)
Strategic Dir. of Operations & Commercial	6,887	(1,293)	5,594	6,126	11,720
Special Projects	770	48	818	0	818
Local Authority Housing (HRA)	(30,204)	28,380	(1,824)	(28,380)	(30,204)
Net Cost of Service	(19,908)	22,936	3,028	(21,517)	(18,489)
Other Income & Expenditure	(11,742)	838	(10,904)	(10,468)	(21,371)
(Surplus) or deficit			(7,876)	(31,985)	(39,860)
Opening General Fund and Housing Revenue Account Balance 1 April 2021			(66,041)		
Closing General Fund and Housing Revenue Account Balance 31 March 2022			(73,917)		
<u>Made up of:</u>					
General Fund Balance			(1,479)		
Housing Revenue Account Balance			(1,012)		
General Fund Earmarked Reserves			(59,199)		
Housing Revenue Account Earmarked Reserves			(12,228)		
			(73,917)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21	Depreciation / Impairment	Soft Loan Adjustments	Charge for Pension Adjustment	Other Capital Adjustments	Other Adjustments	Total Adjustment Between Funding & Accounting Basis
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£000	£000	£000	£000	£000	£000
Chief Executive	48	0	773	0	0	821
Strategic Dir. of Corporate Resources	5,390	0	1,341	0	0	6,730
Strategic Dir. of Operations & Commercial	54	56	(1,078)	0	0	(967)
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	0	0	3,291	(48,037)	0	(44,746)
Net Cost of Service	5,491	56	4,237	(48,037)	0	(38,162)
Other Income & Expenditure	(559)	(4,262)	1,723	(7,187)	6,780	(3,305)
Total	4,932	(4,206)	6,050	(55,223)	6,780	(41,666)

2021/22	Depreciation / Impairment	Soft Loan Adjustments	Charge for Pension Adjustment	Other Capital Adjustments	Other Adjustments	Total Adjustment Between Funding & Accounting Basis
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£000	£000	£000	£000	£000	£000
Chief Executive	53	0	859	0	0	913
Strategic Dir. of Corporate Resources	93	59	(328)	0	0	(176)
Strategic Dir. of Operations & Commercial	4,157	0	1,969	0	0	6,126
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	0	0	(415)	(27,965)	0	(28,380)
Net Cost of Service	4,303	59	2,086	(27,965)	0	(21,517)
Other Income & Expenditure	(603)	(654)	1,690	(6,531)	(4,370)	(10,468)
Total	3,700	(595)	3,776	(34,496)	(4,370)	(31,985)

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

The authority's expenditure and income are analysed as follows:

2020/21 £000		2021/22 £000
	Expenditure	
17,412	Employee expenses	20,959
2,134	Premises	2,737
176	Transport	231
12,368	Supplies & Services	15,609
18,897	Third Party Payments	17,922
23,986	Housing Benefits	21,913
3,919	Support service recharges	1,738
5,663	Depreciation, amortisation, impairment	6,213
2,658	Interest payments	2,524
2,747	Precepts and levies	2,849
294	Payments to housing capital receipts pool	294
24	Income and expenditure in relation to investment properties and changes in their fair value	(632)
1,723	Net Interest on Defined Benefit Liability	1,690
91,972	Total Expenditure	94,047
	Income	
(31,261)	Fees, Charges & Other Service Income	(35,013)
(43,073)	Grants & Contributions	(47,595)
(559)	Gain on the disposal of assets	(603)
(40,589)	Gain from revaluation	(23,202)
(5,877)	Interest and investment income	(2,099)
(17,301)	Income from council tax, non-domestic rates, district rate income	(18,140)
(5,427)	Government grants and contributions	(2,902)
(5,359)	Other Capital Grants & Receipts	(4,353)
(149,446)	Total Income	(133,907)
(57,473)	Surplus or deficit on the provision of services	(39,861)

5. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2020	201,305	101,814	5,588	7,667	575	0	15,310	332,259
Additions – Expenditure in year	7,494	282	9	4	0	0	13,665	21,454
Additions–transfer from WIP*	323	567	276	39	0	0	(1,523)	(317)
Revaluations recognised in the Revaluation Reserve	0	3,316	0	0	0	0	0	3,316
Revaluations recognised in the Provision of Services	40,535	(3,432)	0	0	0	0	0	37,103
Depreciation written out	0	0	0	0	0	0	0	0
Disposals	(902)	0	0	0	0	0	0	(902)
At 31 March 2021	248,754	102,548	5,874	7,710	575	0	27,452	392,914
Accumulated Depreciation and Impairment								
At 1 April 2020	0	(3,203)	(3,980)	0	(407)	0	0	(7,590)
Depreciation charge	(2,114)	(2,796)	(324)	(327)	(2)	0	0	(5,562)
Depreciation written out to CIES	2,114	0	0	0	0	0	0	2,114
Depreciation written out to Revaluation Reserve	0	2,437	0	0	0	0	0	2,437
	0	(3,562)	(4,304)	(327)	(409)	0	0	(8,601)
Subtotal								
Net Book Value	248,754	98,985	1,570	7,384	166	0	27,452	384,311
At 31 March 2021	201,305	98,611	1,608	7,667	168	0	15,310	324,669
At 31 March 2020								

Movement on Balances 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets **	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 1 April 2021	248,754	102,548	5,874	7,384	575	0	27,452	392,587
Additions – Expenditure in year	5,825	1,659	1,774	0	0	0	9,472	18,729
Additions–transfer from WIP	7,133	4,851	3,851	120	2,298	3,163	(21,417)	(0)
Revaluations recognised in the Revaluation Reserve	0	(2,988)	0	0	0	0	0	(2,988)
Revaluations recognised in the Provision of Services	21,382	(216)	0	0	0	0	0	21,165
Depreciation written out	0	0	0	0	0	0	0	0
Transfers		88	0	0	0	0	0	88
Disposals	(933)	(2,814)	0	0	0	0	0	(3,747)
At 31 March 2022	282,160	103,126	11,499	7,504	2,873	3,163	15,507	425,833
Accumulated Depreciation and Impairment								
At 1 April 2021	0	(3,562)	(4,304)	0	(409)	0	0	(8,275)
Depreciation charge	(2,711)	(2,860)	(213)	(329)	(2)	0	0	(6,115)
Depreciation written out to CIES	2,711	0	0	0	0	0	0	2,711
Depreciation written out to Revaluation Reserve	0	2,641	0	0	0	0	0	2,641
Subtotal	0	(3,781)	(4,517)	(329)	(411)	0	0	(9,038)
Net Book Value								
At 31 March 2022	282,160	99,345	6,983	7,175	2,462	3,163	15,507	416,795
At 31 March 2021	248,754	98,985	1,570	7,384	166	0	27,452	387,311

Infrastructure Assets are valued on the basis of Net Book Value.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

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:

	2020/21 £000	2021/22 £000
General Fund	3,417	3,404
Housing Revenue Account	2,145	2,711
Total	5,562	6,115

Intangible Non-Current Assets

	2020/21 £000	2021/22 £000
Opening Net Book Value	43	412
Additions – transferred from	317	0
Additions – expenditure in year	123	0
Amortisation	(71)	(99)
Closing Net Book Value	412	313

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 2021. Housing Revenue Account dwellings were valued as at 31 March 22 and the valuation is valid for the 3 months from that date.

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.

	Council Dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure	Community	Surplus Assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost			5,588	7,384	575		15,310	28,857
Valued at current value								
31 March 2022	33,406	580	5,625	120	2,298	3,163	(11,945)	33,247
31 March 2021	47,449	733	285				12,142	60,609
31 March 2020	201,305	85,972						287,277
31 March 2019		266						266
31 March 2018		4,739						4,739
31 March 2017		1,002						1,002
31 March 2016		5,250						5,250
De minimus		4,580						4,580
Total Cost or Valuation	282,160	103,126	11,499	7,503	2,873	3,163	15,507	425,833

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices.

	2020/21 £000	2021/22 £000
General Fund		
General gain/(loss) on Other Land and Buildings	(214)	(216)
Losses written out of Revaluation Reserve	15	1,524
Prior year losses written out	0	(693)
Write back Depreciation	0	2,465
Total charged to the General Fund	(200)	3,078
Housing Revenue Account		
General gain/(loss) on Housing Stock	40,535	21,382
Write back Depreciation	2,114	2,711
Total charged to the HRA	42,649	24,093
Total charged to Property, Plant & Equipment	42,449	24,184

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:

	2020/21 £000	2021/22 £000
Rental income from investment property	1,615	1,944
Direct operating expenses arising from investment property	(76)	(161)
Net gain or loss	1,539	1,407

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.

	2020/21 £000	2021/22 £000
Balance at start of the year	23,900	23,876
Revaluation gains from fair value adjustments	17	632
Revaluation losses from fair value adjustments	(41)	0
Transfer to PPE (Change of Use)	0	(88)
Balance at end of year	23,876	24,420

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 2021 £000	At 31 March 2022 £000
Historic Buildings	580	580
Works of Art	68	68
Museum Collections	1,970	1,970
Town Hall Artefacts	2,438	2,438
Memorials and Statues	246	247
Total	5,302	5,303

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

	2020/21 £000	2021/22 £000
Net Book Value		
HRA right-to-buy	819	933
HRA other sales	83	2,814
Demolished	0	0
General Fund sales	0	0
Total	902	3,747
Sales Proceeds		
HRA right-to-buy		
HRA right-to-buy	(1,336)	(1,663)
HRA other sales	(142)	(2,710)
General Fund sales	0	0
Total	(1,479)	(4,373)
Less admin fees	17	22
(Gain) or Loss on Disposal	(559)	(603)

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2022 the Authority was contractually committed to capital expenditure amounting to £25,881k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Interim Accommodation Development – Kimberley Close, Dover & Stockdale Gardens, Deal	Jenner Contractors Ltd	1,120	Sept 2022
Jute Fields, St Richards Rd – property purchases	ATS Homes Ltd	864	April 2022
Napchester Rd, Whitfield Development	Jenner Contractors Ltd	2,071	Sept 2022
Community Bus purchase	Multi Vehicle Technology Ltd	101	June 2022
Bus Rapid Transit Route (Fastrack)	Kent County Council	19,183	July 2023
55-61 Castle St demolition	Dorton Demolition & Excavation Ltd	178	May 2022
Maison Dieu Restoration – Delivery Phase	Various	301	March 2024
Dover Market Square Project	Kent County Council	1,381	Aug 2022
Cowdray Sq Play Area	Safeplay Playground Services Ltd	103	May 2022
Aylesham Regeneration project	Hillreed Homes	305	May 2022
New museum storage facility	Hippersons Builders Ltd	198	April 2022
Sandwich Guildhall Forecourt improvement works	CED Stone Group	76	March 2023
Total		25,881	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement	132,089	138,467
Capital Investment:		
Plant, property and equipment	21,454	18,729
Investment Property	0	0
Intangible assets	123	0
Revenue expenditure under statute funded by capital	788	1,169
Private sector housing loans	229	157
Total Capital Investment	22,593	20,055

	2020/21 £000	2021/22 £000
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(2,540)	(4,529)
Capital grants and contributions	(3,260)	(5,463)
Major repairs reserve	(2,221)	(2,226)
Direct revenue financing/Reserves	(4,670)	(3,394)
Section 106 funding	(17)	(22)
Total Financing	(12,708)	(15,634)
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,367)	(2,442)
Minimum Revenue Provision (MRP)	(1,140)	(1,449)
Under Borrowing	9,885	3,558
Closing Capital Financing Requirement	138,467	138,995

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.

	2020/21		2021/22	
	£000	£000	£000	£000
Gross expenditure:				
Disabled Facilities Grants	750		1,068	
Winter Warmth Grants	37		103	
Renovation Loans	90		94	
Empty Homes Loans	139		63	
		1,017		1,328
Grants & contributions received:				
Disabled Facilities Grant (KCC BCF)	(788)		(1,169)	
Developer Agreement Contribution	0		0	
		(788)		(1,169)
Total deferred charges		229		157
Written off to revenue in year		(229)		(157)
Total		0		0

12. INVESTMENTS

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

Short Term Investments

	2020/21 £000	2021/22 £000
Cash flow short term investment	4	4
Total	4	4

Long Term Investments

	2020/21 £000	2021/22 £000
Stocks	6	6
Pooled Investment Funds	49,549	49,959
Total	49,555	49,965

Investment Portfolio

The Council's investment portfolio as at 31 March 2022 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2022
<u>Internal Investments:</u>			
Amortised cost			
Santander UK Notice Account		4	UK 'AA'
Total Internal Investments		4	
<u>External Investments:</u>			
Fair value through profit and loss			
Pooled Investment Funds			
CCLA Property Fund		6,000	'AA'
Investec Multi Asset Fund		10,000	'AA'
Columbia Threadneedle Strategic Bond Fund		8,000	'AA'
Payden and Rygel Sterling Reserve Fund		8,000	'AA'
CCLA Diversified Income Fund		8,000	'AA'
KAMES Monthly Diversified Fund		10,000	'AA'
Total External Investments		50,000	
<u>Cash and Cash Equivalents:</u>			
Amortised cost			
Cash at bank	n/a	(4,302)	
Nat West	Instant Access	12,327	UK 'A+'
HSBC	Instant Access	0	UK 'AA-'
Santander UK	Instant Access	1	UK 'A+'
Bank of Scotland	Instant Access	5	UK 'A+'
Barclays	Instant Access	1	UK 'A+'
Fair value through profit or loss			
Goldman Sachs MMF	Instant Access	354	UK 'AAA'
Aberdeen MMF	Instant Access	1	UK 'AAA'
Total Cash and Cash Equivalents		8,386	

13. BORROWING

	2020/21 £000	2021/22 £000
<u>Short term borrowing</u>		
Accrued Interest	111	107
PWLB	2,443	2,521
Temporary loan	16,000	0
Salix loan	39	78
LTA loan	9	9
Total Short Term Borrowing	18,602	2,715

<u>Long term borrowing</u>		
PWLB	73,186	70,666
Salix Loan	311	323
LTA Loan	48	39
Total Long Term Borrowing	73,545	71,028

14. FINANCIAL INSTRUMENTS

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received,

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash at bank,
- bank current and deposit accounts with Natwest bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- soft loans made for service purposes,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- pooled bond, equity and property funds managed by fund managers held as strategic investments

Fair value through profit and loss (all other financial assets) comprising:

- money market funds,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The balances of the financial instruments are shown in the table below:

Financial Assets

Balance as at:

	Fair Value Level	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short term Assets					
Amortised cost:					
Notice accounts with Bank and building societies		4	4	4	4
Total Short Term Investments		4	4	4	4
Amortised cost:					
Debtors		5,390	5,390	8,643	8,643
Cash and liquid assets		6,943	6,943	8,032	8,032
Fair value through profit and loss:					
Money Market funds	1	5	5	354	354
Total short term assets		12,341	12,341	16,679	16,679
Long term Assets					
Amortised cost:					
Long Term Debtors		692	692	463	463
Stocks		6	6	6	6
Soft Loans		2,401	2,401	2,412	2,412
Fair value through profit and loss:					
Long Term Investments	1	49,549	49,549	49,959	49,959
Total long term assets		52,648	52,648	52,841	52,841
Total Financial Assets		64,989	64,989	69,519	69,519

Financial Liabilities

Balance as at:

	Fair Value Level	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Liabilities					
Amortised cost:					
Accrued Interest		111	111	107	107
PWLB repayments due		2,443	2,443	2,522	2,522
Temporary Loan		16,000	16,000	0	0
Lawn Tennis Association Loan		9	9	9	9
Salix Loan		39	39	78	78
Total Short Term Borrowing Creditors		18,602	18,602	2,715	2,715
Total Short Term Liabilities		30,579	30,579	10,444	10,444
Amortised cost:					
PWLB – maturity	2	4,000	8,143	4,000	7,106
PWLB – Annuity	2	69,187	79,769	66,666	69,187
Salix Loan	2	272	272	323	323
Lawn Tennis Association Loan	2	48	48	39	39
Total Long Term Liabilities		73,507	88,232	71,029	76,655
Total Financial Liabilities		104,087	118,811	81,473	87,099

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Instruments Income, Expense, Gains and Losses 21/22	Financial Liabilities at Amortised cost £000	Financial Assets at Amortised Cost £000	Financial Assets at Fair Value Profit & Loss £000	2021/22 £000	2020/21 £000
Interest expense	2,524	0	0	2,524	2,658
Total Expense in Surplus or Deficit on the Provision of Services	2,524	0	0	2,524	2,658
Interest/dividend income	0	(201)	(1,442)	(1,642)	(1,810)
Gains from changes in fair value	0	(457)	0	(457)	(4,068)
Total Income in Surplus or Deficit on the Provision of Services	0	(658)	(1,442)	(2,099)	(5,878)
Net (gain)/loss for the year	2,524	(658)	(1,442)	425	(3,220)

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2020/21 £000		2021/22 £000	
Opening balance				
Soft loans	1,675		1,512	
Movement during the year				
LOBO premium amortised cost		(25)		(25)
Soft loans		(139)		(138)
Balance at 31 March		1,512		1,349

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.

	2020/21 £000	2021/22 £000
Opening balance	2,343	2,401
Advances in year	90	94
Repayments in year	(171)	(221)
Financial instruments adjustments	139	138
Closing balance	2,401	2,413

17. POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The amount shown on the Pooled Investment Funds Adjustment Account represents unrealised gains/losses in respect of the Council's strategic pool fund investments that have been classified as fair value profit and loss.

Pooled Investment Funds Adjustment Account	2020/21	2021/22
	£000	£000
Opening balance	(4,731)	(663)
Unrealised profit/(loss) on pooled investments and fixed securities	4,068	457
Closing balance	(663)	(206)

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £10m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The Council also sets limits on investments in certain sectors.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A [two-year] delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31st March 2022, there were no loss allowances related to treasury investments.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council’s borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

	2020/21	2021/22
	£000	£000
Cash and cash equivalents	6,948	8,386
Less than 1 year	4	4
More than 1 year	49,555	49,965
Total	56,508	58,355

The Council has taken into account that all trade and other payable 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 £1,445k on its investments of £58.3m achieving an average interest rate of 2.5%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £583k in the interest received.

The Council paid interest on its long-term borrowings of £2.5m based on an average rate of 3.37%. 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 triennial valuation took effect from April 2019 and set the contributions for the period 1 April 2020 to 31 March 2023. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

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:

	2020/21	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	5,011	6,940
Curtailments and past service costs	54	0
Administrative expense	74	78
Net Operating Expenditure		
Net Interest on the Defined Liability	1,723	1,690
Charge to the Surplus or Deficit on the Provision of Services	6,862	8,708
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	25,829	2,604
Actuarial gains and losses arising on changes in demographic assumptions	2,085	0
Actuarial gains and losses arising on changes in financial assumptions	(34,220)	6,605
Experience (loss)/gain on defined benefit obligation	2,584	(425)
Re-measurement of the net defined benefit liability	(3,722)	8,784

Movement in Reserves Statement

Reversal of net charges made for retirement benefits in accordance with IAS 19	(10,553)	(8,708)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	4,503	4,932
Contribution (From) or To Pensions Reserve	(6,050)	(3,776)

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	2020/21 £000	2021/22 £000
Opening balance at 1 April	167,585	210,956
Current service costs	5,011	6,940
Interest cost	3,481	4,158
Change in financial assumptions	34,220	(6,605)
Change in demographic assumptions	(2,085)	0
Experience loss/(gain) on defined benefit obligation	(2,584)	425
Liabilities assumed / (extinguished on settlement)	11,719	0
Benefits paid net of transfers in	(6,580)	(6,537)
Past service costs, including curtailments	54	0
Contributions by scheme participants	728	961
Unfunded pension payments	(593)	(562)
Closing balance at 31 March	210,956	209,736

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	2020/21 £000	2021/22 £000
Opening balance at 1 April	90,384	123,983
Interest on assets	1,758	2,468
Return on assets less interest	25,829	2,604
Administration expenses	(74)	(78)
Contributions by employer including unfunded	4,503	4,932
Contributions by scheme participants	728	961
Estimated benefits paid plus unfunded net of transfers in	(7,173)	(7,099)
Settlement prices received / (paid)	8,028	0
Closing balance at 31 March	123,983	127,771

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:

	2020/21	2021/22
	£000	£000
Present value of funded obligation	202,989	202,299
Fair value of scheme assets (bid price)	(123,983)	(127,771)
Net Liability	79,006	74,528
Present value of unfunded obligation	7,967	7,437
Net Liability in Balance Sheet	86,973	81,965

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	2020/21	2021/22
	£000	£000
Opening balance at 1 April	(77,201)	(86,973)
Current service costs	(5,011)	(6,940)
Past service costs and curtailments	(54)	0
Employer's contributions	4,503	4,932
Administrative expenses	(74)	(78)
Capitalised loss on settlement	(3,691)	0
Remeasurement of net defined benefit liability	(3,722)	8,784
Interest on net defined benefit liability	(1,723)	(1,690)
Closing balance at 31 March	(86,973)	(81,965)

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:

Assets	31-Mar-21		31-Mar-22	
	Fund Value	Percentage of Fund	Fund Value	Percentage of Fund
	£000	%	£000	%
Equities	79,837	64	82,265	64
Gilts	737	1	815	1

Assets	31-Mar-21		31-Mar-22	
	Fund Value	Percentage of Fund	Fund Value	Percentage of Fund
	£000	%	£000	%
Bonds	15,484	12	17,763	14
Property	12,832	10	14,394	11
Cash	6,148	5	3,116	2
Target Return Portfolio	8,947	7	9,418	7
Total	123,985	100	127,771	100

Percentage of the total Fund held in each asset class split by those that have a quoted market price in an active market and those that do not:

Asset Breakdown	% Quoted	% Unquoted
Fixed Interest Government Securities		
UK	-	-
Overseas	1	-
Corporate Bonds		
UK	4	-
Overseas	10	-
Equities		
UK	15	-
Overseas	44	-
	% Quoted	% Unquoted
Property		
All	-	11
Others		
Absolute return portfolio	7	
Private Equity	-	3
Infrastructure	-	2
Derivatives	-	(0)
Cash/Temporary Investments	-	2
Net Current Assets		
Debtors	-	-
Creditors	-	-
Total	81	19

Scheme History

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	-£000	£000	£000	£000
Present value of liabilities	(154,510)	(177,664)	(174,667)	(175,356)	(167,585)	(210,956)	(209,736)
Scheme assets	77,552	91,841	93,614	99,199	90,384	123,983	127,771
Surplus or (deficit) in the scheme	(76,958)	(85,823)	(81,053)	(76,157)	(77,201)	(86,973)	(81,965)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £82m 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 2021/22 and are detailed below:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Remeasurement of the net defined liability recognised in the CIES	5,924	(7,589)	6,481	6,315	1,129	(3,722)	8,784
Cumulative remeasurement of the net defined benefit liability	(60,321)	(67,910)	(61,429)	(55,114)	(53,985)	(57,707)	48,923

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 which took effect from April 2019.

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

	2020/21	2021/22
Life expectancy from age 65 (years)		
Retiring Today		
Men	21.6	21.6
Women	23.6	23.7
Retiring in 20 years		
Men	22.9	23
Women	25.1	25.1
Rate of inflation – RPI	3.25%	
Rate of inflation – CPI	2.85%	
Rate of increase in salary	3.85%	
Rate of increase in pension	2.85%	
Rate for discounting scheme liabilities	2.00%	

It has also been assumed that members will exchange half of their commutable pension for cash at retirement, will retire at one retirement age for all tranches of benefits, proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

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	206,172	209,736	213,365
Projected service cost	6,222	6,431	6,647
Adjustment to long term salary increase:	0.1%	0.0%	-0.1%
Present value of total obligation	210,063	209,736	209,411
Projected service cost	6,435	6,431	6,427
Adjustment to pension increases and deferred revaluation:	0.1%	0.0%	-0.1%
Present value of total obligation	213,009	209,736	206,518
Projected service cost	6,645	6,431	6,223
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	219,904	209,736	200,071
Projected service cost	6,698	6,431	6,173

Projected Pension Expense for the Year to 31 March 2023

These projections are based on the Actuary's assumptions as at 31 March 2022.

	2022/23 Projection £000
Service cost	6,431
Net interest on the defined liability (asset)	2,067
Administration expenses	77
Total	8,575
Employer's contributions	4,437

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	2020/21		2021/22	
	£000	£000	£000	£000
District council's council tax		7,503		7,689
Parish councils' council tax		2,672		2,772
		<u>10,175</u>		<u>10,461</u>
Current year's actual Collection Fund surplus / (deficit)	(52)		(46)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	168		(52)	
Share of estimated prior year surplus distributed in year	(84)		(12)	
	<u>84</u>		<u>(64)</u>	
		(136)		18
Council Tax S31 Grant – re discount for Family Annexes		11		231
Amount credited to the CIES from Council Tax		<u>10,050</u>		<u>10,709</u>

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

	2020/21		2021/22	
	£000	£000	£000	£000
District council's share of NNDR		16,543		15,746
S31 Grant for NNDR Reliefs given		7,193		3,735
Tariff to Central Government		(12,270)		(12,272)
Levy Payable to Government/Pool Lead		(351)		(479)
Levy Account – Govt. Surplus Grant		0		0
Current year's actual Collection Fund surplus/(deficit) - NNDR		(6,117)		(1,569)
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	161		6,117	
Share of estimated prior year surplus/deficit contributed in year	8		(5,661)	
		<u>169</u>		<u>456</u>
Income from NNDR		<u>5,168</u>		<u>5,616</u>
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government/KCC	650		597	
Enterprise Zone Relief due from/(to) Government/KCC	147		75	
Total Enterprise Zone Relief		<u>797</u>		<u>672</u>

	2020/21		2021/22	
	£000	£000	£000	£000
Renewable Energy NNDR Retained:				
Renewable Energy retained as per NNDR1	1,142		1,142	
Further Renewable energy due for year/(reduction)	143		0	
Total Renewable Energy Retained		1,285		1,142
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		7,250		7,430

22. GRANT INCOME

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

Grant Income	(Restated) 2020/21 £000	2021/22 £000
Credited to Taxation and Non-Specific		
General government grants:		
Revenue Support Grant	57	418
New Burdens Grant	43	0
Council Tax Discount – Annexe Grant	1,663	969
Covid 19 Response	1,930	526
New Homes Bonus	1,733	990
Total non-specific grant income	5,427	2,902
Capital Grants & Contributions	£000	£000
KCC Better Care Fund	1,275	1,248
Section 106	17	22
Environment Agency	867	112
Homes England	973	1,974
MHCLG Future High Streets Fund	0	25
Dept for Business, Energy & Industrial strategy	0	129
Coastal Communities Fund	1,573	0
Homes & Communities Agency	280	715
Sport England	45	0
Total capital grant contributions	5,030	4,225
Credited to Services	£000	£000
Rent Allowance Subsidy	15,537	14,356
Benefit Administration Grant	196	174
Council Tax Administration Grant	293	320
Non-HRA Rent Rebate Subsidy	443	429
HRA Rent Rebate Subsidy	7,774	6,998
Discretionary Housing Payment Contribution	318	248
NNDR Cost of Collection Allowance	161	161
New Burdens – NNDR	27	145
New Burdens - CTAX	1	0
New Burdens - HB	1	0
Heritage Lottery	28	15

Grant Income	2020/21 £000	2021/22 £000
Homelessness Grant	1,052	582
Rough Sleeping	0	554
NHS Grant	0	173
Future High Street Funding	155	0
Business Continuity	500	0
Covid19 Grants Inc. ARG Grant	4,936	1,073
DPHA – Officer Meetings	4,181	7,692
Council Tax Rebate	0	6,732
CZEV Grant	168	0
Other	385	888
KCC Contributions	738	1,348
Agency Reimbursements	14	38
Parks for People	1,120	250
Donations / Sponsorship	199	87
Other Non Govt Grants	71	97
WCCP Projects	412	628
Rechargeable Works	74	175
Misc Contributions	1,042	655
Joint Financing	4,558	4,733
Total Credited to Services	44,384	48,553
Total Grant Income	54,841	55,681

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	
	2020/21	2021/22
£50,000-£54,999	11	12
£55,000-£59,999	15	21
£60,000-£64,999	5	6
£65,000-£69,999	2	6
£70,000-£74,999	2	0
£75,000-£79,999	2	4
£80,000-£84,999	4	4
£85,000-£89,999	3	1
£100,000-£104,999	1	1
£110,000-£114,999	1	1
£120,000-£124,999	1	1
	47	57

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.

2021/22 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 £000	Actuarial Strain £000
0-20	2	0	2	13	0
20-40	1	0	1	33	0
Total	3	0	3	46	0

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.

2020/21 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	105	2	13	120	20	140
Strategic Director (Corporate Resources)	91	3	8	102	17	119
Strategic Director (Operations and Commercial)	91	3	8	102	17	119
Head of Leadership Support	78	0	8	86	15	101
	365	8	37	410	69	479

2021/22 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	106	3	5	113	20	133
Strategic Director (Corporate Resources)	92	3	8	103	17	121
Strategic Director (Operations and Commercial)	92	3	12	107	17	124
Head of Leadership Support	75	0	8	83	14	97
	365	9	33	406	68	475

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.

	2020/21	2021/22
	£000	£000
Balance at 1 April	(16,807)	(15,934)
Usable capital receipts received	(1,961)	(4,953)
	<u>(18,768)</u>	<u>(20,887)</u>
Less: usable capital receipts applied:		
Expenditure on non-current assets	2,311	4,372
Empty Home Loans	139	63
Private Sector Housing Loans	90	94
Pooled housing capital receipts	294	294
Balance at 31 March	<u>(15,934)</u>	<u>(16,064)</u>

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 2021/22 £294k has been paid to the DCLG in relation to capital pooling requirements (£294k in 2020/21).

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 around £2m and an HRA balance above £1m.

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	Opening Balance	Receipts in year	Applied in year	Closing Balance
	£000	£000	£000	£000
Special Projects & Events	6,718	18,891	(2,335)	23,274
Periodic Operations	15,423	9,218	(8,213)	16,428
Smoothing Reserve	0	4,000	0	4,000
Regeneration	3,572	654	(1,577)	2,649
ICT Equipment & Servers	1,306	115	(56)	1,365
Business Rates & Council Tax	7,289	2,469	(5,903)	3,855
District Regeneration & Economic Development	11,301	0	(11,301)	0
Port Health Operations	3,702	3,926	0	7,628
Total	49,311	39,273	(29,385)	59,199

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.

Smoothing Reserve – 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.

Regeneration – In order to support the Local Development Framework process and associated regeneration projects a 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 Support Reserve – This reserve has been established to allow for the risk of unforeseen pressures from the Redistribution of Business Rates and the new Council Tax Support scheme and future changes for Universal Credit. As there are still many uncertainties around these areas, such as the unknown collection rates achievable and the level of business rates appeals, etc., 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.

Port Health Operations – This reserve has been established to provide the flexibility to cope with areas of uncertainty including the volume of consignments requiring certification, the fee level per consignment and therefore the income stream, the cost base and any more significant structural changes that may arise from trade consolidation and from changes to the border control regime during and at the end of the initial 5 years.

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Housing Initiatives	12,748	0	(520)	12,228
Major Repairs Reserve	32	4,638	(4,669)	0
Total	12,780	4,638	(5,189)	12,228

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

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

27. DEBTORS

Long Term Debtors	31 March 2021 £000	31 March 2022 £000
Loans to:		
Local organisations	10	7
Local Authorities	682	455
Other:		
Housing benefit debtors ¹	535	425
EKH Single System Loan ²	0	0
Total	1,227	887

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 2021 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 was to be repaid annually for six years commencing on 1 March 2017. EKH repaid the first instalment of £37k during 2018/19 but then asked for another £35k during 2019/20 and requested that the repayment of the loan is deferred until the system is implemented. The loan has now been written off following EKH being dissolved on 30th September 2020.

Short Term Debtors	31 March 2021 £000	31 March 2022 £000
General Fund		
Housing rents and other charges	1,176	621
Central Government	3,390	9,733
Local Authorities	2,787	3,868
Payments in Advance	605	689
Other debtors	5,586	8,654
	13,544	23,565
Collection Fund		
Local tax payers (district council's share)	2,997	3,830
Central Government	3,726	715
	6,723	4,545
Other Local Authorities – cash due	1,355	1,355
Total	21,622	29,464

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

Provision for Bad Debts	Council Tax £000	NDR £000	General Debtors £000	Housing Benefits £000	HRA £000	Total £000
Balance at 1 April 2020	700	841	903	1,792	675	4,911
Write-offs	(32)	(1)	(3)	(128)	(276)	(440)
Contribution to provision	164	433	252	(84)	373	1,138
Balance at 31 March 2021	832	1,273	1,152	1,580	772	5,609
Write-offs	(23)	(55)	(47)	(167)	(159)	(451)
Contribution to provision	104	33	200	0	0	337
Balance at 31 March 2022	913	1,251	1,304	1,414	612	5,494

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 79.

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 2021			At 31 March 2022		
	General Debtors £000	HRA £000	Total £000	General Debtors £000	HRA £000	Total £000
< 1 month	1,766	475	2,241	5,200	351	5,551
1 – 3 months	512	392	904	163	203	366
3 – 6 months	106	204	310	18	75	93
6 – 12 months	74	106	180	179	70	249
1 year +	361	614	975	467	553	1,020
Total	2,819	1,791	4,610	6,027	1,252	7,279

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.

	2020/21	2021/22
	£000	£000
Cash held at bank/(Overdraft)	11	(4,303)
Bank call accounts	6,937	12,689
Total Cash and Cash Equivalents	6,948	8,386

29. SHORT TERM CREDITORS

As at 31 March	2020/21	2021/22
	£000	£000
General Fund		
Government departments	(11,532)	(13,882)
Other local authorities	(536)	(675)
Housing tenants	(514)	(514)
Other creditors	(8,306)	(6,818)
	<u>(20,888)</u>	<u>(21,889)</u>
Collection Fund		
Government Departments	(280)	(2,874)
Local Authorities	(37)	(10,681)
Local tax payers (DDC's share)	(349)	(760)
	<u>(666)</u>	<u>(14,315)</u>
Total	<u>(21,554)</u>	<u>(36,205)</u>

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 2021/22 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 £8.64m (2020/21 £7.28m) can be seen within the separate Collection Fund section.

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.

The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value, which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

However, for 2021/22, alongside the other Kent Authorities, we have taken into account changes to reliefs, such as those arising from increased thresholds for Small Business Rates reliefs, beneath which more businesses are exempt from paying business rates from 1 April 2017, as well as those significant charitable and other reliefs granted to businesses which we think are likely to discourage appeals. Therefore, provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing.

However, as stated, only the Council's 40% share of this amount is included in its own accounts. See the separate Collection Fund section for further information.

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.

	2020/21 £000	2021/22 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(2,910)	(3,456)
Municipal Mutual Insurance provision	(20)	(20)
Total	(2,930)	(3,476)

31. RECEIPTS IN ADVANCE

	2020/21 £000	2021/22 £000
As at 31 March		
Government departments	(7,543)	(8,723)
Other local authorities	(1,222)	(5,447)
Other	(4,325)	(1,222)
Total	(13,090)	(15,391)

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	(4,251)	(6,004)
Contributions received	(3,174)	(1,248)
Applied to projects	1,421	2,508
Balance at 31 March	(6,004)	(4,745)

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.

	2020/21	2021/22
	£000	£000
Balance at 1 April	(1,389)	(1,312)
Contributions received	(1,763)	(3,224)
Applied to capital projects	1,839	2,955
Grant repaid	0	701
Balance at 31 March	(1,312)	(880)

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	2020/21	2021/22
	£000	£000
Balance at 1 April	(173,842)	(224,976)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	5,562	6,083
Amortisation of intangible assets	71	99
Revaluation losses on property, plant and equipment	2,602	862
Revaluation gains on property, plant and equipment	(43,247)	(24,124)
Revenue expenditure funded from capital under statute	788	1,169
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	902	3,747
Adjusting amounts written out of the Revaluation Reserve	(1,748)	(1,836)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,540)	(4,529)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,221)	(2,226)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,856)	(2,978)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,421)	(2,508)
Receipt of capital income from long term debtors	171	475
Capital expenditure charged against the General Fund and HRA balances	(4,036)	(2,440)
Capital expenditure charged against Earmarked Reserves	(634)	(1,203)

Capital Adjustment Account	2020/21 £000	2021/22 £000
Movements in the market value of Investment Properties debited or credited to the CIES	24	(632)
Loan Repayments Made	(2,411)	(2,530)
Prior year adjusting entry	0	249
Minimum Revenue Provision	(1,140)	(1,449)
Balance at 31 March	(224,976)	(259,140)

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.

	2020/21 £000	2021/22 £000
Balance at 1 April	3,123	5,540
Contributions received	2,555	2,450
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(139)	(1,011)
Balance at 31 March	5,540	6,979

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.

	2020/21		2021/22	
	£000	£000	£000	£000
Balance carried forward		51,169		54,552
Balance at 1 April		51,169		54,552
Revaluation gains	10,117		1,793	
Revaluation losses	(4,986)		(1,524)	
Surplus on revaluation of fixed assets		5,131		269
Historic cost depreciation written out to the capital adjustments account		(1,748)		(1,836)
Balance at 31 March		54,552		52,985

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 expenditure may be significant to the recipient parties:

Organisation/Place	Value	Details
St Radigunds Community Centre	£150,000	Payment to the Centre from surrendered land under lease from DDC. One Member is employed in this Centre.
St Radigunds Community Centre	£961	Grant made to the Centre as part of Dover District Community Grant Scheme. One Member is employed in this Centre.
Property - Windsor House	£129,887	Purchase of property added to Housing stock. One Member is partner of the owner of this House.
Deal & Dover Chamber of Trade	£6,000	Grant made to the Chamber of Trade as part of ARG Town Centre Event. One Member is the Chairman of this Chamber.
Aylesham and District Community Workshop Trust	£3,378	Payment to the Trust for use of office space and training session. One Member is the Chairman of this Trust.
Dover Fairtrade	£631	DDC Grant scheme made to Dover Fairtrade. One Member is the Chairman of Dover Fairtrade.
Elephant & Hind Limited (Harry's Huts)	£16,000	Covid Grant made to Elephant & Hind Ltd (Harry's Huts). One Member is the Portfolio Holder for Community and Corporate Property and the parent of the leaseholder of this company.

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.

38. MEMBERS' ALLOWANCES

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

	2020/21 £000	2021/22 £000
Basic Allowance	159	160
Special Responsibility Allowance	101	95
Members' National Insurance Contributions	6	5
Total	266	260

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 the Council's website at: Member (Councillor) Allowances (dover.gov.uk)

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 2021/22:

	2020/21 £000	2021/22 £000
External audit services – Grant Thornton	74	44
Certification of grant claims and returns	15	40
Total	89	84

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 2022, 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.

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.

Civica UK Ltd Pension Deficit

In February 2018, this Council, together with Canterbury and Thanet district councils, entered into a contract with Civica UK Ltd. As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis. Given the short time period between the date of transfer and the year end, it is considered very unlikely that there has been a significant change to the funding level for the transferred staff.

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 £40k.

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 2022. 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, Folkestone & Hythe District Council and Thanet District Council, jointly owned East Kent Housing Ltd (EKH), an Arms Length Management Organisation, whose principal activity is to manage each of the four authorities' council housing stock.

East Kent Housing ceased trading on 30th September 2020 with staff transferring to the four councils and the company was dissolved on 13th April 2021.

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.

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.

DRAFT

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

2020/21			2021/22		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income					
Council tax:					
0	(73,104)	(73,104)		(78,337)	(78,337)
0	(1,054)	(1,054)		0	0
National Non-domestic rates:					
(31,154)	0	(31,154)	(39,844)	0	(39,844)
(996)	0	(996)	(747)	0	(747)
0	0	0	0	0	0
(32,150)	(74,158)	(106,308)	(40,591)	(78,337)	(118,928)
Total Income					
Expenditure					
Precepts, Demands & Shares:					
20,722	0	20,722	12,606	0	12,606
3,689	53,171	56,860	2,269	55,387	57,656
0	7,993	7,993	0	8,517	8,517
414	3,120	3,534	252	3,155	3,407
16,550	7,587	24,137	10,085	7,702	17,787
0	2,672	2,672	0	2,772	2,772
41,375	74,543	115,918	25,212	77,533	102,745
Enterprise Zone Relief Payable:					
797	0	797	672	0	672
179	0	179	151	0	151
20	0	20	17	0	17
996	0	996	840	0	840
Renewable Energy Retained					
1,285	0	1,285	1,142	0	1,142
1,285	0	1,285	1,142	0	1,142
Charges to the Collection Fund:					
1	139	140	0	198	198
1,081	1,074	2,155	(55)	567	512
1,209	0	1,209	1,364	0	1,364
161	0	161	161	0	161
2,452	1,213	3,665	1,470	765	2,235
931	0	931	651	0	651
47,039	75,756	122,795	29,315	78,298	107,613
Total Expenditure					
14,889	1,598	16,487	(11,276)	(39)	(11,315)
403	(1,216)	(813)	15,292	382	15,674
15,292	382	15,674	4,016	343	4,359
(Surplus) or Deficit for the Year					
Balance brought forward at 1 April					
Balance Carried Forward at 31 March					

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 (PCC), 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 10% (DDC figure). That means that claimants who weren't paying Council Tax are now required to pay 10% of the bill;
- 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	2020/21 Precept £000	2020/21 Surplus £000	2020/21 Total £000	2021/22 Precept £000	2021/22 Surplus £000	2021/22 Total £000
Kent County Council	52,739	431	53,170	55,323	64	55,387
Police and Crime Commissioner for Kent	7,929	64	7,993	8,507	10	8,517
Kent and Medway Fire & Rescue Authority	3,095	26	3,121	3,151	4	3,155
Dover District Council	7,503	84	7,587	7,690	12	7,702
	<u>71,266</u>	<u>605</u>	<u>71,871</u>	<u>74,671</u>	<u>90</u>	<u>74,761</u>
Parish councils	2,672	-	2,672	2,772	-	2,772
Total Demand on the Collection Fund	73,938	605	74,543	77,443	90	77,533

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:

Band	2020/21			2021/22		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	4.64	5/9ths	2.58	4.36	5/9ths	2.42
A	4,043.29	6/9ths	2,695.53	3,875.37	6/9ths	2,583.58
B	12,711.91	7/9ths	9,887.04	12,477.00	7/9ths	9,704.34
C	11,708.03	8/9ths	10,407.14	11,785.61	8/9ths	10,476.10
D	6,471.72	9/9ths	6,471.72	6,554.05	9/9ths	6,554.05
E	4,005.01	11/9ths	4,895.01	4,008.75	11/9ths	4,899.58
F	2,244.34	13/9ths	3,241.82	2,294.26	13/9ths	3,313.93
G	1,357.61	15/9ths	2,262.68	1,375.71	15/9ths	2,292.85
H	52.75	18/9ths	105.50	52.75	18/9ths	105.50
	<u>42,599.30</u>		<u>39,969.02</u>	<u>42,427.86</u>		<u>39,932.35</u>
Estimated Collection Rate			97.65%			97.65%
Council Tax Base			39,029.75			38,993.94

Band D Council Tax

	2020/21 £	2021/22 £
Kent County Council	1,351.26	1,418.76
Police and Crime Commissioner for Kent	203.15	218.15
Kent and Medway Fire & Rescue Authority	79.29	80.82
Dover District Council	192.24	197.19
	<u>1,825.94</u>	<u>1,914.92</u>
Parish councils (average)	68.45	71.08
Total	1,894.39	1,986.00

This basic amount of council tax for a Band D property of £1,986.00 for 2021/22 (£1,894.39 for 2020/21) 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 (also known as business 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 51.2p for large businesses or 49.9p for small businesses, these rates have been frozen since 2020/21, 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 Ministry of Housing, 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 need 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 need) result in safety net payments from Government (or levy payments to it). Dover was in a levy position for 2021/22 and will pay £976k on growth above its 'baseline need' level determined by Government, being 50% of the growth achieved. 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.

Dover is a 'shadow' member of the Kent-wide business rates pool in 2021/22 and receives a portion of its levy back as a saving, as if it was a full pool member, on the basis that Kent authorities were entitled to leave and join the pool freely in any year. Dover has continued to be given 'shadow' status for pooling calculations to avoid the need for formal dissolution and reconstitution of the pool by permission of MHCLG. In practice, a small element of 'contingency' within the pool is used to refund 60% of DDC's deemed levy saving, calculated as if it was a pool member paying a much lower levy rate, circa 3%. Half of the saving is for DDC's use at its own discretion, half requires KCC approval of proposed projects. This means that DDC will receive £539k back from the pool.

The NNDR income, after reliefs, of £39.844m for 2021/22 (£31.154m for 2020/21), was based on the total rateable value for the Council's area, which at the year-end was £110.561m (£110.832m in 2020/21).

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

Preceptor	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22
	Precept £000	Deficit £000	Total £000	Precept £000	Deficit £000	Total £000
Kent County Council	3,721	(32)	3,689	3,543	(1,274)	2,269
Kent and Medway Fire & Rescue Authority	414	0	414	394	(142)	252
Dover District Council	16,542	8	16,550	15,746	(5,661)	10,085
	20,677	(24)	20,653	19,682	(7,076)	12,606
Central Government	20,678	44	20,722	19,682	(7,076)	12,606
Total Demand on the Collection Fund	41,355	20	41,375	39,364	(14,152)	25,212

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2020/21			2021/22		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	5,088	2,104	7,192	6,162	3,183	9,345
Write-Offs	(139)	(1)	(140)	(198)	0	(198)
Contribution to Provision	1,213	1,080	2,293	765	(55)	710
Balance at 31 March	6,162	3,183	9,345	6,729	3,128	9,857

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 15 January 2020 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 Council Tax Collection Fund balance for 21/22 was showing a deficit of £343K (20/21 £382k Deficit). This deficit will be recovered over future years. However, the closing balance, estimated in January 22, as required under legislation, suggested that a large deficit of £800k might be required (DDC's share £109.3k or 13.7%). This £800k is due to be received from the Preceptors during 22/23 and this therefore means that the £457k surplus (£800k less the £343k) will form part of the surplus / deficit estimate that will be calculated in January 23.

Each of the major precepting authorities' shares of the surplus or deficit relating to council tax is shown in the table below.

	Surplus at 31 March 2020 £000	Movement in Year £000	Surplus at 31 March 2021 £000	Movement in Year £000	Surplus at 31 March 2022 £000
Kent County Council Police and Crime Commissioner for Kent Kent & Medway Fire & Rescue Authority	(867)	1,140	273	(28)	245
Dover District Council	(130)	172	42	(4)	38
	(51)	67	16	(2)	14
Dover District Council	(168)	219	51	(5)	46
Total	(1,216)	1,598	382	(39)	343

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2021 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 £14,151k for 2020/21 after adjusting for the three-year spreading of extraordinary losses (due to Covid19) and this was distributed to major preceptors during 2021/22. The overall total result for 2021/22 is a deficit of £3,923k – this will be the opening Collection Fund balance for 2022/23.

The proportionate shares (prescribed by legislation) of the actual collection fund deficit for non-domestic rates are shown below. The closing balance of £3,923k at 31 March 2022 is split as follows:

	Proport- ionate Shares 20/21	Proport- ionate Shares 21/22	Deficit at 31 March 2021 £000	Movement in Year £000	Deficit at 31 March 2022 £000
Central Government	50%	50%	7,646	(5,685)	1,961
Kent County Council	9%	9%	1,376	(1,023)	353
Kent & Medway Fire & Rescue Authority	1%	1%	153	(114)	39
Dover District Council	40%	40%	6,117	(4,548)	1,569
Total	100%	100%	15,292	(11,370)	3,923

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:

	KCC £000	PCCK £000	KMFR £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	6,129	942	349	1,159	0	8,579
Council tax provision for bad debts	(4,403)	(677)	(251)	(832)	0	(6,163)
Council tax overpayments & prepayments	(1,474)	(226)	(84)	(279)	0	(2,063)
Council tax cash	(525)	(81)	(29)	(100)	0	(735)
Collection Fund surplus	273	42	15	52	0	382
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	209	0	23	928	1,161	2,321
NNDR provision for bad debts	(287)	0	(32)	(1,273)	(1,592)	(3,184)
NNDR provision for appeals	(655)	0	(73)	(2,910)	(3,638)	(7,276)
NNDR overpayments & prepayments	(6)	0	(1)	(28)	(35)	(70)
NNDR cash	(637)	0	(70)	(2,834)	(3,542)	(7,083)
Collection Fund deficit	1,376	0	153	6,117	7,646	15,292
Total	0	0	0	0	0	0
	KCC £000	PCCK £000	KMFR £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	6,779	1,058	382	1,290	0	9,509
Council tax provision for bad debts	(4,798)	(749)	(270)	(913)	0	(6,730)
Council tax overpayments & prepayments	(1,443)	(225)	(81)	(275)	0	(2,024)
Council tax cash	(783)	(122)	(44)	(149)	0	(1,098)
Collection Fund deficit	245	38	13	47	0	343
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	348	0	39	1,548	1,935	3,870
NNDR provision for bad debts	(282)	0	(31)	(1,251)	(1,564)	(3,128)
NNDR provision for appeals	(778)	0	(86)	(3,456)	(4,320)	(8,640)
NNDR overpayments & prepayments	(109)	0	(12)	(486)	(608)	(1,215)
NNDR cash	468	0	51	2,076	2,596	5,190
Collection Fund deficit	353	0	39	1,569	1,961	3,923
Total	0	0	0	0	0	0

6. BUSINESS RATES RELIEFS

A Government scheme to encourage growth in designated enterprise zones by granting 'Enterprise Zone relief' for up to five years came to an end for new applications on 31 March 2019. Nevertheless, there are numerous businesses within the 'Discovery Park' enterprise zone entitled to this relief, some of which will run until 2025/26. The relief is capped at £55k p.a. (£275k max. per business in total across the 5 years). The Government provides compensation to preceptors for any such reliefs given to prevent losses arising as a result, and this enterprise zone relief compensation forms part of the Collection Fund Comprehensive Income & Expenditure Statement, and the Districts' share forms part of its total income from business rates.

Toward the end of 2021/22 the District received a further £6.326m in Covid Additional Relief Fund (CARF), it was too late in the year to be applied to 2021/22 Non-Domestic Rates for business and has been rolled forward as a relief against 2022/23 bills.

7. APPEALS PROVISIONS

The Collection Fund includes a prudent provision for appeals, as required under legislation. There are 7 appeals that remain outstanding under the 2010 valuation with a total rateable value of £3.2m that have not yet been resolved by the Valuation Office Agency (VOA), and we have made a provision against these totalling £0.36m at 31 March 2022 (£0.56m at 31 March 2021) which allows for backdating.

Few appeals have been lodged under the 2017 valuation. A new "Check, challenge, appeal" system has been introduced by VOA which is currently thought to have discouraged appeals, as it is believed that BR payers are finding the system complex to use. Ratings Agents often encourage businesses to pursue appeals and offer their services for a fee, based on a percentage of any refunds secured for the BR payer. Therefore, in the earlier years of a new valuation there would be lower fees chargeable by Ratings Agents due to a shorter period of backdating for claims (i.e. only to 1st April 2017). Therefore, we expect to see more activity from Ratings Agents a few years down the line, when backdating of refunds would increase the size of fees payable. With this in mind, the lack of appeals lodged *thus far* against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents increases, with backdating of appeals to 1st April 2017 likely. As such, we have provided a sum of £8.28m for successful appeals against bills raised from 2017/18 to 2021/22 under the 2017 valuation.

In accordance with other Kent Authorities, the appeals provision against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses). This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation. However, for 2021/22, alongside the other Kent Authorities, we have taken into account changes to reliefs, such as those arising from increased thresholds for Small Business Rates reliefs, beneath which more businesses are exempt from paying business rates from 1 April 2017, as well as those significant charitable and other reliefs granted to businesses which we think are likely to discourage appeals. Therefore, provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing.

Separately, an Appeal Court has ruled that supermarkets will no longer have to pay business rates for cash machines outside their shops. The separate assessment of ATMs has applied since 2010, and the court ruling means that all business rates paid in relation to ATMs have now been refunded.

	2020/21	2021/22
	£000	£000
Provided against 2010 valuation appeals	563	355
Provision for 2017 valuation appeals	6,713	8,284
Total	7,276	8,639

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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

2020/21 £000		Note	2021/22 £000
	Income		
(19,109)	Dwelling rents	10	(19,054)
(18)	Non-dwelling rents		(18)
(852)	Tenant charges for services and facilities		(1,010)
(259)	Leaseholder charges for services and facilities		(443)
(42,649)	Exceptional Item – revaluation gain		
(62,886)	Total Income		(20,524)
	Expenditure		
3,332	Repairs and maintenance		4,776
5,660	Supervision and management		5,564
32	Rent, rates, taxes and other charges		119
2,145	Depreciation and impairment of fixed assets	5	2,742
0	Exceptional Item – revaluation gain	9	(24,093)
42	Debt management expenses		37
95	Increase in impairment of debtors	12	(159)
11,306	Total Expenditure		(11,013)
	Net Cost of Services Included in the Whole Authority		
(51,580)	Comprehensive Income and Expenditure Statement		(31,537)
1,298	HRA share of corporate and democratic core		1,288
	HRA share of other amounts included in the whole authority		
	net expenditure of continuing operations but not allocated to		
	specific services		14
(50,259)	Net Cost of HRA Services		(30,235)
(577)	(Gain) or loss on sales of HRA non-current assets		(625)
2,532	Interest payable and similar charges		2,386
(19)	Interest and investment income		(1)
310	Net Interest on Defined Benefit Liability	13	304
(48,013)	(Surplus) or Deficit for the year on HRA Services		(28,171)

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2020/21 £000		2021/22 £000 £000
<u>(1,027)</u>	Balance on the HRA at the end of the previous year	<u>(1,021)</u>
(48,013)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(28,171)
	Adjustments between Accounting Basis and Funding under Statute:	
2,506	Voluntary Excess depreciation over MRA charged to the HRA	1,927
42,649	Diff between other income and expenditure in accordance with the Guidance	24,093
577	Gain on disposal of non-current assets	625
90	Net charges made for retirement benefits	111
<u>2,882</u>	Capital expenditure funded by the HRA	<u>1,914</u>
	Net (increase) / decrease before transfers to reserves	499
<u>690</u>	Transfers to/(from) earmarked reserves (note 4)	<u>(489)</u>
1	(Increase) or decrease in year on the HRA Balance	9
<u>(1,026)</u>	Balance on the HRA at the End of the Current Year	<u>(1,012)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2021/22

	Stock at 1 April 2021	Sales	Acquisitions	Stock at 31 March 2022
Houses/bungalows	2,675	13	2	2,664
Flats	1,647	4	30	1,673
Shared Ownership	3	0	29	32
Total	4,325	17	61	4,369

Total Value of Assets

	1 April 2021 £000	31 March 2022 £000
Dwellings	248,754	282,160
Other land and buildings	58	58
Equipment	218	217
Investment properties	0	0
Assets under construction	6,365	4,686
	255,395	287,121

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2022 was £855m (£754m as at 31 March 2021). 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.

	2020/21 £000	2021/22 £000
Balance as at 1 April	31	(32)
Major Repairs Allowance:		
Depreciation	(2,145)	(2,711)
Voluntary Excess Depreciation charge to HRA	(2,506)	(1,927)
Transfer from reserve for capital expenditure	2,221	2,226
Repayment of principal on loan	2,367	2,443
Balance at 31 March	(32)	0

4. EARMARKED RESERVES

The Housing Initiatives Reserve has been established to provide a source of funding in respect of affordable housing.

	£000	£000
Balance as at 31st March 2021		(12,748)
Major Repairs Reserve Adjustment	31	
Contribution to HRA	489	
Balance as at 31st March 2022		(12,228)

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £2,742k (£2,145k at 31 March 2021) as detailed below.

	2020/21 £000	2021/22 £000
Council dwellings	2,114	2,711
Equipment	31	31
Total	2,145	2,742

6. SUMMARY OF CAPITAL EXPENDITURE

	2020/21 £000	2021/22 £000
Capital expenditure:		
Dwellings	5,051	4,140
Other Land & Buildings	8,808	6,391
Total	13,858	10,531
Financed by:		
Funded by HRA	(2,830)	(1,914)
Borrowing	(7,130)	(4,745)
Transfer from Major Repairs Reserve	(2,221)	(2,226)
Excess RTB Receipts	(1,224)	(909)
Grant & S106 Contribution	(297)	(737)
Capital Receipts	(156)	0
	(13,858)	(10,531)

7. SUMMARY OF CAPITAL RECEIPTS

	2020/21 £000	2021/22 £000
Receipts from sales during the year:		
Dwelling sales	(1,336)	(1,663)
Amount pooled to Government	294	294
	(1,042)	(1,369)

8. REVALUATION GAIN ON HRA STOCK

The total value of the HRA stock has significantly increased from 2020/21 to 2021/22 (see note 2), however we acquired 61 properties in 2021/22 and the revaluation gain of £24m is attributable to a full revaluation of all HRA stock which takes place every 5 years.

9. 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 2022 was £86.66 compared with £85.63 at 31 March 2021.

10. RENT ARREARS

The position for rent arrears is shown below:

31 March 2021			31 March 2022		
Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears
£000	£000	£000	£000	£000	£000
392	774	1,166	230	434	664

The large decrease in rent arrears is due to work undertaken by the rents team, which have now been working directly for DDC for 18 months. The former tenant arrears were also reviewed in 2021/22 and whilst many were chased for their arrears there were also a number of write offs completed.

The large majority of the total rent arrears is due to tenants moving onto Universal Credit (UC). The Department for Work and Pensions pay UC up to 6 weeks in arrears meaning the Council has to carry a larger debt. This should be a cashflow issue rather than a significant increase in debt.

11. IMPAIRMENT OF DEBTORS

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

	2020/21 £000	2021/22 £000
Balance brought forward as at 1 April	675	772
Provision made in the year	97	170
Less amounts written off	0	(329)
Balance carried forward at 31 March	772	613

12. 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:

	2020/21 £000	2021/22 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	10	0
Administrative expense	13	14
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	310	304
Charge to the Surplus or Deficit on the Provision of Services	333	318
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(333)	(318)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	424	429
Contribution (From) or To Pensions Reserve	(91)	(111)

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:

	2020/21 £	2021/22 £
Income	69	57
Expenditure	0	0
Surplus or (deficit) for year	69	57
Fund balance at 1 April	65,920	65,989
Fund balance at 31 March	65,989	66,046
Represented by:		
Investments	65,989	66,046
	65,989	66,046

THE SALTER COLLECTION CHARITY

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

	2020/21 £	2021/22 £
Income	92	92
Expenditure	0	0
Surplus or (deficit) for year	92	92
Fund balance at 1 April	271,562	271,654
Fund balance at 31 March	271,654	271,746
Represented by:		
Collection	180,000	180,000
Investment	91,654	91,746
	271,654	271,746

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

	2020/21	2021/22
	£	£
Income	174	175
Expenditure	0	0
Surplus or (deficit) for year	174	175
Fund balance at 1 April	497,911	498,085
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	498,085	498,260
Represented by:		
Land and other buildings	323,822	323,822
Investment	179,732	179,732
Creditor	(5,469)	(5,294)
	498,085	498,260

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

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 AUDITORS' REPORT TO THE MEMBERS
OF DOVER DISTRICT COUNCIL**

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