



Democratic Services  
White Cliffs Business Park  
Dover  
Kent CT16 3PJ

Telephone: (01304) 821199  
Fax: (01304) 872300  
DX: 6312  
Minicom: (01304) 820115  
Website: [www.dover.gov.uk](http://www.dover.gov.uk)  
e-mail: [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk)

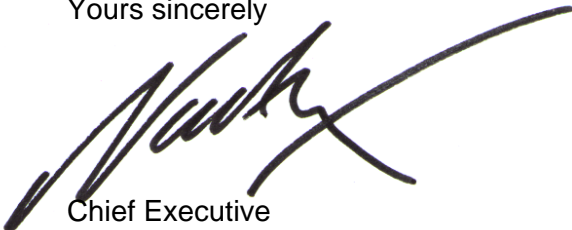
23 June 2010

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE** Committee will be held in the HMS Brave Room at these Offices on Wednesday 30 June 2010 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Pauline Hodding on (01304) 872305 or by e-mail at [paulinehodding@dover.gov.uk](mailto:paulinehodding@dover.gov.uk).

Yours sincerely



Chief Executive

Governance Committee Membership:

Councillor D A Mayes	(Chairman)
Councillor M D Conolly	(Vice-Chairman)
Councillor B W Bano	
Councillor M R Eddy	
Councillor C E Kirby	
Councillor J C Record	

DECLARATIONS OF INTEREST

Members are required to disclose the existence and nature of a personal interest at the commencement of the item of business to which the interest relates or when the interest becomes apparent. An explanation in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

AGENDA

1. **APOLOGIES**
2. **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointment of Substitute Members.

3. **MINUTES**

To confirm the Minutes of the meeting of the Committee held on 16 June 2010 (to follow).

4. **DRAFT STATEMENT OF ACCOUNTS**

To consider the report of the Director of Finance and ICT (to follow).

**Access to Meetings and Information**

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website [www.dover.gov.uk](http://www.dover.gov.uk). Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting. Basic translations of specific reports and the Minutes are available on request in 12 different languages.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact: Pauline Hodding, Senior Democratic Support Officer, telephone: (01304) 872305 or email: [paulinehodding@dover.gov.uk](mailto:paulinehodding@dover.gov.uk) for details.

Large print copies of this agenda can be supplied on request.

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Tuesday 16 June 2009 at 4.30 pm.

Present:

Chairman: Councillor M D Conolly (Vice-Chairman in the Chair)

Councillors: M R Eddy  
C E Kirby  
D R Lloyd-Jones  
J C Record

Also Present: Councillor A Friend

Officers: Head of Governance  
Head of Finance and ICT  
Democratic Support Officer (Minute No 73 only)  
Head of Audit Partnership  
Audit Manager, Internal Audit  
Governance Investigator  
Auditor, Internal Audit  
Audit Manager, Audit Commission  
Senior Democratic Support Officer

Apologies for absence were received from Councillors D A Mayes and B W Bano.

71 SUBSTITUTE MEMBERS

It was noted that in accordance with Rule 4 of the Council's Procedure Rules Councillor D R Lloyd-Jones had been appointed as substitute for Councillor D A Mayes.

72 MINUTES

The Minutes of the meeting of the Committee held on 19 March 2009 were approved as a correct record and signed by the Chairman.

73 COUNCILLOR CALL FOR ACTION

The Committee considered the report of the Head of Governance on new statutory obligations placed on local authorities to introduce provision for a Councillor Call for Action. The provisions would strengthen the community role of Ward Councillors to act on behalf of constituents regarding resolution of local government or crime and disorder issues where action through normal channels had been unsuccessful. Attached to the report were the proposed protocol, a flowchart of actions, and a schedule of Constitutional changes arising from the new role for the Scrutiny (Community and Regeneration) Committee in regards to Councillor Call for Action.

The Scrutiny (Policy and Performance) and Scrutiny (Community and Regeneration) Committees had also considered the report in April 2009 and had recommended this Committee to endorse option A which required approval of the protocol and the consequential changes to the Council's Constitution. The Democratic Support Officer advised that a guidance pack for Members would be issued in July when Council would consider the issue.

RESOLVED: That the Councillor Call for Action protocol, as now submitted, and the consequential amendments to the Constitution be approved and commended to Council.

74 2008/09 ANNUAL GOVERNANCE ASSURANCE STATEMENT (CAB 6)

At its meeting held on 1 June 2009 the Cabinet had approved the Annual Governance Assurance Statement and authorised the Leader of the Council to sign the Statement. On 19 May 2009 the Council's Corporate Management Team had also accepted the Statement and authorised the Chief Executive to sign it following consultation with the Council's S151 Officer and the Monitoring Officer.

The Head of Governance drew attention to the inclusion of ICT in the Governance Framework for the first time together with a revised Basket of Measures for 2008/09. The Governance Investigator explained that the Statement followed a recommended format for various controls of the Council's finances and governance in the preceding year. The Statement included improvements made during the year which addressed concerns in the previous year's action plan together with areas which required strengthening. The Governance Framework Status report followed a CIPFA/SOLACE/ACeS recommended format showing actions to be taken and these would form the action plan for the following year. Where no actions were recommended it was felt that measures already in place were sufficient and, given the Council's limited resources, there was nothing to suggest scope for improvement. Councillor Eddy asked whether the impact on health of the Council's core and supporting principles had been taken into account, particularly with regard to Comprehensive Area Assessment, in the same way that environmental assessments for new projects had been highlighted in Core Principle 1. The Head of Governance confirmed that health impact had not been considered before and undertook to investigate the issue before the September meeting of the Committee.

With regard to the revised Basket of Measures, the Head of Governance explained that this identified measurable factors within Governance and showed good progress within an ethical framework under the Corporate Governance Local Code which had been adopted the previous year. The specific issue of Member attendance at generic training courses was raised and the Senior Democratic Support Officer undertook to bring a report to the September meeting of the Committee.

RESOLVED: That the 2008/09 Annual Governance Assurance Statement, as now submitted, be accepted and the Head of Governance be requested to submit a report to the September meeting of Committee on proposals as to how the impact of health considerations can be factored into decision making.

75 UPDATE ON THE 2007/08 ANNUAL ASSURANCE STATEMENT ACTION PLAN

In accordance with the Committee's previous decision that monitoring reports on the Action Plan should be submitted at regular intervals, the Governance Inspector explained the report which showed the position of core principles on the 2008/09 Action Plan as at 31 March 2009. A further report would be taken to meeting on 2 December 2009.

RESOLVED: That progress made against the Action Plan be noted.

76 2008/09 STATEMENT ON THE EFFECTIVENESS OF INTERNAL AUDIT

The Head of Governance clarified that Internal Audit undertook a self-assessment of its effectiveness which was subsequently reviewed by the Section 151 Officer and the Head of Governance. The resulting statement indicated that proper practices had been applied and the overall conclusion was that an effective system was in place to manage performance and deliver an effective Internal Audit function.

One area giving only 'partial' compliance was an element of the Audit Committee's section which sought to ensure that the Head of Internal Audit was authorised to meet with the Chairman of the Governance Committee in the absence of the Chief Executive, Monitoring Officer and S151 Officer on an annual basis. The Head of the Audit Partnership stated the opinion that a formal constitutional authorisation was unnecessary as, should the need arise, the opportunity and ability to consult the Chairman and members of the Governance Committee already existed.

RESOLVED: That, having considered the Statement on the Effectiveness of Internal Audit and the supporting action plan, the findings be accepted as forming part of the 2008/09 Annual Governance Assurance Statement.

77 INTERNAL AUDIT REPORT

The Committee considered the report of the Head of the East Kent Audit Partnership (EKAP) which summarised its performance and the impact of its work during the financial year 2008/09 for this Council. 97% compliance with the CIPFA Code of Practice had been achieved, which was on target, and examples of benefits arising from partnership working were listed in the report. The figures provided for the Financial Performance showed a trend of decreasing costs since 2005/06 which demonstrated the efficiencies gained from creating the audit partnership.

The missing text in the paragraph referring to Council Tax concerns was reported as "... however the matter highlighted some concern over the billing key controls. The credit balances were not correctly rolled over on to the 2008 billing netting off against the debit balance. Although the credit is shown on the bill it does not net off against the charge and therefore instalments are calculated without taking the credit balances into account".

The Balanced Scorecard at Appendix B showed that 5 of the 172 recommendations made throughout the year that were high risk remained outstanding and of these only two were ongoing with the remainder either implemented or no longer relevant.

RESOLVED: That the annual Audit Report be noted and the members of the East Kent Audit Partnership congratulated on an excellent year's work.

78 INTERNAL AUDIT QUARTERLY PROGRESS – REPORT FROM FEBRUARY 2009 TO MAY 2009

The Committee considered the report of the Head of Audit Partnership which summarised the work undertaken by Internal Audit for the period February to May 2009 including eight new reviews and six follow-up reviews. Of the new reviews Capital, Housing Repairs and Maintenance, Local Code of Corporate Governance, and Environmental Health had all received Substantial assurance levels; Council Tax, Debtors and Housing Benefit (Administration and Assessment) had achieved a

reasonable assurance. The low level of post-implementation reviews referred to in the recommendations on Capital Projects reflected the temporary situation due to the current economic climate. Incorrect rolling over of credit balances for Council Tax had been of concern but all due refunds were being made to residents and the 2009/10 billing was being carried out with a full roll forward of credit balances.

The six service areas which had been followed up had all improved or retained their assurance levels.

RESOLVED: That the activity of Internal Audit for the period February to May 2009 be noted.

The meeting ended at 5.20 pm.

REPORT OF THE HEAD OF FINANCE AND ICT

GOVERNANCE COMMITTEE – 30 JUNE 2010

**FINANCIAL OUTTURN 2009/10**

**Recommendations**

*That Members receive and note this report setting out the:*

- *Significant changes to take into account when considering the accounts*
- *Reasons for the main variations between the budgets and outturn for the General Fund Revenue Account, Housing Revenue Account and Capital Programme; and*
- *Movements between reserves within the Statement of Accounts.*

Contact Officer – Helen Lamb (extension 2063).

**Purpose of the Report**

1. This report has been produced in support of the draft accounts, in order to provide Members with a more detailed explanation of the 2009/10 outturn and the financial standing of the Council and to highlight the key issues and significant changes.

**Statutory Requirements**

2. The requirements of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment England) Regulations 2006 and 2009) include:
  - The Council's responsible officer (the Head of Finance and ICT) must certify that the accounts give a true and fair view of the financial position as at 31 March and the income and expenditure for the year ending 31 March. This is met through the certificate within the Statement of Responsibilities contained in the statement of accounts and this is also supported by a statement at Appendix H
  - The Council must conduct, at least annually, a review of the effectiveness of its system of internal control and publish an annual Governance Statement signed by the Leader of the Council and the Chief Executive. This statement was approved by the Governance Committee at its meeting on 16<sup>th</sup> June 2010, and is also included in the statement of accounts.
  - The accounts must be approved by Council (or a Committee of the Council) by 30 June. Governance Committee have delegated authority to discharge this requirement.
  - Following the approval of the Statement of Accounts by Governance Committee, they will be signed by the Chairman of the Committee.

### Purpose of the Accounts

3. The accounts have a key role in assisting the Council to be accountable to stakeholders and interested parties for the stewardship and sound management of public monies. They provide a significant amount of information, including the Council's financial position as at 31 March, and a summary of the income and expenditure in the year to 31 March.
4. However, the accounts are also a long and complex document which may not be easily accessible to those Members not serving on the Governance Committee, the public and other stakeholders. Therefore, in order to further promote accountability, this Council also produces:
  - Members' Summary Accounts - this provides a little more detail than the Public Summary and will be produced and circulated following the approval of the draft accounts.
  - Frequently Asked Questions – this will be published on the web site – see Appendix G.
  - Summary of the Draft Accounts – this will also be produced after approval of the draft accounts and will be in the Annual Report and will also be published on the web site.
5. Finally, when considering this report and the Statement of Accounts, Members are reminded that the final accounts, budget and Medium Term Financial Plan (MTFP) should not be considered in isolation. Together they form a continuous process of financial management, and so the 2009/10 outturn will feed into 2010/11 budget monitoring and the next MTFP.

### Format and Changes to the 2009/10 Accounts

6. The explanatory foreword to the accounts provides a brief explanation of the main changes to the 2009/10 accounts and a summary of the core statements. It is suggested that Members start their review with this report and the explanatory forward.
7. The main changes to the accounts are:
  - Council tax – the Statement of Recommended Practice (SORP) now recognises that the Council acts as an agent for the three major precepting bodies (Kent County Council, Kent Police and Kent Fire and Rescue). As such, the accounts now only show the amount owed by and to taxpayers in respect of this council's proportion of the council tax;
  - Non-domestic rates – as with council tax the SORP now recognises that the Council is acting as an agent for the Government. Therefore, the accounts only show a net debtor or creditor in respect of amounts owed to or by the Government;
  - Accrued interest – the SORP requires the long-term and current parts of individual financial instruments (loans or investments) to be separated. Therefore, accrued interest on long-term investments is not shown under short-term investments; and
  - There is no longer a requirement to include disclosure notes in respect of the building control function, Local Authority (Goods and Services) Act 1970, publicity and Section 137 expenditure under the Local Government Act 1972. However the



Council has decided to continue to include these notes in part to fulfil statutory requirements to prepare and publish this information.

8. None of these changes make a significant impact on the financial position of the authority.

#### General Fund Revenue Outturn

9. The starting point for considering the financial outturn is the 2009/10 Original budget which is shown, together with the 2009/10 Projected Outturn and the 2009/10 Outturn at Appendix A.
10. Appendix A shows the Original Budget was a deficit of £23k. During the year additional pressures were reported to members giving a projected Out-turn of £538k (see Appendix A (i)). The Outturn is a deficit of £163k. This is a favourable variance of £375k. However requests to carry forward £285k of unspent budget to 2010/11 are being considered. If approved the underlying deficit is £448k – a favourable variance of £90k. Appendix B shows the analysis of the Outturn variances.

#### General Fund Reserves and Balances

11. General Fund reserves are “cash backed” reserves and are available for the Council to use. For management and planning purposes they are split into “General Balances” and “Earmarked General Reserves”.
12. General Balances are usually applied to cope with unanticipated variations in spend. Earmarked General Reserves are funds set aside for planned purposes.
13. The Medium Term Financial Plan (MTFP – approved by Council March 2010) advised “the minimum target level for the General Fund balance is around 10% of net budget requirement or £1.5m, with a preferred level above £2m”.
14. As reported above, the 2009/10 Outturn is a deficit of £163k. However budget carry forwards to 2010/11 of £285k are being considered. Therefore there will be an underlying reduction in General Fund balances as below.

<b>Table 2 – Movement in General Fund Balances</b>	
	£000
Balance at start of the year	(2,360)
Deficit from 2008/09	163
Balance at the end of the year	(2,197)
Less amounts carried forward of up to	285
Underlying General Fund Balances	(1,912)

15. The Opening Balance of £2,360k and the year end balance of £2,197k can also be found in Appendix A to this report and also within the Statement of Accounts in the “Statement on Movement of the General Fund Balance” and the “Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balances”.
16. Contributions to and from the Earmarked Reserves have been managed in order to ensure there are sufficient reserves to meet anticipated commitments. The main adjustments are:

- Cluster Preparation (joint working) – the Council is engaged with partner authorities in seeking to exploit opportunities to provide/procure services jointly, thus saving costs and enhancing resilience. It is recognised that there are likely to be initial start-up costs arising from such initiatives and this reserve has been established to assist the Council in being able to make such investments. In addition, the costs of the Revenues & Benefits restructure in year have been funded from this reserve and £150k has been transferred to the Iceland Investment Reserve (see below).
  - Special Projects Reserve – £487k has been drawn from the reserve during the year to finance approved projects (£242k Capital & £245k Revenue). In addition £150k has been transferred to the Iceland Investment Reserve (see below).
  - Corporate Review Reserve – the reserve funds have applied to meet additional costs of the recent job evaluation process.
  - Investment Income Equalisation Reserve – this reserve was set up to mitigate the impact of shortfall in returns. The reserve has been fully applied in 2009/10.
  - Local Development Framework – this reserve has been created to hold the monies set aside to fund the Local Development Framework. £117k has been drawn from the reserve in 2009/10 and grant funding received of £43k has been added to the reserve.
  - Concessionary Fares – additional grant received in 2008/09 was set aside to even out pressures in the scheme costs. Outturn savings in 2009/10 have been transferred to the reserve to cover risk of additional costs associated with ongoing appeals.
  - Invest to Save – the Invest to Save Reserve has been established to finance projects where there is a clear payback, typically within five years. Any such payback will be generated by reductions in the budget of the service benefiting from the investment and will be used to repay the Invest to Save Reserve. £150k has been transferred to the Iceland Investment Reserve (see below).
  - Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from Government on the basis of Planning performance, judged against performance indicators. Application of the reserve is made in accordance with the Housing & Planning Delivery Grant plan.
  - Iceland Investment Reserve – this £450k reserve has been established to set aside funds to cover the risk of losses on the Icelandic Investment.
17. Note 45 to the Core Financial Statements in the draft Statement of Accounts provides a complete breakdown of the Earmarked Reserves and Note 47 includes the General Fund Balances.
18. In considering the earmarked reserves and general balances Members are reminded that there is an “opportunity cost” of maintaining these reserves and balances when the resources could be applied to meet service or capital investment requirements. At the same time, maintaining cash backed reserves generates additional income from interest on cash balances, which is used as an additional income stream. However, the key judgement is to ensure that the reserves are set at levels that facilitate the prudent financial management of the authority, provide sufficient resources to meet anticipated future demands, and provide for a margin for unanticipated variation.
19. It is the view of the Head of Finance and ICT that overall the reserves and balances are currently sufficient, although this will have to be reassessed when the impact of the June 2010 budget and the autumn spending review have been determined.

## The Future

The Council will also need to continue to make progress or give consideration to:

- the pending anticipated notable reduction in general government grant due to the current state of public finances;
- the significant challenges associated with the impact of the economic downturn;
- possible changes to the council tax capping regime, particularly in the current economic climate;
- the forthcoming triennial valuation of the pension scheme and its impact on employers' pension contributions;
- the move to International Financial Reporting Standards in 2010/11;
- further pursue cost efficiencies including shared service arrangements with others.

## Housing Revenue Account Outturn

20. The Housing Revenue Account shows an increase in the HRA balance of £512k, which is a favourable variance of £49k against the original budgeted increase of £463k, and a variance of £271k against the Projected Outturn previously reported (see Appendix D (i)).
21. A schedule of variances is contained in Appendix D (ii) of this report and the main variances are detailed below:
  - The adverse variance in dwelling rents (£420k) was due to Government revision of the inflationary rate applied to rents and is offset by the favourable variance (£466k) in the level of negative subsidy payable.
  - Repairs and maintenance spend was £471k less than budget with substantial savings on response maintenance (£304k) and void repairs (£214k).
  - Supervision and management spend was £581k less than original budget with a favourable variance on sheltered services of £256k and £120k favourable variance on consultants fees (although £48k of this saving has been requested to be carried forward to complete projects in 2010/11).
  - The savings on supervision and management are mainly as a result of the closure of the five sheltered schemes, the transfer of the Gateway freehold and the closure of the Careline service with the transfer of the activity to Shepway District Council, it should be noted that there was some reduction in income due to these factors.
  - Expenditure of £102k was incurred in respect of Rent Rebate Subsidy Limitation that was not included in the budget. This was due to exceeding the limit rent set by the subsidy system and was mainly due to the closure of the five sheltered schemes.
  - Capital expenditure funded by the HRA was £708k and accounts for the adverse variance under "Capital". This transfer was required to balance the funding of the capital spend on HRA properties (including Decent Homes expenditure) after allowing for funding from other sources including the Major Repairs Reserve (£3,263k) and a PCT grant for disabled adaptation works of £150k.
22. The overall HRA surplus has increased to £7.96m. The additional surplus on the Housing Revenue Account as at 31 March 2010 can be utilised in future years to meet/maintain the Government's Decent Homes standards.

23. A new HRA Business Plan financial model is being produced and initial indications suggest that the previous actions and recommendations have been successful in significantly extending the term that the HRA will be viable.
24. Developments are under review/consultation that may have significant impact on the HRA in the next two years. These include the proposed Housing Shared Service and the review of the Housing Finance system.

#### Collection Fund Outturn

25. The Collection Fund income and expenditure account, which is a separate statutory account to record the transactions for the collection of Council Tax and Non-Domestic Rates (NDR), shows a surplus of £1.3m at 31 March 2010. The balance on the fund is distributed to the precepting authorities (Kent County Council, Kent Police Authority, Kent and Medway Fire Authority and Dover District Council) in proportion to their respective precept amounts. However this surplus is on an accruals basis and is not cash backed. There is no significant cash balance to distribute and Dover District Council's 2010/11 budget assumed there would be no distribution.

#### Capital Programme Outturn

26. The Medium Term Capital Programme (MTCP) is set out at Appendix E (i).
27. For each project "in progress" and each project awaiting capital appraisal, the MTCP includes, under the heading "Approved Budget":
  - The cumulative expenditure from previous years;
  - The estimated expenditure for 2009/10
  - The remainder of the approved project budgets
28. Under the heading "Proposed Budget" the MTCP includes:
  - The cumulative expenditure from previous years
  - The actual expenditure for 2009/10
  - The re-phasing of the capital programme
  - The revised project budgets.
29. The budgeted expenditure for 2009/10 was £9.45m (based on the latest budget monitoring report sent to members and includes changes to the original budget as reported throughout the year). The actual expenditure was £8.69m, a favourable variance of £758k. The main reason for this is due to the holding of SEEDA monies for DTIZ in 2009/10 to ensure they are available for immediate use for the regeneration programme purchases should the need have arisen. The remaining variances are due to a number of minor variances and project slippage rather than savings. All other project total costs are expected to remain within approved budget, and the aggregate total for all projects is expected to increase from £44.9m to £45.1m.
30. The Housing Revenue Account capital works programme at Appendix E (ii) gives a breakdown of the amounts in the Medium Term Capital Plan allocated to housing projects for 2009/10 and 2010/11.

31. Appendix E (i) also provides an analysis of the sources of financing for the MTCP. For 2009/10 the main sources of capital financing have been:
- £684k Capital receipts – these are receipts from the sales of assets, mainly from Council House Sales. These have shown a declining trend in recent years.
  - £3.2m Major Repairs Allowance – this is a government grant used to finance major repairs to Council Houses.
  - £708k HRA direct revenue financing to fund the HRA capital programme.
  - £3.5m Grants from external bodies including SEEDA, HCA and other Government Departments – these are grants to assist the Council in purchasing sites to progress the Dover Town Investment Zone project.
32. Overall the Capital Programme is within budget. However, the declining trend in Council house sales continues to limit the Council's ability to finance new projects.

#### Special Projects Outturn

33. The Special Projects reserve is mainly used to finance major one-off revenue projects because they cannot be financed from the various capital financing sources listed in the section above. It is also used to provide a source of additional financing for a small number of capital projects.
34. The bulk of the Special Projects (see Appendix F) are shown as “projects in progress” and these have a revised budget total of £2.6m. The Special Projects programme is dynamic. It is adjusted as new projects are approved, and these changes are reported to Members during the year. However, “in year” variations in spend against approved budget for individual projects are mainly due to timing changes. There are no material variations to individual project's total budget, and the whole programme is fully financed.
35. In the 2009/10 accounts a sum of £6k has been transferred from General Fund balances to provide additional financing for the play area projects in 2009/10. A sum of £150k has been transferred out of the reserve as part of establishing a reserve to set funds aside to cover the risk of potential losses from the Iceland Investment.
36. In addition to the projects in progress, several projects have been approved in principle subject to project appraisals. This leaves the Special Projects reserve with an uncommitted balance of £602k.

#### Treasury Management

37. The Council is pro-active in its cash management and in September 2002 it adopted the CIPFA Code of Practice on Treasury Management. Management of the Council's cash is divided between in-house management and the Councils' fund manager Investec. The Council employs Investec because they are able to invest in financial instruments such as Gilts and Certificates of Deposit that offer the potential for higher returns. However, returns have been disappointing.
38. The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover up to 95% of its £1m investment. However, the situation remains

uncertain and the extent and timing of recovery cannot be guaranteed. An Icelandic Investment Reserve of £450k (see General Fund Reserves and Balances) has therefore been established to ensure adequate provision for any losses until there is more certainty. The accounts include an impairment, calculated in accordance with guidance from CIPFA, reflecting the potential loss of capital and interest.

39. As at 31 March 2010 the Council had over £15m managed by the Council's fund manager, Investec. The Council also has day-to-day cash balances, which it manages in-house, and these averaged over £6m in 2009/10. The Council also has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank.
40. The significant interest rates, over the year, were:
- Investment
    - Investec - interest of £240k (after Investec fees), a return of 1.16%.
    - In-house cash management – interest of £157k (before soft loan adjustments), a return of 1.61%.
  - Borrowing
    - PWLB (25 years and over) £4m - 6.56% interest charged.
    - Dresdner Bank LOBO £3m - 4.75% interest charged.
41. The Council has borrowing with the PWLB and Dresdner Bank. The PWLB debt appears expensive in comparison with the returns on investments, however there are redemption penalties which have made it uneconomical to pay back the loan. This is being monitored and if interest rates increase, the penalties may change, making redemption a viable option.
42. Due to significant pressures on the cash flow at the end of March the Council also held a temporary 28 day loan for £10m.
43. The Council retains the services of Sector as Treasury Management advisers and they provide market intelligence, economic forecasts, fund managers performance, debt re-scheduling, opportunities for borrowing and ad-hoc enquiries.

#### Summary of Assets and Liabilities

44. At the year end the balance sheet is drawn up. This shows the value of Dover District Council's land and buildings and assets and liabilities. The full balance sheet is provided in the Statement of Accounts together with comprehensive explanatory notes. A summary balance sheet has been produced (see below).

<b>As at 31 March</b>	<b>2009 £000</b>	<b>2010 £000</b>
Value of land, property and other assets	307,360	313,127
Investments held and cash at bank	25,498	25,179
Money owed to DDC for goods and services	4,988	12,818
Loans owed to DDC (short and long-term)	1,212	1,768
Money owed by DDC for goods and services	(8,918)	(9,005)
Loans owed by DDC (short and long-term)	(10,731)	(20,443)
Grants for assets received but not yet used	(17,817)	(17,398)
Share of pension scheme liabilities owed by DDC	(48,620)	(76,180)
<b>Total Assets less Total Liabilities</b>	<b>252,972</b>	<b>229,866</b>

<b>Financed by:</b>		
Distributable reserves <sup>1</sup>	(15,060)	(15,092)
Non-distributable reserves <sup>2</sup>	(237,912)	(214,775)
<b>Net Worth of Council</b>	<b>(252,972)</b>	<b>(229,867)</b>

<sup>1</sup>Distributable reserves are made up of:

Capital Receipts	(939)	(756)
Revenue Balances	(9,806)	(10,155)
Other earmarked reserves	(4,315)	(4,180)
	<b>(15,060)</b>	<b>(15,092)</b>

<sup>2</sup>Non-distributable reserves mainly comprise upwards revaluations of assets from their original purchase value, although there has been some reversal in the current year.

45. The main points to note against the prior year comparative are:

- Value of land, property and other assets

The main changes in the values are due to:

- Disposals – council house and other sales
- Revaluations - council dwellings are revalued each year and other land and property are revalued on a five-year rolling programme.
- Impairments – caused by either a general fall in property prices or specific revaluations due to clear consumption of economic benefits (e.g. through physical damage or deterioration).

- Share of pension scheme liabilities owed by DDC

The increase in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. Accounting standard FRS17 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. The yield in excess of expected inflation (which in turn is based on gilt yields) from corporate bonds reduced from 3.7% to 1.5% during the year in part due to the impact of quantitative easing and other technical factors on bond and gilt markets. Had these markets remained at their 2009 levels then the pensions deficit would have been £40,267,000 less at £35,913,000. The assets of the Kent County Council Fund are invested for the longer term with only a small percentage invested in corporate bonds. The return earned by the Fund during the year was of the order of 35%.

FRS17 does not have any impact on the actual level of employer contributions paid to the Kent County Council 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). A triennial valuation is being carried out as at 31 March 2010 which will show a much lower level of deficit than shown by FRS17 due to the different measurement of the Fund's liabilities.

### Background Papers

- Accounts and Audit Regulations 2003 (amended by Accounts and Audit (Amendment England) Regulations 2006 and 2009).

- CIPFA Code of Practice on Local Authority Accounting.
- Final Account papers held by the Accountancy Division.
- SORP 2009.
- Draft Statement of Accounts 2009/10.

### Consultation Statement

46. The statutory process of making the accounts available for inspection by the public under Accounts and Audit Regulations has been observed. Adverts were placed in local papers and the public will be able to inspect the accounts on working days from 8<sup>th</sup> July 2010 to 4<sup>th</sup> August 2010.
47. A summary of the accounts will be included on the Council's web site and the views of stakeholders as to the format and content of the summary will be sought.

### Attachments

Appendix A – General Fund Budget Summary

Appendix B - Schedule of General Fund variances

Appendix C - Explanation of General Fund variances as follows:-

C (i) - Explanation of Main General Fund variations.

C (ii) – Carry Forward Requests from 2009/10 budgets.

Appendix D – Housing Revenue Account summary D(i) and variances D(ii)

Appendix E – Capital Projects as follows :-

E (i) – Medium Term Capital Programme incorporating 2009/10 Actual and future year proposed budgets.

E (ii) – A detailed breakdown of the HRA Capital Programmes for 2008/09 and 2009/10

Appendix F – Special Projects Programme and analysis of Special Projects Reserve.

Appendix G – Frequently Asked Questions

Appendix H – Statement by the Head of Finance & ICT

(See also on the agenda - Draft Statement of Accounts 2009/10).

MIKE DAVIS

Head of Finance and ICT.

The Officer to whom reference should be made concerning inspection of the background papers is Helen Lamb, Principal Accountant (Revenue), White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304 821199). Extension: 2306

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**GENERAL FUND BUDGET SUMMARY**

<u>2008/09 Actual</u>		<u>2009/10</u> <u>Original Budget</u>	<u>2009/10</u> <u>Projected</u> <u>Outturn</u>	<u>2009/10 Actual</u> <u>Outturn</u>	<u>Variance to</u> <u>Projected</u> <u>Outturn</u>
£'000		£'000	£'000	£'000	£'000
	<b>Head of Service</b>				
2,568	Chief Executive	1,385	1,394	1,308	-86
1,338	Head of Governance	1,419	1,299	1,216	-83
1,987	Head of Housing, Culture & Community Safety	2,130	1,950	2,970	1,020
1,052	Head of Finance & ICT	397	401	541	140
3,030	Head of Development & Public Protection	2,777	2,662	2,335	-327
6,668	Head of Property, Leisure & Waste Services	6,214	6,428	6,518	90
2,307	Head of Business & Community Transformation	2,373	2,108	1,898	-210
350	Special Revenue Projects	101	248	251	3
0	Vacancy Allowance & Employment Stability	-785	0	0	0
0	Job Evaluation	250	0	0	0
0	Additional Joint Working Target	-25	-50	0	50
-80	Council Tax Second Homes	-94	-94	-94	0
0	Contingency	100	20	0	-20
0	Job Evaluation	0	0	0	0
-23	Exceptional Item (BCCI Monies/VAT Refund)	0	-751	-756	-5
<b>19,196</b>	<b>Net Service Expenditure</b>	<b>16,242</b>	<b>15,615</b>	<b>16,187</b>	<b>572</b>
-3,640	Depreciation	-1,171	-1,189	-1,255	-66
1,596	Pension Adjustments	1,989	2,401	2,309	-92
0	River Stour Drainage Board	0	60	60	0
	Contribution to/(from) Reserves:				
-149	- Local Development Framework Reserve	-220	-220	-73	147
-318	- Special Projects Reserve	-77	-243	-245	-2
-194	- Planning Delivery Grant	-136	-136	-30	106
-6	- Corporate Review Reserve	0	-30	-31	-1
-1	- Major Events	-60	-50	-6	44
89	- Benefits Overpayment Recovery	0	-69	0	69
0	- NDR Business Discretionary Relief	0	100	0	-100
72	- Concessionary Fares	0	161	210	49
48	- Elections Reserve	48	48	48	0
7	- IT Equipment Reserve	8	8	8	0
45	- On-Street Parking Reserve	0	0	0	0
67	- Joint Working	0	477	392	-85
-42	- Invest to Save	0	-3	-3	0
0	- Growth Point Funding	-67	0	0	0
0	- Investment Equalisation Reserve	-100	-100	-100	0
<b>16,770</b>	<b>Net Service Expenditure</b>	<b>16,457</b>	<b>16,830</b>	<b>17,471</b>	<b>641</b>
	<b>Financing Adjustments</b>				
-667	Interest Receivable	-337	-143	-138	5
430	Interest Payable	405	405	413	8
-279	Deferred Charges	-347	-312	-333	-21
254	Grant Applied	353	266	254	-12
0	Soft Loan Adjustments	0	0	-951	-951
<b>16,509</b>	<b>Total Budget Requirement</b>	<b>16,530</b>	<b>17,046</b>	<b>16,716</b>	<b>-330</b>
	<b>Financed by:</b>				
1,236	Revenue Support Grant	1,906	1,906	1,906	0
8,877	NNDR	8,258	8,258	8,258	0
10,113	Total Government Grant	10,164	10,164	10,164	0
50	Collection Fund Surplus	0	0	0	0
5,881	Council Tax	6,173	6,173	6,173	0
129	Area Based grant	171	171	170	-1
0	L.A.B.G.I.	0	0	46	46
<b>16,173</b>	<b>Total Financing</b>	<b>16,508</b>	<b>16,508</b>	<b>16,553</b>	<b>45</b>
<b>336</b>	<b>General Fund (Surplus)/Deficit for the Year</b>	<b>23</b>	<b>538</b>	<b>163</b>	<b>-375</b>
<b>-2,696</b>	<b>General Fund Balance at Start of Year</b>	<b>-2,024</b>	<b>-2,360</b>	<b>-2,360</b>	<b>0</b>
<b>-2,361</b>	<b>Leaving Year End Balances of</b>	<b>-2,002</b>	<b>-1,822</b>	<b>-2,197</b>	<b>-375</b>
0	Carry forward requests	0	0	285	285
<b>-2,361</b>	<b>Underlying General Fund Balance</b>	<b>-2,002</b>	<b>-1,822</b>	<b>-1,912</b>	<b>-90</b>

**Reconciliation of General Fund Original Budget to Projected Outturn**

	<b>£000</b>
<b>Original Budget</b>	<b>23</b>
Items of carry forward from 2008/09 <sup>1</sup>	138
Establishment of NDR Relief Reserve	100
Job Evaluation (JE) pressure	282
Waste Services – increased recycling costs offset by contract inflation across various waste services	93
Shepway expected contribution to shared services	(25)
Small under-achievement on £785k vacancy/ES provisions	32
Reduction in Building Control income	22
Reduction in Development Control income	75
Increase in Land Charges income	(35)
Reduction in Car Parking income, part offset by Departmental savings	101
Proposed contribution to Special Projects reserve not made due to adverse parking variances	(25)
Interest Receivable reduction	225
Release of VAT monies to cover adverse variances	(200)
Numerous Governance Departmental savings	(30)
Reduction in recharges recovered (mainly offsetting reduced costs in trading codes, esp. salary vacancies)	139
Superannuation Backfunding reduction (some transfer of cost to HRA and some to Shared HR for TUPEed staff).	(101)
Reduced Premature Retirement Payments (cost tf to HRA)	(45)
Penalties & Fines Income from Council Tax Payers	(31)
National Leaflet Project – release of excess grant monies	(30)
Reduction in Corporate Communications budget	(36)
Reduced Consultancy Fees for Housing Strategies, HR and Development Control	(57)
Reduced Homelessness contributions to outside bodies, and reduced Housing Strategy Grants to Migrant Helpline	(22)
Corporate insurance policy savings	(26)
HR Corporate Training – release of excess budget	(25)
Miscellaneous	(4)
<b>Projected Outturn</b>	<b>538</b>

<sup>1</sup> As reported in the 2008/09 Outturn report presented to Governance committee on 24 June 2009

**SUMMARY OF GENERAL FUND VARIANCES FOR 2009/10 (Outturn v Projected)**

	Total Variance	Transfers to and From Reserves					Technical Adjustments					Other Variations			Carry Forwards
		Planning Delivery Grant	Local Development Framework	Special Projects	Cluster Preparation	Other Reserves	FRS17	Capital Charges	Financial Instrument Adjustments	Deferred Charges	Government Grants Deferred	Central Support	Interest	Direct Variance	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Head of Service</b>															
Chief Executive	(86)				25	(44)	1	1		0	0	18	0	(87)	54
Head of Governance	(83)				(10)	1	5	(0)				4	0	(83)	7
Head of Housing, Culture & Community Safety	1,020						3	(0)	951	(10)	0	36	0	41	7
Head of Finance & ICT	140				72		68	(5)		31	0	72	0	(98)	93
Head of Development & Public Protection	(327)	(106)	(147)				7	0			0	(73)	0	(8)	19
Head of Property, Leisure & Waste Services	90				49		(3)	71			12	53	0	(92)	34
Head of Business & Community Transformation	(210)					(118)	11	(0)			(0)	(37)	0	(66)	70
Special Revenue Projects	3			2								0		1	
Vacancy Allowance & Employment Stability	0													0	
Job Evaluation	0													0	
Additional Joint Working Target	50													50	
Council Tax Second Homes	0													0	
Contingency	(20)													(20)	
Job Evaluation	0													0	
Exceptional Item (VAT Refund)	(5)				(5)									0	
	<b>572</b>	(106)	(147)	2	131	(161)	91	67	951	21	12	72	0	(362)	285
Depreciation	(66)							(67)						1	
Pension Adjustments	(92)						-91							(1)	
River Stour Drainage Board	0													0	
Contribution to/(from) Reserves															
- Local Development Framework Reserve	147		147											0	
- Special Projects Reserve	(2)			(2)										0	
- Planning Delivery Grant	106	106												0	
- Corporate Review Reserve	(1)				(1)									0	
- Major Events	44				44									0	
- Benefits Overpayment Recovery	69				69									0	
- NDR Business Discretionary Relief	(100)				(100)									0	
- Concessionary Fares	49				49									0	
- Elections Reserve	0				0									0	
- IT Equipment Reserve	0				0									0	
- On-Street Parking Reserve	0				0									0	
- Joint Working Reserve	(85)				(85)									0	
- Invest to Save	0				0									0	
- Growth Point Funding	0				0									0	
- Investment Equalisation Reserve	0				0									0	
<b>Net Service Expenditure Variance</b>	<b>641</b>	0	0	0	46	(100)	0	0	951	21	12	72	0	(362)	285
<b>Financing Adjustments</b>															
Interest Receivable	5												5	0	
Interest Payable	8												8	0	
Deferred Charges	(21)								(21)					0	
Grant Applied	(12)									(12)				0	
Soft Loan Adjustments	(951)								-951					0	
<b>Total Variance</b>	<b>(330)</b>	0	0	0	46	(100)	0	0	0	0	0	72	13	(362)	285

## **Explanation of Main General Fund Variations**

Appendix B provides a schedule of variances and should be read in conjunction with this Appendix.

There is a total variance of £328k (favourable) between the Projected Outturn and the Outturn.

This falls into three main sections:

- Transfers to and from reserves;
- Technical adjustments; and
- Other variations

### **Transfers to and From Reserves**

Transfers from reserves have no net effect on the total variance, since any expenditure shown within 'Head of Service' (on Appendix B) that is intended to be financed from reserves is offset by an adjustment within the amount transferred from reserves.

Transfers to reserves do affect the total for the year, and so variances in transfers to and from reserves reflect any overall increase in contribution to reserves.

A summary of the key movements on earmarked reserves can be found at paragraph 19 of the main report.

### **Technical Adjustments**

The significant technical variations arise from FRS17, Capital Charges and Government Grants Deferred. Although these variations impact the net cost of services, they have no impact on the overall outturn. They are explained below.

#### **FRS17**

The SORP, and FRS17, require local authorities to include, in the costs of services, the cost to the authority of the additional pension earned in the year. This then has to be reversed out of the accounts and replaced by the actual pension payments made to the pension fund.

Adjustments in the value of the FRS17 figures therefore have no net effect on the overall outturn.

#### **Capital Charges**

Like FRS 17, capital charges are shown in the costs of services but are reversed out of the accounts "below the line". As a result, any variations in capital charges (resulting, generally, from the acquisition, revaluation or disposal of assets) are also reversed out below the line and have no net effect on the overall outturn.

### Government Grants Deferred

Where an asset is financed from government grant, the grant is released to the revenue account over the life of the asset to offset the depreciation charge. This adjustment therefore also has no net impact upon the overall outturn.

### Other Variations

The "Other Variations" all have a direct effect on the overall outturn, since they are not reversed out below the line.

### Central Support

Variations in central support arise from changes in the amount charged by the General Fund to capital projects and the HRA. Central support charges to each service area and the underlying bases of calculation are updated annually to reflect changes in cost and the levels of support provided.

### Interest

There is a minor adverse variation of £13k on the net of interest receivable and interest payable over the year.

### Direct Variance

This is a summary of the other variances in outturn against the budgets managed by the various Heads of Service. There are a large number of minor variations, which it is not practical to detail in this report. However, the main / significant items are summarised in the table below:

<b>Description</b>	<b>£000</b>
<b>Chief Executive</b>	
Street lighting – electricity saving	(10.0)
Carry forward requirement	(54.4)
<b>Head of Governance</b>	
Reduction across numerous cost centres, incl. licensing income, land charges and members & chairman's costs	(33.7)
Carry forward requirement	(7.0)
<b>Head of Housing and Community</b>	
Homelessness costs (emergency accommodation, benefits, etc)	29.5
Reduced Private Sector Housing contributions to outside bodies	(6.1)
Carry forward requirement	(6.9)
<b>Head of Finance and ICT</b>	
Pension backfunding costs – favourable	(22.0)
Revised bad debt provisions	60.5
Improved recovery of print unit costs	(8.5)
ICT equipment purchase & other minor net savings	(7.3)

<b>Description</b>	<b>£000</b>
Carry Forward Requirement	(93.0)
<b>Head of Development and Public Protection</b>	
Carry forward requirement	(19.2)
<b>Head of Property and Procurement</b>	
Refuse, Recycling & Street Cleansing – net increase in costs	9.5
Car Parks & CCTV – net reduction in various costs	(12.5)
Deal Pier – increased fishing & rental income, lower costs	(13.6)
Gateway income from KCC incl. net contribution to partnership working arrangement (partly offset by adverse in Revs & Bens)	(76.1)
Carry forward requirement	(34.0)
<b>Head of Benefits, Revenues and Customer Services</b>	
NDR discretionary relief – additional Hardship Relief	14.3
Subsidy and related income from benefit overpayment debtors, partly due to higher income and lower bad debt provisions	(6.3)
Audit Commission – audit of grant claims (timing only)	16.0
Gateway – additional overtime costs of Saturday working and IT costs for Gateway staff (offset by favourable variation in Property Services above)	13.1
Carry forward requirement	(70.3)
Various other minor variations across service areas	(21.2)
<b>Total</b>	<b>(359.2)</b>

After allowing for carry forwards of £284.8k, the underlying direct expenditure variance is £74.4k. This is 1.0% of budgeted net service expenditure, or 0.25% of gross expenditure (excluding HRA).

<b><u>Carry Forward requests from 2009/10 budgets</u></b>	<b>£000s</b>
<b>Chief Executive</b>	
Unused Corporate Communications budget	16.3
Updating of ParkMap system	5.4
Street Lighting repairs	32.6
<b>Head of Governance</b>	
Printer for Electoral Registration	4.0
Disposal of confidential waste	3.0
<b>Head of Community &amp; Housing</b>	
Youth Task Force - contribution to outside bodies	2.9
Private Sector Housing – contribution to outside bodies	4.0
<b>Head of Development &amp; Public Protection</b>	
Software for Scores on Doors	5.0
Scanner purchase	3.2
New Planning Software (increased access for public)	11.0
<b>Head of Accountancy and ICT</b>	
“Coco” Security – remaining works	15.8
E-financials Upgrade	25.0
Voicemail – replacement system	20.0
Remote Access Solution to meet security standards	10.0
Activity logging system (dependent on outcome of “Coco” audit review)	14.0
Scanner for creditors’ invoices	3.5
E-Procurement consultancy	2.0
Treasury Management / Asset Register consultancy	1.7
Legal fees relating to the recovery of Iceland Investment	1.1
<b>Head of Property, Leisure &amp; Waste Services</b>	
Corporate Maintenance	34.0
<b>Head of Revenues, Benefits &amp; Customer Services</b>	
Community cohesion grant, Interreg reimbursement and monies provided by Children’s’ centres for use on Cohesion projects and specific Children’s work	65.8
I-Space incentives	4.5
<b>Total Carry Forward Requested</b>	<b>284.8</b>

## Housing Revenue Account - Income and Expenditure Account for the Year Ended 31/03/2010

	Original 2009/10 £000s	Projected Outturn 2009/10 £000s	2009/10 Outturn £000s	Variance Outturn to Revised £000s	Variance Outturn to Original £000s
<b>INCOME</b>					
Dwelling Rents	-16,746	-16,315	-16,326	-11	420
Non Dwelling Rents	-453	-369	-382	-13	72
Charges for Services and Facilities	-820	-779	-710	69	110
<b>TOTAL INCOME</b>	<b>-18,019</b>	<b>-17,463</b>	<b>-17,417</b>	<b>46</b>	<b>602</b>
<b>EXPENDITURE</b>					
Repairs and Maintenance	4,297	4,101	3,826	-275	-471
Supervision and Management (Incl pension adj)	4,591	4,177	4,010	-167	-581
Negative Subsidy Entitlement (Incl MRA)	5,712	5,242	5,245	3	-466
Rent Rebate Subsidy Limitation	0	112	102	-10	102
Interest & Investments	-285	-169	-228	-59	57
Capital	3,242	3,759	3,950	191	708
<b>TOTAL EXPENDITURE</b>	<b>17,557</b>	<b>17,222</b>	<b>16,905</b>	<b>-317</b>	<b>-651</b>
<b>Total Increase for the year</b>	<b>-463</b>	<b>-241</b>	<b>-512</b>	<b>-271</b>	<b>-49</b>



**Housing Revenue Account 2009/10 Variations Statement**  
**Original Budget to Projected Outturn**

<b>Original Budget 2009/10 Surplus</b>	<b>-463</b>
Dwelling rents lower than budget due to revised Government guidelines on the level of increase. The reduction was offset by a similar reduction in the level of negative subsidy payable.	431
Reduced rent from garages, showrooms & shops	84
Charges for services and facilities reduced due to the sale of the Gateway & lower utility increases than forecast.	96
Additional charges raised in 2009/10 for services and facilities supplied in 2008/09	-54
Saving on repairs and maintenance spend mainly due to a significant reductions in void levels and a reduction in the volume of response maintenance calls.	-196
Saving on utilities due to the sale of the Gateway freehold	-160
Saving on supervision & management re: closure of sheltered schemes	-176
Reduced internal charges to supervision & management	-81
Reduction in consultants fees	-36
Reduction in caretaking & cleaning due to start of new contract	-92
Budget for expenditure agreed to be carried forward from 2008/09	134
Reduction in negative subsidy resulting from reduced rent increase	-470
Rent Rebate Subsidy Limitation re-imbursed to General Fund	112
Reduced interest & investment income due to lower interest rates	116
Direct Revenue financing required to fund the approved capital programme	517
Minor variations	-3
<b>Projected Outturn 2009/10 (surplus)</b>	<b>-241</b>
Additional reduction in charges for services & facilities	69
Expenditure to be carried forward to 2010/11 to finalise those projects not yet completed	-48
Additional Direct Revenue Financing required to fund advance 'Decent Homes' kitchen installations and to cover reduction in the level of capital receipts.	191
Further reduction in repairs and maintenance costs mainly due to further reduced term maintenance & void costs and saving Property Services fees	-275
Additional savings on supervision & maintenance mainly in respect of consultants fees	-167
The actual income from interest and investments is more than the revised budget due to higher than budgeted interest rate and a favourable variance on the HRA cashflow.	-59
Minor Variations	18
<b>Outturn 2009/10 (surplus)</b>	<b>-512</b>

## MEDIUM TERM CAPITAL PROGRAMME - 2009/10 FINAL OUTTURN

Projects included in the programme	APPROVED BUDGET							PROPOSED BUDGET							
	Previous years	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Future Years	Total	Previous years	Actual 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Future years	Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
<b>Work in Progress</b>															
<b>Regeneration projects</b>															
Aylesham Regeneration Project	950,409	153,129	207,375	0	0		1,310,913	950,409	163,821	196,683	0	0	0	1,310,913	
Dover Pride - Dover Town Investment Zone	1,211,194	178,306	90,500	0	0		1,480,000	1,211,194	172,519	96,287	0	0	0	1,480,000	
DTIZ - SEEDA funded projects	6,680,657	664,503	172,884	0	0		7,518,044	6,680,657	(748)	914,820	0	0	0	7,594,729	
DTIZ - SEEDA funding of Dover Sea Sports Centre (see grants appx)	89,436	10,564	0	0	0		100,000	89,436	10,564	0	0	0	0	100,000	
DTIZ - HCA (was English Partnership) funded projects	2,383,656	10,486	0	0	0		2,394,142	2,383,656	0	50,888	0	0	0	2,434,544	
DTIZ - HCA (was English Partnership) funding Dover Sea Sp Cre (see grants appx)	178,871	41,129	0	0	0		220,000	178,871	41,127	0	0	0	0	219,998	
DTIZ Growth Point - 2009/10 Allocation	0	309,347	850,746	0	0		1,160,093	0	0	265,177	0	0	0	265,177	
DTIZ Growth Point - 2010/11 Allocation (Provisional)								0	0	286,916	0	0	0	286,916	
Bleriot Project	30,572	149,428	0	0	0		180,000	30,572	149,856	0	0	0	0	180,428	
Dover Pride - Dover Priory Ph 1 & 2 (see grants & contributions appx)	57,455	62,545	0	0	0		120,000	57,455	50,000	12,545	0	0	0	120,000	
Dover Pride - Dover Sea Sport Centre (see grants & contributions appx)	223,594	26,406	0	0	0		250,000	223,594	26,409	0	0	0	0	250,003	
Dover Sea Sports Centre - Growth Point Funded	0	170,000	0	0	0		170,000	0	112,627	57,373	0	0	0	170,000	
Waterfront (Yorkgate)	0	30,000	0	0	0		30,000	0	5,000	25,000	0	0	0	30,000	
Aylesham Leisure Project (ASWS) (see grants & contributions appx)	46,575	54,033	247,392	0	0		348,000	46,575	21,331	280,094	0	0	0	348,000	
Deal Tennis Centre - DDC contribution	81	12,060	937,859	0	0		950,000	81	12,060	937,859	0	0	0	950,000	
Deal Transportation Model - Growth Point Funded - (Pending receipt of 2010/11 grant)	0	0	350,000	0	0	0	350,000	0	0	350,000	0	0	0	350,000	
<b>Other projects</b>															
Capital grants and contributions - voluntary organisations (see appx)	58,734	10,000	6,266	0	0		75,000	58,734	10,000	6,266	0	0	0	75,000	
Housing Revenue Account Property Projects	n/a	4,223,000	0	0	0		4,223,000	n/a	4,319,987	0	0	0	0	4,319,987	
Mandatory Disabled Facilities Grants	n/a	660,000	620,000	700,000	700,000		2,680,000	n/a	669,905	610,095	700,000	700,000	0	2,680,000	
Renovation Grants	n/a	36,868	90,000	90,000	90,000		306,868	n/a	9,150	117,718	90,000	90,000	0	306,868	
Dover Urban Scheme - private sector renewals - loans and grants	416,506	23,414	0	0	0		439,920	416,506	23,414	0	0	0	0	439,920	
Renovation Loans	0	0	0	0	0		0	0	440,632	0	0	0	0	440,632	
Private Sector housing schemes - loans	915,771	805,556	300,000	0	0		2,021,327	915,771	1,002,506	300,000	0	0	0	2,218,277	
Private Sector housing schemes - grants	848,084	502,916	100,000	0	0		1,451,000	848,084	396,843	100,000	0	0	0	1,344,926	
Regional Housing Loans, Grants & Fees (2009/10)	119,750	383,700	565,246	0	0		1,068,696	119,750	454,708	565,246	0	0	0	1,139,704	
Regional Housing Loans (2010/11)	0	0	900,000	0	0		900,000	0	0	900,000	0	0	0	900,000	
Regional Housing Grants & Fees (2010/11)	0	0	100,000	0	0		100,000	0	0	100,000	0	0	0	100,000	
St Margarets car park	118,304	125	6,071	0	0		124,500	118,304	6,196	0	0	0	0	124,500	
Business continuity - generator at Whitfield offices	1,434	85,393	0	0	0		86,827	1,434	85,400	0	0	0	0	86,833	
Expansion of CCTV	65,459	24,541	0	0	0		90,000	65,459	23,139	0	0	0	0	88,598	
Replace cash receipting and income system	25,229	15,469	19,302	0	0		60,000	25,229	15,469	19,302	0	0	0	60,000	
Sandwich Quay Public Conveniences	0	110,000	0	0	0		110,000	0	102,071	7,929	0	0	0	110,000	
Parking Services - Hand held PCs	0	42,299	0	0	0		42,299	0	42,299	0	0	0	0	42,299	
Connaught park play area	0	102,360	0	0	0		102,360	0	103,358	0	0	0	0	103,358	
Land Contamination	0	57,431	9,830	0	0		67,261	0	55,150	28,666	0	0	0	83,816	
Kingsdown Beach Nourishment Coast Protection Scheme (100% grant)	0	150,000	0	0	0		150,000	0	4,147	145,853	0	0	0	150,000	
MoD Rifle Range - Managed Realignment Feasibility (100% grant)	0	20,000	0	0	0		20,000	0	8,270	11,730	0	0	0	20,000	
Walmer to Kingsdown/Oldstairs Bay Study	0	63,500	0	0	0		63,500	0	51,552	11,948	0	0	0	63,500	
Voicemail - Purchase Replacement System	0	0	20,000	0	0		20,000	0	0	20,000	0	0	0	20,000	
Voltage optimiser	0	25,270	0	0	0		25,270	0	24,770	0	0	0	0	24,770	
<b>Sub total</b>	<b>14,421,769</b>	<b>9,213,778</b>	<b>5,593,471</b>	<b>790,000</b>	<b>790,000</b>	<b>0</b>	<b>30,809,018</b>	<b>14,421,769</b>	<b>8,613,531</b>	<b>6,418,395</b>	<b>790,000</b>	<b>790,000</b>	<b>0</b>	<b>31,033,695</b>	
<b>Projects approved subject to capital appraisal</b>															
Leisure Centres equipment (financed by specific reserve)	0	4,036	0	0	0		4,036	0	0	4,036	0	0	0	4,036	
Leisure Centres - fitness equipment	0	8,436	0	0	0		8,436	0	0	8,436	0	0	0	8,436	
Dover Town Hall - new booking system	0	10,000	0	0	0		10,000	0	0	10,000	0	0	0	10,000	
Provision for additional costs on major projects	0	34,924	50,000	0	0		84,924	0	0	84,924	0	0	0	84,924	
Provision for possible DITZ CPO (Cabinet 7 January 2008 refers)	0	25,000	0	0	0		25,000	0	0	25,000	0	0	0	25,000	
Kingsdown Beach Nourishment Coast Protection Scheme (100% grant)	0	0	121,000	0	121,000	140,000	382,000	0	0	121,000	0	121,000	140,000	382,000	
MoD Rifle Range - Managed Realignment (100% grant)	0	0	4,779,000	0	0		4,779,000	0	0	4,779,000	0	0	0	4,779,000	
Mid-Town Development - Growth Point Funding	0	79,745	6,170	0	0		85,915	0	74,023	19,892	0	0	0	93,915	
Waterfront (Yorkgate) - (Pending receipt of 2010/11 grant)	0	70,000	0	0	0	0	70,000	0	0	70,000	0	0	0	70,000	
Waterfront - (Pending receipt of 2010/11 grant)	0	0	75,000	75,000	0	0	150,000	0	0	75,000	75,000	0	0	150,000	
Sea Change (DDC Contribution)	0	0	250,000	0	0		250,000	0	0	250,000	0	0	0	250,000	
Contingency	0	0	0	0	0		0	0	0	0	0	0	0	0	
<b>Sub total</b>	<b>14,421,769</b>	<b>9,445,919</b>	<b>10,874,641</b>	<b>865,000</b>	<b>911,000</b>	<b>140,000</b>	<b>36,658,329</b>	<b>14,421,769</b>	<b>8,687,555</b>	<b>11,865,682</b>	<b>865,000</b>	<b>911,000</b>	<b>140,000</b>	<b>36,891,006</b>	

## MEDIUM TERM CAPITAL PROGRAMME - 2009/10 FINAL OUTTURN

Projects included in the programme	APPROVED BUDGET							PROPOSED BUDGET							
	Previous years	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Future Years	Total	Previous years	Actual 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Future years	Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
<b>HRA projects to be approved as part of budget setting process</b>															
HRA Projects financed by Major Repairs Reserve	n/a	0	3,152,000	3,160,000			6,312,000	n/a		3,152,000	3,160,000			6,312,000	
HRA Property Projects financed by capital receipts	n/a	0	155,000	160,000			315,000	n/a		155,000	160,000			315,000	
HRA Property Projects financed by the HRA	n/a	0	732,000	496,000			1,228,000	n/a		732,000	496,000			1,228,000	
HRA Property Projects financed by Supported Borrowing	n/a	0	201,000	201,000			402,000	n/a		201,000	201,000			402,000	
<b>Sub total of projects approved</b>	<b>14,421,769</b>	<b>9,445,919</b>	<b>15,114,641</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>44,915,329</b>	<b>14,421,769</b>	<b>8,687,555</b>	<b>16,105,682</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>45,148,006</b>	
Integrated visiting efficiency project - gross of £40k grant							0								
<b>Total</b>	<b>14,421,769</b>	<b>9,445,919</b>	<b>15,114,641</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>44,915,329</b>	<b>14,421,769</b>	<b>8,687,555</b>	<b>16,105,682</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>45,148,006</b>	
<b>Financed by:</b>															
Capital projects financed in previous financial years	14,421,769	0	0	0			14,421,769	14,421,769	0	0	0			14,421,769	
Capital receipts - General Fund	n/a	773,849	533,727	370,000	370,000		2,047,576	n/a	671,131	669,453	370,000	370,000	0	2,080,584	
Capital receipts - HRA	n/a	113,000	155,000	160,000	0		428,000	n/a	12,625	155,000	160,000	0	0	327,625	
Major Repairs Allowance	n/a	3,242,000	3,152,000	3,160,000	0		9,554,000	n/a	3,241,985	3,152,000	3,160,000	0	n/a	9,553,985	
Major Repairs Reserve re Tenants Compact							0	n/a	20,671	0	0	0	0	20,671	
Direct Revenue Financing - HRA	n/a	517,000	732,000	496,000	0		1,745,000	n/a	707,706	732,000	496,000	0	n/a	1,935,706	
Direct Revenue Financing - General Fund	n/a	51,810	475,000	0	0		526,810	n/a	10,000	475,000	0	0	n/a	485,000	
Grants							0							0	
PCT re HRA Disabled Adaptations		150,000	0	0	0		150,000		150,000	0	0	0	0	150,000	
SEEDA for DTIZ	n/a	675,067	172,884	0	0		847,951	n/a	9,816	914,820	0	0	0	924,636	
HCA (was - English Partnerships) for DTIZ/mid-town centre	n/a	51,615	0	0	0		51,615	n/a	41,127	50,888	0	0	0	92,015	
Growth Point Status grant 2009/10	n/a	309,347	850,746	0	0		1,160,093	n/a	0	265,177	0	0	0	265,177	
Growth Point Status grant 2010/11 - PROVISIONAL							0			286,916	0	0	0	286,916	
Growth Point (Mid-Town Development)	n/a	79,745	6,170	0	0		85,915	n/a	74,023	19,892	0	0	0	93,915	
Growth Point (Deal Transportation Model) - PENDING RECEIPT OF 2010/11 GRANT	n/a	0	350,000	0	0	0	350,000	n/a	0	350,000	0	0	0	350,000	
Growth Point (Dover Sea Sports Centre)	n/a	170,000	0	0	0		170,000	n/a	112,627	57,373	0	0	0	170,000	
Growth Point (Dover Priory)	n/a	50,000	0	0	0		50,000	n/a	50,000	0	0	0	0	50,000	
Growth Point (Aylesham Leisure Project)	n/a	54,033	245,967	0	0		300,000	n/a	19,906	280,094	0	0	0	300,000	
Growth Point (Waterfront - Yorkgate)	n/a	100,000	0	0	0		100,000	n/a	5,000	25,000	0	0	0	30,000	
Growth Point (Waterfront - Yorkgate)-PENDING RECEIPT OF 2010/11 GRANT							0			70,000	0	0	0	70,000	
Growth Point (Waterfront) - PENDING RECEIPT OF 2010/11 GRANT	n/a	0	75,000	75,000	0	0	150,000	n/a	0	75,000	75,000	0	0	150,000	
Mandatory Disabled Facilities Grants	n/a	420,000	348,000	420,000	420,000		1,608,000	n/a	408,000	408,000	420,000	420,000	0	1,656,000	
Coast Protection grants	n/a	233,500	4,900,000	0	121,000	140,000	5,394,500	n/a	63,969	5,069,531	0	121,000	140,000	5,394,500	
DEFRA (Land contamination grant)	n/a	57,431	9,830	0	0		67,261	n/a	55,150	28,666	0	0	0	83,816	
Private Sector Renewals Grant	n/a	1,692,172	1,965,246	0	0		3,657,418	n/a	2,294,688	1,965,246	0	0	0	4,259,934	
CABE (Bleriot Project)	n/a	59,428	0	0	0		59,428	n/a	14,428	0	0	0	0	14,428	
Growth Point (Bleriot Project)	n/a	45,000	0	0	0		45,000	n/a	45,000	0	0	0	0	45,000	
KCC Partnership Funding (Bleriot Project)	n/a	0	0	0	0		0	n/a	45,000	0	0	0	0	45,000	
KCC (Bleriot Project)	n/a	45,000	0	0	0		45,000	n/a	45,000	0	0	0	0	45,000	
Tennis Foundation	n/a	0	400,000	0	0		400,000	n/a	0	400,000	0	0	0	400,000	
KCC (Connaught park)	n/a	52,360	0	0	0		52,360	n/a	53,360	0	0	0	0	53,360	
Sandwich Town Council	n/a	40,000	0	0	0		40,000	n/a	40,000	0	0	0	0	40,000	
Voltage Optimiser (Salix)	n/a	24,770	0	0	0		24,770	n/a	24,770	0	0	0	0	24,770	
							0							0	
Supported borrowing - HRA	n/a	201,000	201,000	201,000	0		603,000	n/a	187,000	201,000	201,000	0	0	589,000	
Supported borrowing - General Fund	n/a	0	0	0	0		0	n/a	0	0	0	0	0	0	
Unsupported borrowing	n/a	0	295,000	0	0		295,000	n/a	0	295,000	0	0	0	295,000	
Other reserves							0							0	
- Special projects reserve	n/a	237,792	247,071	0	0		484,863	n/a	242,272	159,626	0	0	0	401,898	
- On Street Parking Reserve	n/a	0	0	0	0	0	0	n/a	42,299	0	0	0	0	42,299	
							0							0	
<b>Total</b>	<b>14,421,769</b>	<b>9,445,919</b>	<b>15,114,641</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>44,915,329</b>	<b>14,421,769</b>	<b>8,687,555</b>	<b>16,105,682</b>	<b>4,882,000</b>	<b>911,000</b>	<b>140,000</b>	<b>45,148,006</b>	
Other bids for consideration - subject to funding availability		£													
Deal seafront - environmental enhancements		150,000													
Unallocated Compulsory Purchase Orders		87,000													
		237,000													

**HOUSING REVENUE ACCOUNT - CAPITAL WORKS PROGRAMME**

<b><u>CAPITAL WORKS PROGRAMME</u></b>	<b>APPROVED BUDGET 2009/10 £000</b>	<b>OUTTURN 2009/10 £000</b>	<b>PROPOSED BUDGET 2010/11 £000</b>
<b><u>HOUSING REVENUE ACCOUNT SCHEMES</u></b>			
<b>IMPROVEMENTS</b>			
19. Reroofing	334	334	280
20. Replacement Doors and Windows	2	2	25
21. Renewal Heating/Heating Programme	825	825	850
22. Thermal insulation	30	30	10
23. Environmental Improvements (Tenants Compact)			
Dover	2	2	20
Deal	1	1	11
Sandwich	20	20	12
Rural	44	44	7
24. Fire Precautions		0	150
25. Asbestos Programme	24	24	25
26. Structural Repairs	292	292	200
27. Kitchen Programme	1,238	1,238	1,400
28. Rewiring	634	634	650
<b>OTHER SCHEMES</b>			
29. Adaptations for Disabled Persons	775	775	600
30. Sheltered Refurbishments	0	0	0
3. Kitchen Installations - Revenue Funded	99	99	0
<b>TOTAL CAPITAL WORKS PROGRAMME</b>	<b>4,320</b>	<b>4,320</b>	<b>4,240</b>
<b>Financed By:</b>			
Capital Receipts	113	12	155
Major Repairs Allowance	3,242	3,263	3,152
Direct Revenue Financing (HRA)	614	708	732
Supported Borrowing	201	187	201
PCT Grant for Disabled Adaptations	150	150	0
<b>TOTAL CAPITAL WORKS PROGRAMME</b>	<b>4,320</b>	<b>4,320</b>	<b>4,240</b>

## SPECIAL PROJECTS - OUTTURN 2009/10

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Total Approved	Prior Years	Estimate	Actual	Estimate	Future years	Total Revised Budget
	Budget	Exp	2009/10	2009/10	2010/11		
	£	£	£	£	£	£	£
<b>Projects in progress</b>							
Asset Management Planning and Asbestos Surveys	44,200	28,061	0	0	16,139	0	44,200
Corporate Property Maintenance	504,590	411,877	53,713	53,269	39,444	0	504,590
Play Areas - enhancements to strategic sites	306,809	28,538	5,615	5,369	272,902	0	306,809
Play Areas - Clarendon, Dover provision of new site (only to go ahead if S106 funding available)	100,000	0	100,000	0	100,000	0	100,000
A2 Lydden to Dover Improvement Study	1,236	1,200	36	36	0	0	1,236
Control of Asbestos Regulations Works - Corporate Buildings	50,000	12,617	117	185	37,198	0	50,000
Disability Discrimination Act Works - Corporate Buildings	109,000	48,619	10,000	8,575	51,806	0	109,000
Quality Bus Partnership (formerly Kickstart Bus Initiative)	62,500	3,500	11,200	11,199	47,801	0	62,500
Whitfield office moves	254,170	245,708	5,272	4,295	4,167	0	254,170
Operations centre	21,832	21,832	0	0	0	0	21,832
Replacement of defective plant and equipment at leisure centres	7,492	4,122	3,370	2,830	0	0	6,952
Quarterdeck, Deal - feasibility study	37,500	6,750	30,750	30,575	0	0	37,325
CIF 2 Business Case Submission	102,137	0	103,000	102,137	0	0	102,137
<b>Projects approved - previously included in capital programme</b>							
Whitfield Offices: - ESP evaluation	50,000	39,754	0	0	10,246	0	50,000
CRM project - costs	281,587	173,273	31,314	30,747	77,567	0	281,587
DTIZ - consultants and marketing costs (allocation to capital reduced)	40,000	31,851	0	0	8,149	0	40,000
Wind Turbine at Whitfield	3,377	1,558	1,819	1,819	0	0	3,377
<b>Capital projects in capital programme financed from reserve:</b>							
Provision allocated to capital programme to finance capital projects	649,864	407,592	241,963	242,272	0	0	649,864
	<b>2,626,294</b>	<b>1,466,852</b>	<b>598,170</b>	<b>493,307</b>	<b>665,419</b>	<b>0</b>	<b>2,625,578</b>
<b>Projects approved subject to project appraisal</b>							
Provision - possible abortive costs on unsuccessful Aylesham welfare scheme grant application (Cabinet 17 October 2005)	8,430	0	8,430	0	8,430	0	8,430
North Deal - Community based regeneration - Golf Rd/Cannon Str. Deal	0	0	60,466	0	60,466	0	60,466
Tourism - signage (previously included in Interreg bid in capital prog)	0	0	0	0	0	0	0
Major projects	0	0	76,700	0	116,700	0	116,700
Dover Museum lighting	0	0	20,000	0	20,000	0	20,000
<b>New bids for approval to carry out appraisal</b>							
Proposed balance to transfer to capital projects	159,629	0	0	0	159,626	0	159,626
<b>Bids for consideration subject to funding be available</b>							
<b>See below</b>							
<b>TOTAL PROJECTS FINANCED FROM SPECIAL PROJECTS RESERVE</b>	<b>2,794,353</b>	<b>1,466,852</b>	<b>763,766</b>	<b>493,307</b>	<b>1,030,641</b>	<b>0</b>	<b>2,990,800</b>
<b>Less amount financed in previous years</b>							<b>(1,466,852)</b>
<b>BALANCE TO BE FINANCED</b>							<b>1,523,948</b>

Remaining balance in Special Projects reserve	Other bids for consideration - subject to funding availability
Balance at 1 April 2009	1,947,405
Allocated to approved schemes	-1,158,726
Add back Clarendon play area (100K) financed by S106, Whitfield park (£116k), & Victoria Park S106 (£17056)	233,056
Victoria Park - Playbuilder finance	64,565
Victoria Park - Deal Town Council contribution	25,000
Corporate Communication contribution (Play Areas)	5,800
Transfer to Iceland investment reserve	-150,000
Balance currently available for new projects	967,100
New bids received	-365,222
<b>Balance</b>	<b>601,878</b>
	<b>280,000</b>

## **10 Most Frequently Asked Questions**

These Frequently Asked Questions have been assembled to provide the reader of Dover District Council's Accounts with further explanation and guidance.

### **1. Why are the accounts produced?**

The main purpose of a local authority's accounts is to provide electors, residents, those who use the Council's services, Councillors, employees and other interested parties with information about the authority's finances. They should provide information on issues such as:

- What did services cost in the year of the accounts?
- Where did the money come from?
- What were the authority's assets and liabilities at the year end?

### **2. The accounts appear to be very complex. Can't they be simplified?**

Every effort is made to use plain language, and the explanatory forward to the accounts is intended to give the reader a simple explanation of the more significant features of the accounts.

However, the accounts have to comply with local government legislation and regulations, general accounting practice and the "Statement of Recommended Practice" which ensures consistency between local authorities.

Compliance with all these requirements can make the accounts complex. Therefore the Council also produces:

- An "Outturn Report" – this is produced at the same time as the accounts and provides an easy to read narrative of the more significant issues.
- Summarised Accounts – these provide a simple, short summary of the accounts. They are included in the Council's Annual Report and also the Council's web site.

### **3. Why is there a separate "Housing Revenue Account"**

All local authorities that manage their own housing have to set up a Housing Revenue Account (or "HRA").

The HRA is a "ringfenced" account. The purpose is to ensure that the income from housing rents, and the expenditure required to maintain the housing, and the subsidy that the Council has to pay the government from the housing rents, are all kept completely separate from the income and expenditure on other services that are financed from the Council Tax and Revenue Support Grant from government.

#### **4. What is the connection between the accounts and the budget?**

Although they may appear to be completely separate, the accounts and the budget complement each other and are both parts of a continuous process of financial management and control.

These links are demonstrated by the fact that the accounts include a brief comparison with performance against the budget, and they are also taken into account when the Council begins to prepare the next budget.

#### **5. Who prepares the accounts?**

The accounts are prepared by the Council's own staff working in the Finance and ICT Division.

#### **6. When are the accounts prepared?**

Accounts are produced annually. The financial year (for all local authorities) runs from April to March. The draft accounts are then published by the end of June, and the final, audited accounts are published by the end of September.

#### **7. What checks are made to ensure the accounts are correct?**

The draft accounts presented to Governance Committee at the end of June are prepared by trained, qualified staff. However, at this point they will not have been subject to independent checks to assure the reader of their accuracy.

The checks and challenges to the draft accounts are:

- Governance Committee – The Governance Committee comprises Councillors who are not members of the Cabinet. The Governance Committee's role includes approval of the accounts. It acts independently to assure itself that the accounts have been produced on a proper basis.
- Audit Commission – The Audit Commission appoint independent qualified auditors to audit the accounts. They review the accounts themselves and also the Council's procedures and systems for producing the accounts and controlling its finances. If they are satisfied they issue an "unqualified opinion" of the accounts.

In addition, the Council's Internal Audit team operate throughout the year, checking and testing the systems and processes upon which the Council relies in order to produce the accounts. The Internal Audit team are Council employees, but their task is to act independently of the rest of the Council and their work provides part of the assurance required by the Governance Committee.

#### **8. How do I know if the audit of the accounts found any problems?**

In September the Governance Committee receive:

- The final accounts, including the auditors certificate and an explanation of any changes made since the draft accounts were published in June.

- An “Annual Governance Report” from the auditors setting out any matters of concern.

An advert is also placed in local newspapers advising the public of the conclusion of the audit.

### **9. Do I have the opportunity to look at the accounts?**

Yes. Every year an advert is placed in local papers notifying people of the period during which they can inspect the accounts. This year the period is from 8<sup>th</sup> July 2010 to 4<sup>th</sup> August 2010.

### **10. What happens if I think there is something wrong with the accounts?**

Members of the public can object to the accounts. This is explained in more detail in a booklet published in July 2006 by the Audit Commission called “Councils’ Accounts: Your rights: England”. Copies can be obtained from the Audit Commission – their website is [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

Were these notes helpful?

If you have any comments on the accounts, the summary of accounts, these FAQs, or some questions of your own please write to:

Helen Lamb,  
Finance and ICT Division,  
Dover District Council,  
White Cliffs Business Park,  
Dover,  
Kent, CT16 3PJ

Or e-mail [Helen.lamb@dover.gov.uk](mailto:Helen.lamb@dover.gov.uk)



**Statement in Respect of the Statement of Accounts 2009/10 in Support of the  
Certification by the Head of Finance and ICT**

The Statement of Accounts contains a certificate by the Head of Finance and ICT that the accounts present fairly the financial position of the Council.

As Head of Finance and ICT I am responsible for the preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, A Statement of Recommended Practice (the SORP) 2008.

Production of the accounts in accordance with the SORP requires a large number of tasks to be undertaken. These include :

- A detailed closedown plan was prepared, communicated to budget managers as appropriate and used to monitor progress.
- Training and briefing sessions and guidance notes were provided to all budget managers and to the auditors.
- Staff preparing the accounts have attended seminars / briefings with CIPFA and with the auditors.
- Staff preparing the accounts have access to the SORP Practitioners Guidance Notes.
- The Council's financial feeder systems have been reconciled to the General Ledger.
- The General Ledger has been balanced.
- The value of fixed assets in the accounts has been reconciled to the asset register.
- The cash balance in the General Ledger has been reconciled to the Council's bank accounts.
- All significant variances have been explained in the Outturn Report.
- Service expenditure in the Outturn report has been reconciled to the Income and Expenditure Account.
- The entries on the Collection Fund have been reconciled to the Council Tax set by the Council and the other precepting authorities.
- The cash movement on the balance sheet is reconciled.
- The Statement of Total Recognised Gains and Losses has been reconciled to the equity on the balance sheet.

- An analytical review has been undertaken and major variances have been explained.
- The Audit Commission's Final Accounts Protocol has been adopted.

A handwritten signature in black ink, appearing to read 'M. J. Davis'.

Mike Davis  
Head of Finance and ICT

22 June 2010.



**Draft  
Statement  
Of  
Accounts**

**2009/10**

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# EXPLANATORY FOREWORD

## INTRODUCTION

The purpose of this foreword is to offer interested parties a straightforward and understandable guide to the most significant matters reported in these accounts for the year ended 31 March 2010.

The accounts are prepared in accordance with proper practices as set out in the 'Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP)' issued by the Chartered Institute of Public Finance and Accountancy.

A number of changes to the Statement of Recommended Practice (SORP) were introduced with effect from 2009/10. The main changes are as follows:

- Council tax – the SORP now recognises that the Council acts as an agent for the three major precepting bodies (Kent County Council, Kent Police and Kent Fire and Rescue). As such, the accounts now only show the amount owed by and to taxpayers in respect of this Council's proportion of the council tax;
- Non-domestic rates – as with council tax the SORP now recognises that the Council is acting as an agent for the Government. Therefore, the accounts only show a net debtor or creditor in respect of amounts received and paid over to Government;
- Accrued interest – the SORP requires the long-term and current parts of individual financial instruments (loans or investments) to be separated. Therefore, accrued interest on long-term investments is now shown under short-term investments; and
- There is no longer a requirement to include disclosure notes in respect of the building control function, Local Authority (Goods and Services) Act 1970, publicity and Section 137 expenditure under the Local Government Act 1972. The Council has decided to continue to include these notes in part to fulfil statutory requirements to prepare and publish this information.

There have been a couple of amendments to the Accounts and Audit Regulations 2003 as follows:

- Information regarding remuneration has been expanded in order to improve transparency in relation to public sector pay; and
- The Council's responsible financial officer is required to certify that the accounts present a 'true and fair view' and not 'present fairly' as previously.

In the near future wider compliance to international accounting practices will be required. We have reclassified some of the assets previously classified as investment properties as land and buildings in preparation for the introduction of International Financial Reporting Standards from 1 April 2010.

Any changes to other notes have been explained within the accounts.

The Council's accounts consist of:

- **Statement of Responsibilities** (page 11) - this outlines the responsibilities of the Authority and the Head of Finance and ICT with respect to the Statement of Accounts.

- **Statement of Accounting Policies** (page 13) - this explains the basis of the figures used in the accounts. The accounts can only be properly understood if the accounting policies, which have been followed in dealing with material items, are explained. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- **Income and Expenditure Account** (page 23) - this Statement is fundamental to the understanding of a local authority's activities in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides segmental accounting information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the local authority as a whole. When added to the net cost of services these give the local authority's net operating expenditure.

The third section shows the income from local taxation and general Government grants in the period, to give the net deficit or surplus for the year. However, this is an accounting surplus or deficit and includes the costs of depreciation and 'impairments' (the fall in value of assets). The financial surplus or deficit for the year is then contained within the Statement of Movement on the General Fund Balance.

- **Statement of Movement on the General Fund Balance** (page 24) - the Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the General Fund are determined by statute and non-statutory proper practices rather than being in accordance with Generally Accepted Accounting Principles (UK GAAP). This Statement shows the movements that must be taken into account in determining a local authority's budget requirement and in turn its council tax demand.

- **Statement of Total Recognised Gains and Losses** (page 25) - not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded, as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period and these are included in a Statement of Total Recognised Gains and Losses.
- **Consolidated Balance Sheet** (page 26) - this statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

- **Cash Flow Statement** (page 28) - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this Statement, as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Housing Revenue Account** (page 75) - the Council is required by law to account separately for the provision of housing. This account shows the major elements of housing income and expenditure (repairs and maintenance, administration and capital financing costs) and how these are financed by rents and other income.
- **Collection Fund** (page 82) - this shows the transactions of the Council relating to the collection of council tax and non-domestic rates and the way in which these have been distributed to precepting authorities.
- **Annual Governance Statement** (page 87) - the Annual Governance Statement is included alongside the accounting statements. It sets out the conclusions of the Council's review of internal control for 2009/10 as required by the Accounts and Audit Regulations and follows the guidance on best practice: Delivering Good Governance in Local Government issued by CIPFA in 2007. The Annual Governance Statement describes the Council's governance framework and reviews its effectiveness.

Various notes to the accounts are included to support these Statements.

## SUMMARY OF THE 2009/10 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Its spending is split between revenue (as shown in the Income and Expenditure Account) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from council tax, non-domestic rates, Government grants, fees and charges and other income. 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.

### Income and Expenditure Account for 2009/10

The Council's gross cost of services in 2009/10 was £82m, with gross service income of £70m leading to net expenditure of £12m. However, the expenditure includes a number of capital accounting adjustments including impairments, the loss of value in assets, and reversal of prior year impairments over the last year that are not chargeable to the council tax payer. The Income and Expenditure Account provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

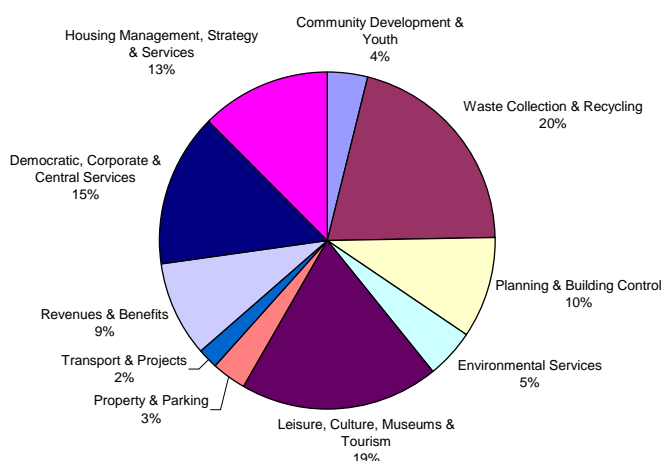
### Net expenditure on services 2009/10

	2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure
	£000s	£000s	£000s
Community development and youth	1,091	(436)	655
Waste collection and recycling	4,428	(864)	3,564
Planning and building control	2,488	(854)	1,634
Environmental services	962	(134)	828
Leisure, culture, museums and tourism	4,515	(1,264)	3,251
Property and parking	3,352	(2,771)	581
Transport and projects	301	0	301
Revenues and benefits	44,478	(42,917)	1,561
Democratic, corporate and central services	3,661	(1,150)	2,511
Housing strategy and services	3,636	(1,487)	2,150
	<hr/>	<hr/>	<hr/>
	68,912	(51,877)	17,036
Local Authority Housing (HRA) <sup>1</sup>	16,797	(17,679)	(882)
Exceptional item – revaluation gain <sup>1</sup>	(4,144)	0	(4,144)
<b>Total</b>	<hr/> <b>81,565</b>	<hr/> <b>(69,556)</b>	<hr/> <b>12,010</b>

<sup>1</sup> Local Authority Housing and the Exceptional item (revaluation gain) have been excluded from the chart below:



## PERCENTAGE ALLOCATION OF EXPENDITURE



## Revenue Financing

Revenue financing of £18.4m came from:

	£000s	%
Council tax (1)	7,904	43.1
Revenue Support Grant (2)	1,906	10.4
Non-domestic rates (3)	8,258	44.9
Area Based Grant (4)	170	0.9
Housing and Planning Delivery Grant (5)	73	0.4
Local Authority Business Growth Incentive Grant (6)	46	0.3
<b>Total</b>	<b>18,357</b>	<b>100.0</b>

- (1) Council tax is paid by the residents of the district to the Council. However, only 14.0% of the council tax collected is retained by the district, of which 10.9% is for its own use as 3.1% is to meet the precepts of the various town and parish councils. 71.8% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) Non-domestic rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government for redistribution.
- (4) Area Based Grants are non-ring fenced grants paid direct to the Authority.
- (5) Housing & Planning Delivery Grant was established to reward local authorities for improved delivery of housing and other planning outcomes.
- (6) Local Authority Business Growth Incentives give local authorities an opportunity to encourage local business growth by rewarding qualifying businesses with a non ring fenced grant.

## General Fund

The General Fund original budget forecast a deficit of £23k. During the year additional approvals were given for carry forward of unspent budget items from 2008/09, expenditure on the job evaluation process and a supplementary approval to cover pressures on income streams experienced in the year. This resulted in an approved budget deficit of £420k.

The budget monitoring report to March 2010 projected a deficit of £538k. The final outturn shows a deficit on the General Fund balance of £163k and with carry forwards £285k the underlying outturn is a deficit of £448k which is £23k over the total approved budget and £90k below the projected outturn position. This gives an underlying General Fund balance of £1.9m.

### **The Housing Revenue Account**

The Council maintains a housing stock of around 4,471 houses and flats. The income and expenditure from this account is included in the Income and Expenditure Account, but is also reported separately from the General Fund and is maintained in an account called the 'Housing Revenue Account' (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved an increase in the HRA balance of £512k in 2009/10 compared to the original budget that forecast an increase of £463k. The main reasons for these variances are as follows:

- A reduction in dwelling rents due to the Government revision of the inflationary rate applied to rents. This reduction was offset by a similar reduction in the negative subsidy payable;
- A significant reduction in repairs and maintenance spend due to a significant reduction in void repairs and a reduction in the volume of response maintenance calls;
- A substantial reduction in supervision and management costs resulting from the closure of the five sheltered schemes previously agreed to be disposed of, the transfer of our Careline activities to Shepway District Council and the transfer of the Gateway freehold. There was also a reduction in income for the same reasons although this was significantly lower than the cost saving;
- Rent rebate subsidy limitation was incurred due to exceeding the limit rent calculated by the subsidy system and was mainly due to the effects of the closure of the five sheltered schemes;
- Revenue Financing of Capital Expenditure required to balance the funding of capital spend on HRA properties (including Decent Homes Expenditure) after allowing for funding from other sources including the Major Repairs Reserve and a grant from the PCT for disabled adaptation works; and
- In addition there was a £4.1m gain on revaluation of dwellings, offset by £1.6m impairment on sheltered housing properties. This is an accounting adjustment, is offset in the Statement of Movement on the HRA Balance and does not constitute a real variance.

### **Investment in Major Projects**

The Council invested £8.69m in major projects in 2009/10, the most significant of which were:

- Investments of £0.7m in respect of works to progress the development of Dover Town Investment Zone and the surrounding

area (this includes circa £191k in respect of Dover Sea Sports Centre);

- £4.3m for Housing Revenue Account property projects, particularly towards achieving the Government's Decent Homes standard by 2010;
- £2.3m on grants and loans for private sector housing;
- £102k on improvements to Sandwich Quay public conveniences;
- £103k on the redevelopment of Connaught Park play area;
- £150k on the refurbishment of the Bleriot Memorial; and
- The remainder has been spent on a number of smaller projects.

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

- £3.5m grants from external bodies including SEEDA, HCA and other government departments;
- £3.2m Major Repairs Allowance grant from the Government;
- £684k capital receipts;
- £708k funding from Direct Revenue Financing - HRA; and
- £242k funding from the Special Projects Reserve.

Overall the capital programme is within budget; however, a declining trend in council house sales continues to limit the Council's ability to finance new projects.

### **Treasury Management**

The Council is pro-active in its cash management and in September 2002 it adopted the CIPFA Code of Practice on Treasury Management.

At 31 March 2010 the Council had over £15m managed by the Council's fund manager, Investec and investment balances and day-to-day cash balances that it manages in house. These averaged over £6m in 2009/10.

The Council has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank and, due to significant pressure on cash flow at the end of March, the Council also held a temporary 28 day loan for £10m.

The Council retains the services of Sector as treasury management advisers and they provide market intelligence, economic forecasts, fund managers' performance reports, debt re-scheduling services, opportunities for borrowing and ad-hoc advice.

The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover up to 95% of its £1m investment. However, the situation remains uncertain and the extent and timing of recovery cannot be guaranteed. An Icelandic Investment Reserve of £450k has therefore been established to ensure adequate provision for any losses until there is more certainty. The accounts include an impairment, calculated in accordance with guidance from CIPFA, reflecting the potential loss of capital and interest.

## 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	2009 £000s	2010 £000s
Value of land, property and other assets	307,360	313,127
Investments held and cash at bank	25,498	25,179
Money owed to DDC for goods and services	4,988	12,818
Loans owed to DDC (short and long-term)	1,212	1,768
Money owed by DDC for goods and services	(8,918)	(9,005)
Loans owed by DDC (short and long-term)	(10,731)	(20,443)
Grants for assets received but not yet used	(17,817)	(17,398)
Share of pension scheme liabilities owed by DDC	(48,620)	(76,180)
<b>Total Assets less Total Liabilities</b>	<b>252,972</b>	<b>229,866</b>
<b>Financed by:</b>		
Distributable reserves <sup>1</sup>	(15,060)	(15,092)
Non-distributable reserves <sup>2</sup>	(237,912)	(214,774)
<b>Net Worth of Council</b>	<b>(252,972)</b>	<b>(229,866)</b>

<sup>1</sup>Distributable reserves are made up of:

Capital receipts	(939)	(756)
Revenue balances	(9,806)	(10,155)
Other earmarked reserves	(4,315)	(4,181)
	<b>(15,060)</b>	<b>(15,092)</b>

<sup>2</sup>Non-distributable reserves mainly comprise upwards revaluations of assets from their original purchase value and the pensions reserve.

## Use of Resources

The Council's auditor publishes an annual assessment on the Council's use of resources. The 2009 judgement concluded that the Council was performing at level 2 out of 4, which the Audit Commission describe as 'Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively'.

# **STATEMENT OF RESPONSIBILITIES**

## **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 responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). (In this authority, that officer is the Head of Finance and ICT);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## **THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES**

The Head of Finance and ICT is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the code of practice').

In the preparation of this Statement of Accounts the Head of Finance and ICT has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Accounting Code of Practice;
- Kept proper accounting records which were up to date;
- Ensured reasonable steps were taken for the prevention and detection of fraud and other irregularities; and
- Gained appropriate assurance over the accuracy of the Statement of Accounts prior to approval.

## **HEAD OF FINANCE AND ICT'S CERTIFICATE**

I certify that the accounts, as set out, give a true and fair view of the financial position of the Council at 31 March 2010.

**Mike Davis CPFA**  
Head of Finance and ICT  
30 June 2010

**Acceptance of Accounts**  
**By Chairman of the Governance Committee**

**Councillor David Mayes**  
30 June 2010

**Independent Auditor's Report to Members of Dover District Council**

**Opinion on the Financial Statements**

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*REPORT AND CERTIFICATE TO BE SUPPLIED BY THE AUDITORS  
AT THE CONCLUSION OF THE AUDIT.*

# STATEMENT OF ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2009/2010

## GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2010. The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (The SORP). The Code is based on approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS's) approved by the Accounting Standards Board and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is an historical cost basis modified by the revaluation of certain categories of assets.

## QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

- **Relevance** - in accordance with FRS 18, Accounting Policies, 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, without material error and have been prepared in a prudent manner.
- **Comparability** - the Statement of 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 Authority's stewardship and economic decisions.

## ACCOUNTING CONCEPTS

- **Going Concern** - the Statement of Accounts have been prepared on a going concern basis, on the assumption that the Council will continue in operational existence for the foreseeable future.
- **Accruals** - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash 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.

## **ACCRUALS OF INCOME AND EXPENDITURE**

Debtors and creditors at the year-end are accrued in compliance with FRS 18 ensuring income and expenditure is accounted for in the period to which it relates. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## **VALUE ADDED TAX**

VAT is accounted for separately and is not included in the Income and Expenditure Account, whether of a capital or revenue nature. Input VAT which is not recoverable from HM Revenue and Customs will be charged to revenue accounts or added to capital expenditure as appropriate. The Council's partial exemption status is generally reviewed on an annual basis.

## **EXCEPTIONAL ITEMS**

The Council accounts for exceptional items in accordance with FRS 3.

## **FIXED ASSETS**

Fixed assets are recognised when payments are made to acquire new assets, when expenditure is incurred that enhance the value of existing assets and when assets under construction are certified as completed during the year following additional cost to achieve completion.

Expenditure on assets that remain work in progress at the end of the financial year is recorded as assets under construction.

All expenditure on fixed assets are capitalised on an accrual basis.

The Council re-values its property assets on a five year rolling programme.

## **INTANGIBLE FIXED ASSETS**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. Intangible fixed assets are included in the Balance Sheet at historic cost. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## **TANGIBLE FIXED ASSETS**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously



assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value;
- Non-operational assets, including investment properties (properties held by an authority but not directly occupied, used or consumed in the delivery of services) and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value; and
- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.

Revaluations of fixed assets are undertaken on a 5-year rolling programme. Material changes to asset valuations will be adjusted in the interim period as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Most of the Council's assets are re-valued as at 1 April, with a year-end review to identify any material changes or impairments. For Council dwellings and garages the revaluation is now undertaken as at 31 December and this valuation is valid for three months, to the 31 March. At year-end the valuation is reviewed to confirm that the December valuation is still acceptable. Should there be a material change in valuation the accounts will be adjusted.

**Impairment:** the values of each category of assets and of material individual assets are reviewed for impairment within each financial year if events or changes in circumstances indicate that the carrying value may not be recoverable. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in one of two ways:

- Where attributable to the clear consumption of economic benefits (e.g. through physical damage or deterioration), the loss is charged to the relevant service revenue account; or
- Other impairments (e.g. reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or de-commissioned, the value of the asset and the income from the sale are both charged to the Income and

Expenditure Account which, therefore, bears a net gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts in excess of £10,000 are categorised as capital receipts.

Generally a proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Interest on Capital Receipts is credited to the General Fund. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. The loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account and then recorded in the Statement of Movement on the General Fund Balance.

## **DEPRECIATION**

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policies:

- Newly acquired assets are depreciated in the year of acquisition and assets in the course of construction are depreciated when they are brought into use; and
- Depreciation is calculated using the straight-line method over the following periods:

Buildings	Up to 80 years
Infrastructure	Up to 40 years
Plant and equipment	Up to 12 years
Motor vehicles	Up to 10 years
Intangible assets	Up to 5 years

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

## **CHARGES TO REVENUE FOR FIXED ASSETS**

Revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation and so these charges are subsequently removed via the Statement of Movement on the General Fund Balance.

## **REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE**

Revenue expenditure charged to capital under statute represents expenditure which may be capitalised under statutory provisions, but does not represent tangible fixed assets on the Balance Sheet. Revenue Expenditure Charged to Capital under Statute has been written off as expenditure to the relevant revenue expenditure account in the year.

## **GOVERNMENT GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, Government grants, third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **SECTION 106 CONTRIBUTIONS**

The Council receives funds from property developers to provide community and infrastructure assets as part of the development. These funds are held for periods of time as specified within the planning consent and used to provide and or maintain those assets. See note 17 for further details.

## **RESERVES**

### **Earmarked Reserves**

The Council sets aside specific amounts as reserves for future planned purposes or to cover unforeseen circumstances. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against council tax for the expenditure.

### **Technical Reserves**

Certain reserves are kept to manage the accounting processes for tangible fixed assets, Collection Fund accounting and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies in these accounts.

## **LEASES**

The Council, operating as a lessee, has the following policies:

### **Operating Leases**

Rentals payable under operating leases are charged to revenue services on a straight-line basis over the term of the lease.

### **Finance Leases**

The Council has no finance leases.

## OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are recharged to all their users, including services to the public, capital projects, services under Agency agreements and other support services.

The costs of the Corporate and Democratic Core and unapportionable central overheads have been accounted for separately and are not recharged to the cost of services.

## PENSION COSTS

### Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council (KCC). The scheme provides defined benefits to members (retirement lump sums and pensions).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate as advised by the scheme actuaries.
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – average of the bid and offer rates; and
  - Property – market value.
- The change in the net pensions liability is analysed into seven components:
  - **Current service cost** – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
  - **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account;
  - **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
  - **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an

- average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account;
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
  - **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses; and
  - **Contributions paid to the Kent County Council pension fund** – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

## **FINANCIAL INSTRUMENTS**

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

Debtors and creditors are measured at fair value and are carried in the balance sheet at amortised cost (i.e. after appropriate provisions for non-recovery).

Investments are broken down in two ways by maturity:

- If an investment matures within 364 days of the Balance Sheet date it is classed as short-term; or
- If an investment matures after 364 days it is classified as long-term.

Investments are also broken down by:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, these are measured at fair value and carried on the Balance Sheet at amortised cost.
- Available for sale assets – assets that have a quoted market price and do not have fixed or determinable payments. These are measured and carried on the balance sheet at amortised cost using determinations from our fund manager.

The SORP identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations;
- (b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments; and
- (c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The SORP requires authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in the notes to the Core Financial Statements.

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. The notes include an age analysis of overdue debtors at the Balance Sheet date; in addition, a provision for bad debts is also included.

## **PROVISIONS**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## **STOCKS**

Stocks are included in the Balance Sheet at the lower of cost or net realisable value.

## **FOREIGN CURRENCY**

FRS 13 is not complied with since the amounts involved are immaterial.

## **CONTINGENT LIABILITIES / ASSETS**

Contingent liabilities/assets are defined as possible obligations/(benefits) that arise from past events and whose existence will be confirmed only by the

occurrence of one or more uncertain future events not wholly within the Council's control.

## **GROUP ACCOUNTS**

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

This Council has determined that it has no interests in subsidiaries, associates or joint ventures.

## **COLLECTION FUND – CHANGES OF ACCOUNTING POLICY**

### **Council Tax – Balance Sheet**

In accordance with SORP 2009, Dover District Council only includes within its Consolidated Balance Sheet its own share of council tax payers' arrears, prepayments and provision for bad or doubtful debts. Additionally, SORP 2009 recognises that there is a net cash surplus or deficit arising from council tax transactions on the Collection Fund, which sits within Dover District Council's bank balances and, therefore, within its Balance Sheet. As a result, the Council now includes an additional creditor or debtor to show the portion of the Cash surplus or deficit that is either owed to or due from the major preceptors.

These changes have arisen under SORP 2009 to recognise that the billing authority (i.e. Dover District Council) acts as an agent of the major precepting authorities in collecting their shares of council tax. The net balance on the Collection Fund, which consists of the debtor, creditor and cash balances mentioned above, is effectively owed to the major preceptors in proportion to their precepts on the Fund. Therefore all major preceptors are now required to reflect their own shares of these balances within their separate annual financial statements. This is a change from prior years, when the full values of these balances were included within the billing authority's balance sheet only (i.e. Dover District Council). This has resulted in the need to restate the 2008/09 comparatives (see "Prior Year Adjustments" note 63 to the core Financial Statements).

The split of the Collection Fund Balance Sheet between the major preceptors is shown within the Supplementary Statements on page 82.

Under SORP 2009, the Council's share of the Collection Fund surplus is no longer shown as a distributable revenue reserve, and the 2008/09 figure has been removed from the Balance Sheet. Instead, various adjustments are made through a separate Collection Fund Adjustments Account in the Balance Sheet, in order to incorporate the revised treatment in the Income and Expenditure Account and Statement of Movement on the General Fund Balance (SMGFB). The Council Tax Adjustments Account is a non-distributable reserve in the Balance Sheet, and the 2008/09 figures have been restated to include it.

## **Council Tax – Income & Expenditure Account**

SORP 2009 requires the Council to show council tax income within its Income and Expenditure Account on the following basis:

- The Council's demand on the Collection Fund,
- Plus or minus: the Council's attributable share of the carried-forward surplus/deficit on the fund at the year-end, and
- Adjusted for the Council's share of the surplus/deficit on the fund at the preceding year-end that has not been distributed/recovered in the current year.

Previously, the Income & Expenditure Account showed the Council's demand on the Collection Fund plus its share of any surplus actually distributed in the year. However, under SORP 2009, a further adjustment is made within the Statement of Movement on the General Fund Balance, which effectively adjusts the council tax income back to the "regulatory amount" (i.e. the Council's demand on the Collection Fund plus its share of any surplus actually distributed). While this change of policy requires a restatement of the 2008/09 comparatives, the total values of the changes arising in the affected Statements are not significant (less than £25k). See "Prior Year Adjustments" note 63 to the core Financial Statements.

## **Council Tax –Statement of Total Recognised Gains and Losses (STRGL)**

Under SORP 2009, the Council's share of the increase in the closing Collection Fund balance is no longer reflected through the STRGL. This requires the restatement of the prior year comparatives, which is not significant in value (less than £25k). See "Prior Year Adjustments" note 63 to the core Financial Statements.

## **NDR – Balance Sheet**

SORP 2009 also requires the Council to aggregate all NDR balances into a single net creditor owed to central Government or a single net debtor due from it. This single aggregate figure includes the NDR payers' arrears, prepayments and provision for bad or doubtful debts, and the separate over/under payment in relation to the "NDR contribution to pool".

This new treatment recognises that any balances relating to NDR payers are effectively assets and liabilities of the Government rather than the billing authority (i.e. Dover District Council). The billing authority acts as an agent for the Government and receives a "cost of collection" administration allowance from the Government for doing so. This is a change from prior years, when the full value of the NDR payers' balances were included as separate assets and liabilities owed directly to or by the billing authority in its balance sheet. This has resulted in the need to restate the 2008/09 comparatives (see "Prior Year Adjustments" note 63 to the core Financial Statements).



## CORE FINANCIAL STATEMENTS

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This Account includes both General Fund and Housing Revenue Account activities and summarises the resources that have been generated and consumed in providing services and managing the Council during the last year on continuing operations (see note 2). It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2008/09 Net Expenditure		2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure
£000s		£000s	£000s	£000s
	On its services the Council spent:			
1,295	Central services to the public	11,221	(10,113)	1,108
13,722	Cultural, environmental, regulatory and planning services	15,972	(4,366)	11,606
272	Highways, roads and transport services	2,733	(2,558)	175
(1,432)	Local Authority Housing (HRA)	16,797	(17,679)	(882)
22,959	Exceptional item – impairment/ (revaluation gain) of HRA stock	(4,144)	0	(4,144)
1,573	Other housing services	36,689	(34,459)	2,230
1,659	Corporate and Democratic Core	2,254	(380)	1,874
700	Non distributed costs	43	(2)	41
<b>40,748</b>	<b>Net Cost of Services</b>	<b>81,565</b>	<b>(69,557)</b>	<b>12,008</b>
(13)	(Gain) or loss on disposal of fixed assets			78
207	Loss on financial assets (note 52)			169
	Amounts due to precepting authorities:			
1,676	Town and parish councils (page 84)			1,731
50	River Stour Drainage Board (note 4)			60
0	Total net (surplus) or deficit on trading operations			0
426	Interest payable and similar charges (note 40)			412
299	Amounts payable to Housing Capital Receipts Pool (note 36)			451
(1,417)	Interest and investment income			(491)
2,630	Pensions interest cost and expected return on assets (note 37)			3,545
(23)	Exceptional item (note 5)			(756)
<b>44,583</b>	<b>Net Operating Expenditure</b>			<b>17,207</b>
	Demand on the Collection Fund:			
(7,584)	Council tax income (page 82)			(7,939)
(1,365)	General government grants (note 46)			(2,195)
(8,877)	Non-domestic rates redistribution (note 46)			(8,258)
<b>26,757</b>	<b>Total (Surplus) Deficit for the Year</b>			<b>(1,185)</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

Restated 2008/09 £000s		2009/10 £000s
26,758	Deficit for the year on the Income and Expenditure Account	(1,185)
<u>(26,422)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (note 1)	<u>1,348</u>
<b>336</b>	(Increase)/decrease in General Fund Balance for the year	<b>163</b>
<u>(2,696)</u>	General Fund Balance brought forward	<u>(2,360)</u>
<b><u>(2,360)</u></b>	<b>General Fund Balance carried forward</b>	<b><u>(2,197)</u></b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits:

Restated 2008/09 £000s		2009/10 £000s
26,757	(Surplus)/deficit on the Income and Expenditure Account for the year	(1,185)
1,578	(Surplus)/deficit arising on revaluation of fixed assets	(2,515)
(193)	(Surplus)/deficit arising on revaluation of available for sale financial assets	28
7,990	Actuarial (gains)/losses on pension fund assets and liabilities	26,797
(2)	Collection Fund adjustments	0
64	Any other gains and losses required to be included in the STRGL	(20)
<b>36,194</b>	<b>Total Recognised (Gains)/Losses for the Year</b>	<b>23,105</b>

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

Restated as at 31 March 2009 £000s		Note	As at 31 March 2010	
			£000s	£000s
62	<b>Intangible fixed assets</b>	19		23
	<b>Tangible fixed assets</b>	20-22		
	<b>Operational assets:</b>			
235,407	Council dwellings		237,996	
49,183	Other land and buildings		51,025	
1,194	Vehicles, plant and equipment		1,194	
8,118	Infrastructure assets		7,842	
447	Community assets		422	
				298,479
	<b>Non-operational assets</b>			
9,540	- Land and buildings		12,037	
2,916	- Assets under construction		826	
494	- Other assets		1,761	
				14,624
<b>307,361</b>	<b>Total fixed assets</b>			<b>313,126</b>
1,600	Long-term investments	39		14
999	Soft loans	42		1,579
721	Long-term debtors	27		729
<b>310,681</b>	<b>Total long-term assets</b>			<b>315,448</b>
	<b>Current assets:</b>			
155	Stock and work in progress	28	128	
6,273	Debtors	29	14,271	
(1,950)	Provision for bad and doubtful debts	29	(2,120)	
23,535	Investments	39	25,165	
363	Cash at bank	55	0	
				37,444
	<b>Current liabilities:</b>			
(3,626)	Short-term borrowing	39	(10,127)	
(7,090)	Creditors	30	(7,080)	
(1,828)	Receipts in advance		(1,925)	
0	Bank overdraft		(3,213)	
				(22,345)
<b>326,513</b>	<b>Total assets less current liabilities</b>			<b>330,547</b>
(7,105)	Long-term borrowing	39	(7,103)	
(17,817)	Capital contributions deferred	26	(17,398)	
0	Provisions	32	0	
(48,620)	Liability related to defined benefit pension scheme	59	(76,180)	
				(100,681)
<b>252,971</b>	<b>Total assets less liabilities</b>			<b>229,866</b>

Restated as at 31 March 2009 £000s		Note	As at 31 March 2010	
			£000s	£000s
	<b>Financed by:</b>			
(278,904)	Capital adjustment account	35		(282,018)
(7,761)	Revaluation reserve	34		(10,103)
(193)	Available for sale reserve	40		(164)
484	Financial instruments adjustment account	40		1,520
(154)	Collection Fund adjustment account			(189)
(3)	Deferred capital receipts	31		(1)
48,620	Pensions reserve	59		76,180
(340)	Major repairs reserve	45		(319)
(939)	Usable capital receipts reserve	36		(756)
(3,975)	Earmarked reserves	45		(3,861)
	Revenue balances	47		
(2,360)	- General Fund		(2,197)	
(7,446)	- Housing Revenue Account		(7,958)	
				(10,155)
<u>(252,971)</u>	<b>Total Equity</b>			<u>(229,866)</u>

## CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes:

Restated 2008/09 £000s		2009/10 £000s	£000s
<b>REVENUE ACTIVITIES</b>			
Cash outflows:			
16,044	Cash paid to and on behalf of employees	17,778	
25,237	Other operating cash payments	33,233	
17,365	Housing benefit paid out	21,183	
31,358	Non-domestic rate payments to national pool	35,120	
2,051	Precepts paid	1,791	
299	Payments to the Capital Receipts Pool	451	
139,864			109,556
Cash inflows:			
(6,903)	Rents (after rebates)	(6,857)	
(7,527)	Council tax receipts	(8,194)	
(8,877)	Non-domestic rates received from national pool	(8,258)	
(32,195)	Non-domestic rate receipts	(29,755)	
(1,236)	Revenue Support Grant	(1,906)	
(15,110)	DWP grants for housing benefits	(21,069)	
(20,180)	Other Government grants (note 54)	(12,030)	
(7,798)	Cash received for goods and services	(7,087)	
(543)	Other operating cash receipts	(9,367)	
(140,242)			(104,523)
<b>(378)</b>	<b>Revenue Activities Net Cash Flow</b>		<b>5,033</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Cash outflows:			
427	Interest paid	413	
Cash inflows:			
(1,524)	Interest received	(409)	
(1,097)			4
<b>CAPITAL ACTIVITIES</b>			
Cash outflows:			
6,879	Purchase of fixed assets	5,141	
1,431	Other capital cash payments	3,156	
Cash inflows:			
(641)	Sale of fixed assets	(961)	
(1,938)	Capital grants received	(2,552)	
0	Other capital cash receipts	0	
4,256	<b>Net cash (inflow)/outflow before financing</b>		4,784
<b>MANAGEMENT OF LIQUID RESOURCES (note 57)</b>			
(5,211)	Net increase/(decrease) in short-term term deposits	1,833	
2,506	Net increase/(decrease) in other liquid resources	(1,578)	
			255
<b>FINANCING</b>			
Cash inflows			
0	New loans raised		
(1,496)	New short-term loans	(6,500)	
55	<b>Net (Increase)/Decrease in Cash</b>		(6,500)
			<b>3,576</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCES

Restated 2008/09 £000s	Note	2009/10 £000s	2009/10 £000s
<b>26,758</b>			<b>(1,185)</b>
<b>(Surplus) or deficit for year in the Income and Expenditure Account</b>			
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
(25)	Amortisation of intangible fixed assets	19	(30)
(26,569)	Depreciation and impairment of fixed assets	22	1,264
	Excess depreciation charged to the HRA over	Page	
774	Major Repairs Allowance	77	1,085
254	Capital Contributions Deferred and amortisation	26	254
	Revenue Expenditure Funded from Capital under		
(279)	Statute	33	(333)
13	Net (gain) or loss on sale of fixed assets		(78)
154	Share of Collection Fund Surplus for current year		189
	Removal of prior year residual Collection Fund		
(177)	surplus		(154)
	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early		
(311)	repayment of debt		(1,036)
	Net charges made for retirement benefits in		
(4,490)	accordance with FRS 17	37	(4,708)
<b>Additional items required by statute in determining the Movement on the General Fund Balance</b>			
0	Statutory provision for repayment of debt		0
289	Capital expenditure charged in-year	22	718
	Transfer from Usable Capital Receipts to meet		
(299)	payments to the Housing Capital Receipts Pool	36	(451)
	Employer's contributions payable to the pension		
3,760	fund and retirement benefits direct to pensioners	37	3,945
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance</b>			
797	Statutory transfer of HRA balance	Page 76	512
	Net transfer to or (from) earmarked reserves:		
(149)	From Local Development Framework Reserve	45	(73)
(314)	From Special Projects Reserve	45	(245)
	From Housing and Planning Delivery Grant		
(194)	Reserve	45	(30)
343	Other transfers to earmarked reserves	45	519
<b>(26,423)</b>	<b>Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year</b>		<b>1,351</b>
<b>335</b>	<b>Increase in General Fund Balance for the year</b>		<b>163</b>
(2,696)	General Fund Balance brought forward		(2,361)
<b>(2,361)</b>	<b>General Fund Balance carried forward</b>		<b>(2,198)</b>

## **2. ACQUIRED OR DISCONTINUED OPERATIONS**

On 1 September 2009, the management of the Human Resources facility of the Council was passed to a Shared Service Partnership in conjunction with Canterbury City Council, Shepway District Council and Thanet District Council.

The business plan for the Partnership indicated that there would be £2m savings across the partners in the first five years of operation.

The Partnership is hosted by Dover District Council, and the guiding body is the HR Strategic Board which comprises one representative from each of the councils plus the Head of the Partnership. As Dover is the host, all of the EKHRP costs will pass through DDC's Income and Expenditure account, as will the charges to the other partners. In a full year it is expected that the costs of the Partnership are likely to be £1.93m, with charges to the partners of £1.57m.

In 2009/10, costs of £1.19m, with a recovery from our partners of £0.94m have passed through the General Fund Income and Expenditure Account.

Included in the 2009/10 figures are the one-off initial set-up costs (£618k in total, of which our partners contributed £464k).

## **3. EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

This is detailed in the explanatory foreword of this Statement.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with Generally Accepted Accounting Practice, the movement on the General Fund Balance is also an important aspect of the Council's stewardship and indicates the level of General Fund balances actually available to the Council.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are included in the Statement of Movement on the General Fund Balance.

## **4. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY**

In accordance with the Internal Drainage Boards (Finance) Regulations 1991, the Local Government (Finance) Act 1988 and the Land Drainage Act 1991, the River Stour (Kent) Internal Drainage Board is empowered to make a Special Levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage District.

Authorities are required under the Local Government (Finance) Act 1988, to provide the revenue from the non-agricultural sector prior to 1 April 1990. The Levy for 2009/10 was £60k (£50k in 2008/09).



## 5. EXCEPTIONAL ITEM (VAT)

Following the decision by the House of Lords in the Fleming and Condé Nast case, the Council has made several claims to HMRC in respect of VAT paid over during the period 1973 to 1997, which was subsequently deemed to have been collected by HMRC in error. Claims in respect of cultural services and cemeteries have been agreed and settled during 2009/10 totalling £441,668. HMRC have also paid over £346,063 being interest due on these overpayments. From this income, an amount of £31,509 has been paid to professional advisors who assisted in submitting the claims. Therefore a net £756,222 has been reported as an exceptional item in the Income and Expenditure Account.

## 6. SIGNIFICANT TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Accordingly, the trading operations listed below all form an integral part of the total cost of particular services and are included within the Net Cost of Services, rather than being shown separately on the Income and Expenditure Account as trading undertakings. Details of those operations with a turnover of expenditure greater than £300k and/or surplus (or deficit) greater than £30k are as follows:

2008/09 Surplus/ (deficit) £000s	Trading Service	Note	Expenditure £000s	2009/10 Income £000s	2009/10 Surplus/(deficit) £000s
950	Car parks – surface paying	(a)	588	1,405	817
(117)	White Cliffs Careline	(b)	10	12	2
(68)	Miscellaneous properties	(c)	358	243	(115)

- (a) The Council operates 44 off-street car parks in the towns and villages of the District (of these, 16 are free car parks, the costs of which are excluded from the above data). Included in these 44 car parks is the closed multi-storey car park plus one other which is managed on behalf of a third party. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (b) The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and back up to people in need. It is now operated in partnership with Shepway District Council, with Shepway as the lead authority.

- (c) The Council owns a range of properties and land that are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so that the exclusion of capital charges have resulted in a lower deficit being shown in the accounts. As a result, the accounts for Miscellaneous Properties show a deficit of £115k that would be increased to £124k if the cost of capital charges had been made.

## 7. PUBLICITY EXPENDITURE

In accordance with Section 5 of the Local Government Act 1986 the Council is required to disclose total spending on publicity for the year:

	2008/09 £000s	2009/10 £000s
General publicity	210	101
Tourism initiatives	69	79
Tourist information centres	110	81
Recruitment advertising	58	15
<b>Total</b>	<b>447</b>	<b>276</b>

## 8. LEASES PAYABLE

The Council uses IT equipment, car parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £64k (£66k in 2008/09).

### Leasing

Under the Local Government and Housing Act 1989 finance leases used to purchase fixed assets such as vehicles and equipment count as credit arrangements. As such they are subject to capital controls and require resource cover.

This Council therefore does not utilise this facility but chooses to use an operational lease facility. This does not permit the Council to own the goods at any time and therefore they are not subject to capital controls.

### Operating Leases

As at 31 March 2010 the Council was committed to making payments of £114k under operating leases in future financial years:

Vehicles, Plant  
and Equipment  
£000s

Leases expiring in 2009/10	0
Leases expiring between 2010/11 and 2014/15	114
Leases expiring after 2013/14	0
	<b>114</b>

In 2010/11 it is expected that the Council will enter into leases for fitness equipment.

### Finance Leases

The Council has no finance leases.

## 9. OFFICERS' REMUNERATION £50K+

The table below shows the number of Council officers whose remuneration exceeds £50,000 grouped into £5,000 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), 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.

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000-£54,999	11	19
£55,000-£59,999	0	3
£60,000-£64,999	1	2
£65,000-£69,999	2	2
£70,000-£74,999	0	1
£75,000-£79,999	6	6
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	0	1
£110,000-£114,999	0	0
£115,000-£119,999	1	0
£120,000-£124,999	0	1
	<b>21</b>	<b>35</b>

### Senior Officers' Emoluments

Under the new Accounts and Audit Regulations 2009, 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 employers pension contributions.

## 2009/10

Post holder information (Post title)	Salary (Including fees & Allowances)	Expense Allowances (Including Fuel)	Car Allowance (eg Benefits in Kind or Cash)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	107	3	10	120	8	128
Head of Finance & ICT (S.151 Officer)	69	3	7	79	5	84
Head of Governance (Monitoring Officer)	69	3	7	79	5	84
Head of Property, Leisure & Waste Management	69	4	5	78	5	83
Head of Housing, Culture & Community Safety	69	3	7	79	5	84
Head of Development & Public Protection	69	4	5	78	6	84
Head of Business and Community Transformation	69	3	7	79	5	84
	521	23	48	592	39	631

## 2008/09

Post holder information (Post title)	Salary (Including fees & Allowances)	Expense Allowances (Including Fuel)	Car Allowance (eg Benefits in Kind or Cash)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	105	3	9	117	8	125
Head of Finance & ICT (S.151 Officer)	69	3	6	78	6	84
Head of Governance (Monitoring Officer)	69	3	5	77	5	82
Head of Property, Leisure & Waste Management	69	3	5	77	5	82
Head of Housing, Culture & Community Safety	69	3	5	77	5	82
Head of Development & Public Protection	69	3	5	77	6	83
Head of Business and Community Transformation	69	3	5	77	5	82
	519	21	40	580	40	620

## 10. ACCRUAL FOR OFFICERS' ANNUAL LEAVE

Under International Financial Reporting Standards there will be a requirement in future years for authorities to calculate and accrue for the value of all council officers' annual leave which was carried forward at the end of the financial year. For information purposes the value for officers' annual leave carried forward was £121k as at 31 March 2010 (£75k as at 31 March 2009).

## 11. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

Many authorities are experiencing claims for back pay from appeals about unequal pay arising from the implementation of the single status agreement. At present Dover District Council does not have any equal pay claims. The Council has completed its job evaluation process and no claims have arisen, or been identified, as a result. Work is currently being undertaken on the alignment of terms and conditions with our partner authorities to further minimise the risk of equal pay claims, as shared services and partnership working move forward.

## 12. AUDIT COMMISSION FEES

The fees incurred relating to external audit were:

	2008/09 £000s	2009/10 £000s
Audit	119	123
Inspection	15	9
Certification of grant claims and returns	31	51
Total	<b>165</b>	<b>183</b>

## 13. MEMBERS' ALLOWANCES

Totals of allowances paid to Council members during 2009/10, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, are as follows:

	2008/09 £000s	2009/10 £000s
Basic allowance	190	192
Special responsibility allowance	119	113
Travel and subsistence	14	8
	<b>323</b>	<b>313</b>

Basic allowances are a contribution towards the costs of Councillors' constituency work as well as their Council duties at approved meetings. Special responsibility allowances are paid to some councillors to recognise additional responsibilities undertaken on behalf of the Council.

## 14. RELATED PARTY TRANSACTIONS

In accordance with FRS 8, the financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties and provides the

majority of its funding in the form of grants. Details of grants received from Government departments are set out in note 54 to the Cash Flow Statement.

Declarations have been received from all officers and all Councillors. The statement below lists all related party transactions:

	Receipts £000s	Payments £000s
Kent County Council	1,352	2,408
Kent Police	12	30
Parish and town councils	166	67
Dover, Deal and District Citizens Advice Bureau <i>One member of the District Council was a trustee during 2009/10, and two others were appointed by the Council to be it's representative during 2009/10</i>	20	140
Dover Neighbourhood Forum <i>Seven members of the District Council were appointed by the Council to be It's representatives on the various forums during 2009/10</i>	0	45
Sandwich Technology School <i>One member of the District Council was a Governor of the school during 2009/10</i>	0	6
Dover District Volunteering Centre <i>One member of the District Council was a trustee during 2009/10.</i>	0	5
Dover District Chamber of Commerce <i>One member of the District Council was a member during 2009/10 and another was an employee.</i>	0	5
Gazen Salts Nature Reserve <i>Two members of the District Council were appointed by the Sandwich Town Council to be it's representatives during 2009/10.</i>	0	7
Canterbury Archaeological Trust <i>One member of the District Council was an employee during 2009/10.</i>	0	3
Action with Communities in Rural Kent <i>Two members of the District Council were appointed by the Council to be it's representatives during 2009/10.</i>	0	3
	<b>1,550</b>	<b>2,719</b>

## 15. BUILDING CONTROL ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control section cannot be charged for, such as the provision of

general advice, dealing with dangerous structures and other local authority initiatives. The following statement shows the income and expenditure of the building control functions, divided between chargeable and non-chargeable activities:

	Chargeable Activities 2009/10 £000s	Non-Chargeable Activities 2009/10 £000s	Total 2009/10 £000s
<b>Expenditure</b>			
Employee expenses	288	91	379
Transport	14	4	18
Supplies & services	18	6	24
Central & support services	(2)	83	81
<b>Total Expenditure</b>	<b>318</b>	<b>184</b>	<b>502</b>
<b>Income</b>			
Building regulation charges	(294)	(1)	(295)
<b>Total Income</b>	<b>(294)</b>	<b>(1)</b>	<b>(295)</b>
<b>Net Deficit for Year</b>	<b>24</b>	<b>183</b>	<b>207</b>

#### Comparatives for 2008/09

	Chargeable Activities 2008/09 £000s	Non-Chargeable Activities 2008/09 £000s	Total 2008/09 £000s
Expenditure	314	194	508
Income	(275)	(1)	(276)
<b>Net Deficit for Year</b>	<b>39</b>	<b>193</b>	<b>232</b>

#### Comparatives for 2007/08

	Chargeable Activities 2007/08 £000s	Non-Chargeable Activities 2007/08 £000s	Total 2007/08 £000s
Expenditure	338	222	560
Income	(323)	(2)	(325)
<b>Net Deficit for Year</b>	<b>15</b>	<b>220</b>	<b>235</b>

There is a general duty to break even over a three year period on chargeable activities. Over the last three years this activity has met this criterion and has been on target.

## 16. LOCAL NEIGHBOURHOOD BOARDS

In 2009/10 the Council contributed £45k to Kent County Council for Neighbourhood Forum grants to organisations. The scheme was established in December 2006 and is funded by Dover District Council and Kent County Council.

Community groups (including parish and town councils, local charities and voluntary groups) have been able to apply for funds of up to £5k provided their proposed use supports the corporate objectives of Dover District Council, and any parish/town priorities. The applications have also been requested to demonstrate the benefit to the community and their sustainability.

These grants are generally for capital purposes, but as they fall below the Council's de-minimus value for capitalisation, they have been treated as revenue expenditure in the accounts.

## 17. S106 RECEIPTS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are to be provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

	1 April 2009	Income	Expenditure	31 March 2010
	£000s	£000s	£000s	£000s
<b>By Development:</b>				
Land north of Melbourne Ave, Whitfield	378	0	0	378
Old Park Barracks, Whitfield Extension to Tesco Retail Store, Whitfield	222	0	(22)	200
Miscellaneous developments	155	0	(2)	153
	11	14	(37)	(12)
	<b>766</b>	<b>14</b>	<b>(61)</b>	<b>719</b>

	1 April 2009	Income	Expenditure	31 March 2010
	£000s	£000s	£000s	£000s
<b>By Permissible Use:</b>				
Transport /adult education/ play areas	222	0	(22)	200
Transport improvements	546	0	(2)	544
Youth and community	(41)	14	(15)	(42)
Adult social services and education	19	0	(19)	0
Open spaces	17	0	0	17
Miscellaneous community	3	0	(3)	0
	<b>766</b>	<b>14</b>	<b>(61)</b>	<b>719</b>

## 18. ON-STREET PARKING SURPLUS

This reserve represents the surplus generated through the On-Street Parking Operations which the Council operates on behalf of KCC. The surplus is ring-fenced, and after satisfying any requirements of the



Parking Service, may be used for transport, environmental or environmental projects.

The balance of this fund on 31 March 2009 was £45k. It was agreed that £43k of this could be utilised by Parking Services to update equipment required by the operations and enforcement staff to carry out their normal duties effectively. This leaves a balance of £2k which will be carried forward for future use within the defined parameters.

In 2009/10 the On-street Parking Operation resulted in a deficit of £24k. This balance has been charged against the General Fund, but the Road Traffic Regulation Act allows that any surplus generated in the subsequent four years to be applied in the first instance to the making good of this charge on the General Fund.

## 19. VALUATION OF INTANGIBLE FIXED ASSETS

The Council has not purchased any intangible fixed assets during the financial year 2009/10. The net book value of all intangible assets after amortisation of £39k is £23k.

## 20. TANGIBLE FIXED ASSETS HELD

Tangible fixed assets owned by the Council include the following significant items:

	Number as at 31.03.09	Net Book Value as at 31.03.09 £000s	Number as at 31.03.10	Net Book Value as at 31.03.10 £000s
<b>COUNCIL DWELLINGS</b>				
Flats/houses	4640	235,407	4471	237,996
Council garages	953	2,250	953	2,250
<b>OPERATIONAL LAND AND BUILDINGS</b>				
Offices:				
Whitfield complex	1	3,687	1	5,564
Others	3	452	3	448
	<b>4</b>	<b>4,139</b>	<b>4</b>	<b>6,012</b>
Leisure centres and pools:				
Dover Leisure Centre	1	5,522	1	5,466
Deal Leisure Centre	1	6,505	1	6,339
Deal Tennis Centre	1	142	1	141
	<b>3</b>	<b>12,169</b>	<b>3</b>	<b>11,946</b>
Other:				
Dover Museum	1	5,214	1	5,162
Depots and workshops	15	634	15	668
Cemeteries (sites)	8	46	8	41
Car parks	39	3,605	39	3,900
Public conveniences	25	1,682	25	1,766
	<b>88</b>	<b>11,181</b>	<b>88</b>	<b>11,537</b>

Sea defences (kilometres)	<b>7</b>	<b>7,356</b>	<b>7</b>	<b>7,105</b>
Parks and open spaces	<b>28</b>	<b>368</b>	<b>28</b>	<b>341</b>
Deal Pier	<b>1</b>	<b>5,966</b>	<b>1</b>	<b>5,779</b>
Historic buildings:				
Timeball Tower, Deal	1	176	1	176
Grand Shaft, Dover	1	16	1	16
St Martin's Battery	1	0	1	0
Town Clock, St Peter's Church, Sandwich	1	0	1	0
	<b>4</b>	<b>192</b>	<b>4</b>	<b>192</b>

## 21. VALUATION OF TANGIBLE FIXED ASSETS

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their market value.

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 2009. Housing Revenue Account dwellings and garages were valued on 31 March 2010.

## 22. MOVEMENT OF FIXED ASSETS 2009/10

	TANGIBLE FIXED ASSETS OPERATIONAL						Total £000s
	Council Dwellings £000s	Garages £000s	Other Land and Buildings £000s	Equip-ment £000s	Infra-structure £000s	Commnty Assets £000s	
<b>Gross Book Value</b>							
At 1 April 2009	235,413	2,250	48,346	3,187	12,925	756	302,877
Reclassification of assets	(3,426)	0	0	67	0	0	(3,359)
Capital exp	4,319	0	108	279	0	0	4,706
Transfer from assets under construction	0	0	0	0	0	0	0
Disposals	(570)	0	0	(26)	0	0	(596)
Impairments	0	0	0	0	0	0	0
Revaluations	2,260	0	2,313	0	0	0	4,573
Revaluation Reserve	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>237,996</b>	<b>2,250</b>	<b>50,767</b>	<b>3,507</b>	<b>12,925</b>	<b>756</b>	<b>308,201</b>

## Depreciation

At 1 April 2009

Accumulated	(6)	0	(1,412)	(1,993)	(4,807)	(309)	<b>(8,527)</b>
Current year	(1,990)	(64)	(598)	(346)	(276)	(25)	<b>(3,299)</b>
Restatements	1,996	0	82	26	0	0	<b>2,104</b>
<b>At 31 March 2010</b>	<b>237,996</b>	<b>2,186</b>	<b>48,839</b>	<b>1,194</b>	<b>7,842</b>	<b>422</b>	<b>298,479</b>

Subsequent expenditure on existing fixed assets is capitalised in accordance with FRS 15.

The Council dwellings are valued in accordance with stock valuation guidelines for resource accounting for the Housing Revenue Account issued by the former Department of the Environment, Transport and the Regions. Depreciation has been charged to the Housing Revenue Account for council dwellings and other housing reserve account assets in order to meet Resource Accounting requirements. Details of the Council's non-operational assets are shown below:

### TANGIBLE FIXED ASSETS NON-OPERATIONAL

	Investment Property £000s	Surplus Assets £000s	Assets under Construction £000s	Total £000s
<b>Gross Book Value</b>				
At 1 April 2009	9,540	500	2,916	<b>12,956</b>
Capital expenditure completed in year	336			<b>336</b>
Work in progress	0	0	0	<b>0</b>
Work in progress completed in year	2,162	0	(2,228)	<b>(66)</b>
Disposals	0	(469)	0	<b>(469)</b>
Reclassification of asset	0	3,426	139	<b>3,565</b>
Impairments	(1)	(1,688)	0	<b>(1,689)</b>
Revaluation	0	0	0	<b>0</b>
<b>At 31 March 2010</b>	<b>12,037</b>	<b>1,769</b>	<b>827</b>	<b>14,633</b>
<b>Depreciation</b>				
At 1 April 2009				
Accumulated	0	(6)	0	<b>(6)</b>
Current year	0	(2)	0	<b>(2)</b>
Restatement	0	0	0	<b>0</b>
<b>At 31 March 2010</b>	<b>12,037</b>	<b>1,761</b>	<b>827</b>	<b>14,625</b>

See note 19 for details of movement on intangible fixed assets.

In accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2000, all operational buildings are depreciated. This is to reflect the cost of use of the buildings over their useful economic lives.

The total assets employed at the end of the financial year were:

	£000s
Housing Revenue Account	242,903
General Fund	55,576
<b>Total</b>	<b>298,479</b>

Depreciation and impairment of fixed assets included in the Statement of Movement on the General Fund is broken down as follows:

	£000s
Depreciation:	
General Fund	1,190
Impairment:	
Housing Revenue Account stock	
Operational land and buildings	
Non-operational land and buildings	
Surplus assets	1,689
<b>Total</b>	<b>2,879</b>

**Fixed Assets** 2009/10  
£000s

**Intangible Fixed Assets**

**Tangible Fixed Assets:**

Council dwellings	4,320
Piers	
Operational equipment and vehicles	471
Land awaiting development	423
Investment properties	
Community assets	
<b>Total Spending on Fixed Assets</b>	<b>5,214</b>

**Capital Expenditure not resulting in Fixed Assets:**

Revenue expenditure funded by capital	2,031
Private sector housing loans	1,443
<b>Total Capital Expenditure to be financed</b>	<b>8,688</b>

**Financed by:**

Government supported borrowing	187
Capital receipts	684
Direct revenue financing	718
Capital grants	3,552
Major Repairs Reserve	3,263
Special Projects Reserve	284
<b>Total Financing</b>	<b>8,688</b>

**Impairments – General Fund**

There have been no impairments of General Fund assets in 2009/10

**23. EXCEPTIONAL ITEM – HRA GAIN ON ASSET**

Housing stock impaired in 2008/09 was re-valued resulting in a revaluation gain in 2009/10 of £4.144m.

## 24. CAPITAL FINANCING REQUIREMENT

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

	2008/09 £000s	2009/10 £000s
<b>Opening Capital Financing Requirement</b>	6,796	7,045
<b>Capital Investment:</b>		
Intangible fixed assets	0	
Operational assets	5,894	4,791
Non-operational assets	1,475	423
Revenue exp funded by capital and loans	2,316	3,474
<b>Sources of Finance:</b>		
Capital receipts	(2,000)	(684)
Government grants	(3,438)	(3,552)
Major repairs reserve	(3,579)	(3,263)
Direct revenue financing	(289)	(718)
Special projects reserve	(130)	(284)
<b>Closing Capital Financing Requirement</b>	<b>7,045</b>	<b>7,232</b>

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

	2008/09 £000s	2009/10 £000s
Fixed assets	307,360	313,126
Long-term debtors	110	729
Private Sector Housing loans	999	1,579
Capital contributions deferred	(17,817)	(17,403)
Less: receipts in advance	3,716	3,248
Capital adjustments account	(278,904)	(282,018)
Revaluation reserve	(7,761)	(10,103)
Grants relating to long-term debtors	(916)	(2,769)
Financial adjustments (soft loans)	258	843
	<b>7,045</b>	<b>7,232</b>

## 25. COMMITTED CONTRACTS

As at 31 March 2010 the Council was contractually committed to capital expenditure amounting to £762k in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Dover Sea Sports Centre	57	Dec 10
Kingsdown Beach – emergency work	136	May 10
Sea Change Partnership	250	Sept 10
Aylesham Leisure Project	279	Sept 10
Other capital projects	40	-
	<b>762</b>	

The Council was committed to the following major contracts as at 31 March 2010. Where contracts expire during 2010/11 and will require re-negotiation, only that portion to which the Council is currently committed has been included. There are other major contract commitments which are contingent upon the extent of the work carried out, which cannot be evaluated in advance (e.g. housing repairs, re-roofing, etc).

	Approximate Annual Value £000s	Estimated Completion Date
Cleaning of Council offices	75	Mar 2014
Cleaning of communal areas	122	Mar 2013
Cleaning of public conveniences	180	Mar 2014
Landscape maintenance	884	Mar 2016
Dog wardening	48	Mar 2010
Pest control – part year	40	Oct 2010
Street sweeping – part year	504	Sep 2010
Refuse collection – part year	715	Sep 2010
Recycling – part year	602	Sep 2010
Haulage – recycle	90	Sep 2010
	<b>3,260</b>	

## 26. CAPITAL CONTRIBUTIONS DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Capital Contributions Deferred Account. The grant is then released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charge made for that asset. To negate the effect of this on the council tax an adjustment is made in the Statement of Movement on the General Fund Balance.

	2008/09	2009/10
	£000	£000
Balance as at 1 April	17,811	17,817
Grants and contributions received	259	2,552
Grants amortised to services via Income and Expenditure Account	(253)	(2,966)
	<b>17,817</b>	<b>17,403</b>

During 2009/10 grants for private sector housing were received amounting to £0.9m (£1.1m during 2008/09). £1m has been used for private sector loans. Unapplied grant as at 31 March 2010 was £3,248m as detailed below:

	£000s
Private Sector Housing	1,556
Growth Point	726
SEEDA DTIZ	915
HCA DTIZ	51
	<b>3,248</b>

## 27. LONG-TERM DEBTORS

Long-term debtors consist of mortgages and loans advanced to both individuals and organisations under various Acts of Parliament or utilising general powers. Changes during the year were:

	Outstanding 31.03.09 £000s	Movement in year £000s	Outstanding 31.03.10 £000s
<b>Mortgages to:</b>			
Housing associations	58	0	58
Right to buy mortgages	3	(2)	1
<b>Loans to:</b>			
Leaseholders <sup>1</sup>	70	(2)	68
Local organisations	50	(5)	45
Assisted car purchase advances	1	(1)	0
<b>Other:</b>			
Housing benefit debtors <sup>2</sup>	539	18	557
<b>Total</b>	<b>721</b>	<b>8</b>	<b>729</b>

<sup>1</sup> **Leaseholders** – work carried out to Council flats sold prior to 31 March 1994, which is to be paid back over the life of the work e.g. lift replacement.

<sup>2</sup> **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over several years. This debtor represents the value of housing benefit outstanding at 31 March 2010 which is expected to be recovered after one year.

## 28. STOCKS AND WIP

	As at 31.03.09 £000s	As at 31.03.10 £000s
<b>Stocks:</b>		
General Fund	67	70
<b>Work in Progress:</b>		
Housing Revenue Account	84	34
General Fund	5	23
<b>Total</b>	<b>156</b>	<b>127</b>

## 29. DEBTORS AND PROVISION FOR BAD DEBTS

	Restated as at 31 March 2009 £000s	As at 31 March 2010 £000s
<b>Dover District Council Debtors:</b>		
Amounts falling due in one year:		
Housing rents and charges	544	411
Government departments and Inland Revenue	1,738	3,362
Other local authorities	441	1,630
Sundry debtors	2,529	2,742
Prepayments	388	523
	<b>5,640</b>	<b>8,668</b>
<b>Less provision for bad debts</b>	<b>(1,734)</b>	<b>(1,853)</b>
	<b>3,906</b>	<b>6,815</b>
<b>Collection Fund Debtors:</b>		
Amounts falling due in one year:		
Government departments	0	5,083
Other local authorities	153	0
Local taxpayers	480	520
<b>Less provision for bad debts</b>	<b>(216)</b>	<b>(267)</b>
	<b>417</b>	<b>5,336</b>
<b>Total all Debtors</b>	<b>4,323</b>	<b>12,151</b>

The 2008/09 debtors' analysis has been restated to show Collection Fund debtors in accordance with SORP 2009. See Accounting Policies on page 13 and Prior Year Adjustments Note 63 to the Core Financial Statements.

### Provision for Bad and Doubtful Debts

The following provisions have been made against possible non-collection of debt. Separate provisions are maintained for non-collection of business rates and council tax and only DDC's share of council tax debts are shown below:

	General Fund £000s	Housing Revenue Account £000s	Collection Fund £000s	Total £000s
Balance brought forward 01.04.09	1,346	388	216	1,950
Provision made in year	203	106	59	368
Less amounts written off	(105)	(85)	(8)	(198)
<b>Balance carried forward 31.03.10</b>	<b>1,444</b>	<b>409</b>	<b>267</b>	<b>2,120</b>



### 30. CREDITORS

	As at 31 March 2009	As at 31 March 2010
	£000s	£000s
<b>Dover District Council Creditors:</b>		
Government departments	(1,342)	(2,537)
Other local authorities	(512)	(892)
Housing rents	(139)	(84)
Sundry creditors – revenue	(3,784)	(2,401)
Sundry creditors – capital	(787)	(829)
	<b>(6,564)</b>	<b>(6,743)</b>
<b>Collection Fund Creditors:</b>		
Amounts falling due in one year:		
Local taxpayers	(86)	(102)
Government departments	(440)	0
Other local authorities	0	(235)
Collection Fund non DDC	0	0
	<b>(526)</b>	<b>(337)</b>
<b>Total all Creditors</b>	<b>(7,090)</b>	<b>(7,080)</b>

The 2008/09 creditors' analysis has been restated to show Collection Fund creditors in accordance with SORP 2009. See Accounting Policies on page 13 and Prior Year Adjustments Note 63 to the Core Financial Statements.

### 31. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise from mortgages on sales of council dwellings:

	£000s
Balance brought forward as at 1 April 2009	3
Less: principal repayments	(2)
<b>Balance carried forward as at 31 March 2010</b>	<b>1</b>

### 32. PROVISIONS

A review of potential provisions has taken place in 2009/10 and it has been concluded that none are required at this stage.

### 33. REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

Certain types of expenditure incurred by the Council do not fall within the Code of Practice's definition of fixed assets, but are classified as expenditure for capital purposes with respect to capital controls. Such expenditure includes home improvement grants and similar advances to finance capital investment by other parties. These are categorised as

'Revenue Expenditure Funded by Capital under Statute'. As this expenditure does not represent an asset to the Council the Revenue Expenditure Funded by Capital under Statute balance has been written out of the Balance Sheet by charging it to the service revenue accounts on the basis that the 'asset' has no continued value to the Council. As these assets have already been financed under capital control arrangements a corresponding credit is required in the Statement of Movement on the General Fund balances to negate the impact on the Income and Expenditure Account.

	2008/09 £000s	2009/10 £000s
<b>Capital Expenditure</b>		
Home improvement grants	1,033	1,554
Land contamination testing	65	55
Bleriot Memorial	0	181
Grants/contributions to organisations	326	272
	<u>1,424</u>	<u>2,062</u>
Grants/contributions received	(1,144)	(1,729)
Total net spend	280	333
Written off to revenue in year	(280)	(333)
<b>Net book value of assets at 31 March</b>	<u><b>0</b></u>	<u><b>0</b></u>

### 34. REVALUATION RESERVE

The Revaluation Reserve Account represents the change in the value of the Council's fixed assets due to revaluations and restatements.

Movements on the account during 2009/10 are detailed below:

	£000s
Balance as at 1 April 2009	<b>7,761</b>
Revaluation gains and restatements	2,496
Revaluation losses	
Written out gains on disposal of fixed assets	(28)
Depreciation adjustment historic cost	<u>(126)</u>
<b>Balance carried forward as at 31 March 2010</b>	<u><b>10,103</b></u>

The Revaluation Reserve is a technical reserve, and does not represent funds available to the Council.

### 35. CAPITAL ADJUSTMENTS ACCOUNT

The Capital Adjustments Account contains the amounts of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation in addition to those that are required to be charged to revenue to repay the principal element of external loans.

	£000s
Balance brought forward as at 1 April 2009	278,904
<b>Add:</b>	
Capital financing:	
Reserves applied	3,547
Revenue applied	718
Capital receipts applied	684
Disposal adjustments	125
Allocation of grant from Capital Contributions Deferred Account	254
Depreciation adjustment for Revaluation Reserve	126
Impairment of fixed assets	2,338
Long-term debtors	2
	<u>286,698</u>
<b>Less:</b>	
Carrying amount of assets disposed	(1,009)
General Fund depreciation	(1,151)
General Fund amortisation	(30)
Write down of deferred charges	(333)
HRA depreciation	(2,157)
	<u>(2,157)</u>
<b>Balance carried forward as at 31 March 2010</b>	<b><u>282,018</u></b>

The Capital Adjustments Account is a technical account, and does not represent funds available to the Council.

### 36. USABLE CAPITAL RECEIPTS RESERVE

The balance on this reserve is available to fund capital expenditure in future years.

	£000s	£000s
Balance brought forward as at 1 April 2009		939
<b>Add:</b>		
Receipts in year:		
Sales – General Fund	0	
Dwelling sales - Housing Revenue Account	613	
Other sales - Housing Revenue Account	338	
Mortgage and loan repayments	2	
	<u>2</u>	953
<b>Less:</b>		
Amounts pooled by central Government	(451)	
Receipts used to finance capital expenditure	(684)	
	<u>(684)</u>	(1,135)
<b>Balance as at 31 March 2010</b>		<b><u>757</u></b>

### 37. MOVEMENT ON PENSIONS

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

council tax 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 General Fund Balance. The following adjustments have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09	2009/10
	£000s	£000s
<b>Income and Expenditure Account</b>		
Pension costs chargeable to council tax	(3,180)	(3,348)
Contributions in respect of unfunded benefits	(580)	(597)
Current service costs	1,290	1,128
Curtailments	0	35
Past service costs	570	0
<b>Included within net cost of services</b>	<b>(1,900)</b>	<b>(2,782)</b>
Interest cost per actuary	6,790	6,541
Expected return on assets per actuary	(4,160)	(2,996)
<b>Pensions interest cost and expected return on assets</b>	<b>2,630</b>	<b>3,545</b>
<b>Statement of Movement on the General Fund Balance</b>		
Current service costs per actuary	(1,290)	(1,128)
Curtailments per actuary	0	(35)
Past service costs per actuary	(570)	0
Interest cost per actuary	(6,790)	(6,541)
Return on assets per actuary	4,160	2,996
<b>Net charges made for retirement benefits in accordance with FRS 17</b>	<b>(4,490)</b>	<b>(4,708)</b>
Contributions in respect of unfunded benefits	580	597
Payments to the pension fund	3,180	3,348
<b>Employer's contributions payable to the Pension Fund</b>	<b>3,760</b>	<b>3,945</b>

See note 59 for further pension information.

### 38. TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments and borrowing disclosed in the Balance Sheet are made up of the categories of 'financial instruments' shown in note 39.

### 39. FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31.03.09	31.03.10	31.03.09	31.03.10
	£000s	£000s	£000s	£000s
<b>Borrowings</b>				
Financial liabilities at amortised cost (2)	7,105	7,103	3,626	13,340
<b>Total borrowings</b>	<b>7,105</b>	<b>7,103</b>	<b>3,626</b>	<b>13,340</b>
<b>Investments</b>				
Loans and receivables	0	0	9,708	9,751
Available for sale financial assets (1)	1,589	0	13,827	15,579
Fair value through profit and loss	0	0	0	0
Equities (Gateway)	11	14	0	0
Cash	0	0	363	0
<b>Total investments</b>	<b>1,600</b>	<b>14</b>	<b>23,898</b>	<b>25,330</b>

Notes:

- (1) Fund Manager (Investec) balances are now classified as Available for Sale (Fair Value 2007/08) to ensure the accounts are SORP 2008 compliant.
- (2) LOBO loan of £3m has been reclassified as long-term debt due to the economic conditions and interest rate views. The LOBO is not now expected to be 'called' (interest rate change and an opportunity to repay) so is included in long-term borrowing.

The maturity period for a LOBO should be taken as being the contractual period to maturity; note 2 complies with this.

### 40. FINANCIAL INSTRUMENTS GAINS/LOSSES

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

<b>2009/10</b>	
<b>Financial Liabilities</b>	
Measured at amortised cost	
<b>£000s</b>	
Interest expense	
Public Works Loans Board	(263)
LOBO (Dresdner Bank)	(142)
Temporary borrowing (markets)	(8)
LOBO adjustment	1
<b>Net loss for the year</b>	<b>(412)</b>

The above includes interest for PWLB and LOBO loans; the adjustment relates to the LOBO restatement to amortised cost.

	2009/10		
	<b>Financial Assets</b>		
	Loans and Receivables £000s	Available for Sale £000s	Total £000s
Interest income	157	364	521
Gains on de-recognition	0	11	11
Losses on de-recognition	0	(144)	(144)
Interest and investment income	157	231	388
Losses on valuation (soft loans)	(942)	0	(942)
Gains on revaluation	99	0	99
<b>Net gain for the year</b>	<b>(686)</b>	<b>231</b>	<b>(455)</b>

The revaluations for the interest payable and receivable, impairments for financial assets (Landsbanki Investment) and calculations for soft loans form the balance of the Financial Instruments Account.

#### THE FINANCIAL ADJUSTMENT ACCOUNT

	£000s	£000s
Opening balance		
LOBO (Dresdner Bank)	101	
Soft loans	258	
Impairment	125	
		484
Movement during the year		
LOBO (Dresdner Bank)	(1)	
Soft loans	844	
Impairment (Landsbanki)	193	
		1,036
Balance as at 31 March 2010		<b>1,520</b>

#### AVAILABLE FOR SALE RESERVE

	£000s
Opening balance	193
Unrealised profit:	
Certificate of deposits	(20)
Fixed securities	(9)
Closing balance	164

#### 41. FAIR VALUE FOR ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities that are carried in the Balance Sheet at amortised cost is disclosed below:

## Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2010. The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 09		31 March 10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	4,084	5,688	4,084	5,492
PWLB - EIP	3	3	2	2
LOBOs	3,144	3,319	3,143	3,617
Market loans	3,500	3,500	10,000	10,000
<b>Financial Liabilities</b>	<b>10,731</b>	<b>12,510</b>	<b>17,229</b>	<b>19,111</b>

Where fair value is more than the carrying amount, this is because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. Where the Council has a commitment to pay interest below current market rates, this reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

### FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 09		31 March 10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash and liquid assets	2,855	2,855	3,355	3,555
Deposits with banks and building societies	7,216	7,216	6,396	6,396
Other	15,416	15,416	15,579	15,579
<b>Financial assets</b>	<b>25,487</b>	<b>25,487</b>	<b>25,330</b>	<b>25,330</b>

## 42. SOFT LOANS

The Council has made a number of renovation loans to homeowners and landlords at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 at a higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on 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 the amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement in the General Fund Balance.

	2008/09 £000s	2009/10 £000s
<b>Opening balance of soft loans</b>	298	999
Loans advanced	892	1,443
Present value of interest forgone	(191)	(843)
Loan written off	0	(20)
<b>Closing balance of soft loans</b>	<b>999</b>	<b>1,579</b>

## 43. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

### 1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £5m (£3m fixed term deposit) and a limit on the maximum size of one transaction in placing a deposit of £3m. The limit for the RBS group is £5m.

As at 31 March 2010 the Council's internal portfolio investment funds were deposited the government supported banks and so the risk to the Council was considered to be minimal.



The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

## Debtors

The Council does not generally allow credit for customers. However, £4.010m of the Council's debt is overdue for payment. The risk that these debts will not be paid is mitigated by a provision for bad and doubtful debts of £2.120m (of which £0.267m relates to the Collection Fund in respect of the Council's share of council tax payers' debts), which is calculated in accordance with the Council's accounting policies.

Debt in relation to NDR is excluded from credit risk, as DDC is merely an agent for the Government, which ultimately bears the full risk for non-collection from business rates payers. In addition, the risk in relation to council tax is shared with the preceptors on the Collection Fund and therefore only DDC's proportion of debt is included in the assessment of risk below. The past due amount can be analysed by age as follows:

	31.03.10 £000s
<b>General Fund/HRA:</b>	
Less than three months	1,065
Three to six months	329
Six months to one year	342
More than one year	1,744
<b>Total</b>	<u><b>3,480</b></u>
 <b>Collection Fund:</b>	
Less than one year	187
More than one year	343
<b>Total</b>	<u><b>530</b></u>

## 2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 50% of loans are due to mature within any one financial year.

The maturity structure of financial liabilities is as follows (at nominal value):

## LIQUIDITY RISK

On 31.03.09 £000s	Loans outstanding:	On 31.03.10 £000s
4,003	Public Works Loans Board	4,002
3,500	Market debt	10,000
3,000	LOBO	3,000
<b>10,503</b>	<b>Total</b>	<b>17,002</b>
3,501	Less than 1 year	10,001
1	Between 1 and 2 years	1
1	Between 2 and 5 years	0
0	Between 5 and 10 years	0
7,000	More than 10 years	7,000
<b>10,503</b>	<b>Total</b>	<b>17,002</b>

The LOBO has been reclassified as long-term debt, this has resulted in £3m being moved from less than one year to more than ten years, please see note 41.

### 3. Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account;
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account;
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value, which would also be reflected in the STRGL; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

#### **INTEREST RATE RISK**

The Council received interest of £387k on its investments of £24m achieving an average interest rate of 1.61%. A one percentage decrease would mean a reduction of £240k in the interest received. A one percentage increase would result in an increase of £240k on investments.

#### **Price Risk**

The Authority does not invest in equity shares and is not exposed to losses arising from movements in the price of shares.

#### **Foreign Exchange Risk**

The Council has no financial assets or liabilities that are denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

### **44. ICELANDIC INVESTMENT**

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. At this time the authority had a £1m one-year deposit with Landsbanki at an interest rate of 6.17% and a maturity date of 26 November 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers.

Based on the latest information available the Authority believes that it is appropriate to consider an impairment adjustment for the deposit, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Local authorities' legal advice remains that deposits have priority status under Icelandic law and would, therefore, be repaid ahead of any creditors that did not have priority status. Decisions about the priority status of local authority deposits will be made by the Icelandic courts. Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011.

Based on the assumption that local authority deposits do have priority status and other relevant information indicates that recovery of around 95% could be achieved over the period October 2011 to October 2018.

The estimated recovery profile used in calculating the impairment is detailed below.

October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy priority status.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.

Failure to secure priority status would have a significant impact upon the amount of the deposit that is recoverable. If priority status is not achieved the recoverable amount may only be around 38p in the pound.

Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected may validly include interest accrued.

The impairment loss recognised in the Income and Expenditure Account in 2009/10 of £376k has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £193k has been transferred to the Financial Instruments Adjustment Account. The balance of £57k relates to loss of interest that has been borne in full by the General Fund.

## 45. MOVEMENTS ON RESERVES

### EARMARKED RESERVES

	Balance as at 01.04.09 £000s	Receipts in year £000s	Applied in year £000s	Balance as at 31.03.10 £000s
<b>General Fund:</b>				
Special projects	1,947	0	(637)	1,310
Investment income				
Equalisation	100	0	(100)	0
Local Development Framework	412	44	(117)	339
Housing and planning Delivery Grant	280	73	(103)	250
Major events	199	20	(26)	193

Cluster preparation	217	678	(435)	460
Corporate review	31	0	(31)	0
Invest to Save	358	0	(153)	205
Benefits overpayments	259	0	0	259
On-street parking	45	0	(43)	2
Members' ICT	7	8	0	15
Concessionary fares	72	210	0	282
Iceland Investment	0	450	0	450
Elections	48	48	0	96
<b>Total</b>	<b>3,975</b>	<b>1,531</b>	<b>(1,645)</b>	<b>3,861</b>

**Special Projects** – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2009/10 totalled £487k of which £242k was for capital projects and £245k was for revenue projects.

**Investment Income Equalisation Reserve** – this reserve was set up to mitigate the impact of shortfall in returns. The reserve has been fully applied in 2009/10.

**Local Development Framework** – this reserve has been created to hold the monies set aside to fund the Local Development Framework.

**Housing and Planning Delivery Grant** – Housing and Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2010 represents the unspent grant that will be utilised in future years.

**Major Events** – the Open Golf Championship is held annually at one of a limited number of championship-standard UK links courses, one of which is Royal St. Georges at Sandwich. The Championship might be expected to take place at Sandwich once a decade. The Council is also involved in various events being staged (e.g. the Olympic Torch event). The Major Events Reserve has been established to assist the Council in meeting the costs it will incur as these events take place within the district.

**Cluster preparation (joint working)** – the Council is engaged with partner authorities in seeking to exploit opportunities to provide/procure services jointly, thus saving costs and enhancing resilience. However, it is recognised that there are likely to be initial start-up costs arising from such initiatives. This reserve has been established to assist the Council in being able to make initial investments that secure longer-term joint working benefits and savings.

**Corporate Review Reserve** – the Council has recently undertaken a job evaluation process. The balance on this reserve has been applied to fund the additional costs of the process in 2009/10.

**Invest to Save** – the Invest to Save Reserve has been established to finance projects where there is a clear payback, typically within five years. Any such payback will be generated by reductions in the budget of the service benefiting from the investment and will be used to repay the Invest to Save Reserve.

**Benefits Overpayments** – recovery of benefits overpayments is difficult to forecast. Contributions to this reserve were made in 2007/08 and 2008/09. The reserve will be applied to smooth out fluctuations in performance.

**On-Street Parking Reserve** – is the ring-fenced parking surplus that is used to fund highways, transport and environmental schemes within the district.

**Members' ICT** – this reserve has been established to level out the budgeting impact of replacing members' ICT equipment after elections.

**Concessionary Fares** – the additional grant received in 2008/09 was set aside to even out pressures in the scheme costs. Outturn savings in 2009/10 have been transferred to the reserve to cover risk of additional costs associated with ongoing appeals.

**Elections** – this reserve has been established to smooth the budgetary impact of the election cycle.

**Iceland Investment Reserve** – this reserve has been established to set aside funds to cover the risk of losses on the Icelandic Investment.

#### **Housing Revenue Account:**

	Balance as at 01.04.09	Receipts in year	Applied in year	Balance as at 31.03.10
	£000s	£000s	£000s	£000s
Major Repairs Reserve	(340)	(3,242)	3,263	(319)

**Major Repairs Reserve** – the housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

#### **46. GENERAL GOVERNMENT GRANTS**

	2008/09 £000s	2009/10 £000s
Revenue Support Grant	1,236	1,906
Area Based Grant	129	170
Local Authority Business Incentive Grant	0	46
Housing & Planning Delivery Grant <sup>1</sup>	0	73
<b>Total</b>	<b>1,365</b>	<b>2,195</b>
Non-domestic rates	8,877	8,258
<b>Total</b>	<b>10,242</b>	<b>10,453</b>

<sup>1</sup> Housing & Planning Delivery Grant was classified within Net Cost of Services in 2008/09 but is now classified as a general government grant.

## 47. REVENUE BALANCES

	Restated Balance as at 01.04.09 £000s	Net Movement in year £000s	Balance as at 31.03.10 £000s
General Fund	2,360	(163)	2,197
Housing Revenue Account	7,446	512	7,958
<b>Total</b>	<b>9,806</b>	<b>349</b>	<b>10,155</b>

2008/09 Revenue Balances have been restated to remove the Collection Fund reserve in accordance with the changes under SORP 2009. See Accounting Policies on page 13 and Prior Year Adjustments Note 63 to the Core Financial Statements.

## 48. LOCAL AREA AGREEMENTS

The Council is a participant in a Kent LAA (Kent Agreement 1 and Kent Agreement 2) – a partnership with other public bodies involving the pooling of Government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, Kent Agreement 1 came to the end of its three-year agreement. Kent Agreement 2 began in April 2008 and now runs until March 2011.

The purpose of the LAA is:

- To form an agreement between the Kent Partnership, Government (represented by the Government Office of the South East), and other external agencies, to ensure that together we achieve the Sustainable Community Strategy (The Vision for Kent);
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement; and
- To improve the effectiveness and efficiency of public services in Kent by pooling and aligning funding streams.

The LAA partners are:

- Kent local government bodies;
- Kent community protection authorities;
- Health bodies – West Kent Primary Care Trust and Eastern and Coastal Kent Primary Care Trust;
- Learning bodies – Kent and Medway Learning Skills Council and University of Kent;
- Voluntary organisations – Kent Council for Voluntary Youth Services and East Kent Council for Voluntary Services; and
- Other partners – Kent Invicta Chamber of Commerce, Creative Foundation, Pfizer, Natural England, Saga, Environment Agency, Port of Dover, Federation of Small Businesses, Kent Economic Board, Job Centre Plus, Land Securitas, North West Kent Racial Equality Council, Churches Together in Kent, Kent Association of Parish Councils and Business Link Kent

Kent County Council acts as the accountable body for the LAA. The total amount of grant received by Kent at the end of the Kent Agreement 1 was £17.75m.

#### **49. PERFORMANCE REWARD GRANT**

Performance Reward Grant under the Public Service Agreement 2 (PSA2), which is also known as Kent Agreement 1 (KA1), was a Kent-wide agreement between KCC and the 11 Kent local authorities (on behalf of the Local Strategic Partnerships, each comprising a local authority and its partners), running from April 2005 to March 2008. Under the agreement, reward monies would be given by KCC up to a maximum of £500k per district council/Local Strategic Partnership for 100% achievement of targets.

Targets were achieved in some areas and, as a result, in 2008/09, DDC was awarded £210k. In 2009/10, DDC was awarded a further £249.8k, which is allocated 50% to revenue and 50% to capital. Spend and allocation of the grant is subject to agreement by East Kent chief executives, and is currently proposed to be used in meeting costs associated with joint working initiatives.

All sums due under Kent Agreement 1 have now been accounted for.

#### **50. MINIMUM REVENUE PROVISION**

The Minimum Revenue Provision (MRP) represents the statutory minimum amount that local authorities must charge to their revenue accounts each financial year in respect of debt repayments. The amount due is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendment Acts.

In calculating the 2009/10 Statutory General Fund MRP, the Council would have based it on 4% of the opening capital financing requirement. This is in line with regulations implemented under the Local Government Act 2003 and Option 1 of the new 2007/08 guidance which is a more flexible MRP system. Taking into account the aggregate debt levels of the General Fund and HRA, the MRP for Dover District Council for 2009/10 is nil (nil in 2008/09). The Council will review this basis annually and additional calculations may be required in future years if expenditure in incurred which is excluded from Option 1.

#### **51. OUTSTANDING UNDISCHARGED OBLIGATIONS FROM LONG-TERM CONTRACTS (PRIVATE FINANCE INITIATIVES)**

Dover District Council, together with nine other Kent district, borough and city councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'.

The PFI contract with Kent Community Partnerships Limited (KCP), a special purpose vehicle wholly owned by Housing 21, is held by KCC, and the participation of the district, borough and city councils is controlled through a 'back-to-back' agreement with KCC. The contract and agreements were completed on 5 October 2007.

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments



for people with mental health problems and 280 units of sheltered housing for frail, older people. It is anticipated that there will be 47 units in the Dover District Council area, 40 for the elderly, frail and vulnerable and 7 for residents with learning difficulties.

Dover District Council's main contribution towards the scheme is through the provision of the Roly Eckhoff House site and adjoining land, which has been leased to KCC for 99 years for a nominal annual rent. In exchange, and in consideration of the acceptance of a fixed proportion of the risks inherent in the Better Homes Active Lives PFI, Dover District Council will receive nomination rights over the new units to be built on the site. The nomination rights will be for the first thirty years of the project, with an entitlement to extend these rights for a further five years and, by agreement with Kent Community Partnership Limited, for a further period of five years thereafter. From the time that these nomination rights expire until the end of the 99-year term of the lease, the properties will be used for social housing. The site (valued in 2007 at £480k) has been removed from the Council's accounts.

Kent County Council has assured the district, borough and city councils that the risks of an early termination of the agreement are extremely low. Assurances have been provided that, on the best evidence available, the PFI credits and the interest earned on these over the 30 year period of the PFI, together with the income derived from lettings, should be sufficient to enable the project to be wholly self-financing.

However, if the amounts that are payable to the PFI contractor exceed the sums that are held, the partner councils are required, under the back-to-back agreement, to contribute towards this shortfall. Payments to the PFI contractor do not start to fall due until the site is built and is ready for occupation and, as the PFI credits accrue from the date of completion of the Agreement, there is likely to be an appreciable buffer in place during the initial years. The risk of a contribution being required from the District Council under these provisions increases towards the end of the 30-year period.

The back-to-back agreement also includes contingency provisions for contractor default and in the event of major difficulties being encountered. The initial proposal would be to seek to pass the PFI contract to an alternative contractor. In the event of a suitable alternative contractor not being appointed there may be a need for the County Council to terminate the PFI contract and, dependent upon the prevailing circumstances, to compensate the original contractor and its funders. Effectively this would mean that all partners would take the units back and the level of Dover District Council's liability is estimated as follows:

- Contractor default - £3.876m in year 10 and £3.740m in year 20.

The PFI contract also provides for the contractor to be compensated in the event of the project being seriously prejudiced or rendered impossible to perform by circumstances outside the control of the parties – (force majeure). In the case of the Roly Eckhoff site it is estimated that the maximum amounts payable by the District Council would be in the order of:

- Force majeure - £4.488m in year 10 and £3.332m in year 20.

Apart from those risks identified above there are not believed to be any other significant risks, liabilities or obligations arising from this PFI.

## 52. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

2008/09 £000s		2009/10 £000s	
26,734	Deficit on Income & Expenditure Account	(1,185)	
195	Collection Fund	(242)	
<b>26,929</b>	<b>Net surplus</b>		<b>(1,427)</b>
 <b>Non-cash transactions:</b>			
(3,417)	Depreciation (including HRA)	840	
13	Gains on disposal of fixed assets	(78)	
(25,547)	Impairment of assets	(1,763)	
(107)	Financial instrument adjustments	(1,036)	
(730)	FRS 17 pension cost adjustment	(763)	
254	Government grants deferred	254	
(51)	Revenue contribution to Government grants deferred	(106)	
12	Housing administration fees	10	
(154)	Collection Fund provision for bad debt	(420)	
0	Collection Fund exceptional item	(4,577)	
			<b>(7,639)</b>
 <b>Items on an accruals basis:</b>			
29	Increase/(decrease) in stock and work in progress	(27)	
2,695	Increase/(decrease) in debtors	12,824	
41	(Increase)/decrease in creditors	1,737	
(956)	(Increase)/decrease in receipts in advance	(98)	
			<b>14,436</b>
 <b>Items classified elsewhere in the cash flow:</b>			
(427)	Interest paid	(413)	
1,524	Interest received	409	
(1,424)	Other capital cash payments	(2,062)	
1,145	Capital grants received	1,729	
(207)	Loss on financial assets	0	
			<b>(337)</b>
<b>(378)</b>	<b>Net Cash Outflow from Revenue Activities</b>		<b>5,033</b>

### 53. RECONCILIATION OF LIQUID RESOURCES

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Investec Asset Management	15,233	402	15,635
Banks and building societies	8,531	1,018	9,549
Global Treasury Fund	1,161	(1,150)	11
Long-term debtors	721	3	724
Soft loans	1,258	1,442	2,700
<b>Net Cash (Inflow)/Outflow</b>	<b>26,904</b>	<b>1,715</b>	<b>28,619</b>

### 54. ANALYSIS OF GOVERNMENT GRANTS

2008/09 £000s		2009/10 £000s	£000s
1,236	Revenue Support Grant	0	1,906
	<b>DSS Grants for Rebates</b>		
15,110	Rent allowances	19,681	
10,192	Rent rebates	10,792	
7,512	Council tax benefits	8,423	
445	Council homeless rent rebates	404	
63	Discretionary payments	55	
969	Administration	1,092	
			40,447
159	Non-domestic rate collection	167	
129	Area Based Grant	129	
333	Additional concessionary fares grant	272	
83	Planning Delivery Grant	73	
100	Growth Point – CIF bid	20	
98	Homelessness grant	61	
97	Other	26	
			748
<b>36,526</b>	<b>Total Government Grants</b>		<b>43,101</b>

### 55. ANALYSIS OF BALANCE OF CASH

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
<b>Bank (Overdraft) / Balance</b>	<b>363</b>	<b>(3,576)</b>	<b>(3,213)</b>

### 56. ANALYSIS OF CHANGES IN FINANCING

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Short-term borrowing	3,501	6,500	10,001
Public Works Loan Board	7,230	(1)	7,229
<b>Net Cash (Inflow)/ Outflow</b>	<b>10,731</b>	<b>6,499</b>	<b>17,230</b>

## 57. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Cash in hand	363	(3,576)	(3,213)
Short-term investments	23,342	1,852	25,194
Short-term borrowing	(3,501)	(6,500)	(10,001)
Long-term investments	1,600	(1,600)	0
Long-term borrowing	(7,230)	1	(7,229)
Long-term debtors	721	3	724
Soft loans	1,258	1,442	2,700
	<b>16,553</b>	<b>(8,378)</b>	<b>(8,175)</b>

### Reconciliation of Net Debt

	£000s
Opening net debt at 1 April	16,553
Decrease in cash balance	(3,576)
Increase in short-term investments	1,852
Increase in short-term borrowing	(6,500)
Decrease in long-term investments	(1,600)
Decrease in long-term borrowing	1
Long-term debtors	3
Soft loans	1,442
	<b>(8,175)</b>

## 58. DATE STATEMENT OF ACCOUNTS AUTHORISED FOR ISSUE

The date that the accounts were authorised for issue was the date that the Head of Finance and ICT, Mike Davis, signed the Statement of Responsibilities for the Statement of Accounts on page 11.

## 59. PENSION ARRANGEMENTS

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits payable when employees retire. This future commitment needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in The Local Government Pension Scheme, administered locally by Kent County Council, in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). This is a defined benefit final salary scheme. The scheme is funded meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

## Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash paid in to the fund in the year as determined by the fund actuary, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

<b>Income and Expenditure Account</b>	2008/09 restated £000s	2009/10 £000s
<b>Net Cost of Services:</b>		
Current service costs	1,290	1,128
Losses/(gains) on curtailments	-	35
Past service costs	570	-
<b>Net Operating Expenditure:</b>		
Interest cost	6,790	6,541
Expected return on scheme assets	(4,160)	(2,996)
<b>Net Charge to the Income and Expenditure Account</b>	<b>4,490</b>	<b>4,708</b>
<b>Statement of Movement on the General Fund Balance</b>	2008/09 as restated £000s	2009/10 £000s
<b>Reversal of Net Charges made for Retirements in Accordance with FRS 17</b>	<b>(4,490)</b>	<b>(4,708)</b>
<b>Actual Amount Charged Against the General Fund for Pensions in the Year:</b>		
Employer's contributions payable to scheme	3,180	3,348
Retirement benefits payable to pensioners	580	597
	<b>(730)</b>	<b>(763)</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £26.797m were included in the Statement of Total Recognised Gains and Losses (£7.72m in 2008/09). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses (STRGL) is £46.22m.

The total movement recognised in the STRGL is:

<b>Statement of Total Recognised Gains &amp; Losses (STRGL)</b>	2008/09 £000s	2009/10 £000s
Actuarial (gains)/losses on pension fund assets and liabilities	7,720	26,797
Value of scheme assets restated at bid price	270	-
<b>(Gain)/Loss recognised in STRGL</b>	<b>7,990</b>	<b>26,797</b>

## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £000s	2009/10 £000s
<b>1 April</b>	99,380	96,160
Current service cost	1,290	1,128
Interest cost	6,790	6,541
Contributions by scheme participants	660	687
Actuarial (gain) / loss	(7,990)	40,267
Estimated benefits paid	(3,960)	(4,004)
Unfunded pension payments	(580)	(597)
Past service costs	570	-
Losses/(gains) on curtailments	-	35
<b>31 March</b>	<b>96,160</b>	<b>140,217</b>

Reconciliation of scheme assets:

	2008/09 restated £000s	2009/10 £000s
<b>1 April</b>	59,210	47,540
Expected return on scheme assets	4,160	2,996
Actuarial gain /(loss)	(15,710)	13,470
Employer contributions	3,760	3,945
Contributions by scheme participants	660	687
Benefits paid	(4,540)	(4,601)
<b>31 March</b>	<b>47,540</b>	<b>64,037</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £16.466m (£11.61m loss in 2008/09).

### Scheme History

	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s
Present value of liabilities	(113,220)	(110,960)	(99,380)	(96,160)	(140,217)
Fair value of assets	62,240	65,630	59,210	47,540	64,037
<b>Surplus/(deficit) in the scheme</b>	<b>(50,980)</b>	<b>(45,330)</b>	<b>(40,170)</b>	<b>(48,620)</b>	<b>(76,180)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £76m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The statutory arrangements for funding are that the

deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2011 is £3.483m.

### Balance Sheet Disclosure

<b>Net Pension Liability as at</b>	<b>31 March 2009</b>	<b>31 March 2010</b>
	£000	£000
Present value of funded obligation	87,430	130,954
Fair value of Scheme assets (bid value)	47,540	64,037
<b>Net Liability</b>	<b>39,890</b>	<b>66,917</b>
Present value of unfunded obligation	8,730	9,263
<b>Net Liability in Balance Sheet</b>	<b>48,620</b>	<b>76,180</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Under the requirements of FRS17, a (net) pensions liability was created in the Balance Sheet. However, so that FRS17 has no effect on demands on council tax, and there is no demand on earmarked reserves, the Pensions Reserve holds an equal and opposite balance.

Further information can be found in Kent County Council's Superannuation Funds Annual Report which is available on request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

In addition, further information provided by the actuary has been included within Dover District Council's Outturn Report.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.5%
Gilts	n/a	4.5%
Other Bonds	5.4%	5.5%
Property	4.9%	5.5%
Cash	4.0%	3.0%

<b>Expected Return on Assets</b>	<b>6.3%</b>	<b>6.9%</b>
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Mortality assumptions:

Longevity at 65 for current pensioners:

Men	21.5 years
Women	24.4 years

Longevity at 65 for future pensioners:

Men	22.6 years
Women	25.5 years

Rate of inflation	3.1%	3.9%
Rate of increase in salaries	4.6%	5.4%
Rate of increase in pensions	3.1%	3.9%
Rate for discounting scheme liabilities	6.9%	5.5%

Take-up of option to convert annual pension into retirement lump sum	50%	50%
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The scheme's assets consist of the following categories, by proportion of the total assets held:

	2008/09 %	2009/10 %
Equity investments	66	74
Gilts	-	1
Other Bonds	17	14
Property	9	7
Cash	8	4
	<b>100</b>	<b>100</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06 restated %	2006/07 restated %	2007/08 restated %	2008/09 restated %	2009/10 %
Differences between the expected and actual return on assets	15.8	(0.6)	(17.4)	(33.0)	21.0
Experience gains and (losses) on liabilities	(0.6)	0.5	0.6	0.1	0.9

### 60. SECTION 137 EXPENDITURE

No expenditure was incurred under this power in 2009/10 by Dover District Council.

### 61. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. This did not apply to the Council in 2009/10.



## 62. 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
- Frederick Franklin Public Park Charity No 1092171
- The Salter Collection Charity No 288731

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:

	2008/09	2009/10
	£	£
Income	2,755	438
Expenditure	0	(6,526)
Surplus / (Deficit) for year	2,755	(6,088)
Fund balance 1 April	71,342	74,097
<b>Fund balance 31 March</b>	<b>74,097</b>	<b>68,009</b>
Represented by:		
Investments	71,933	68,009
Bank	2,164	0
	<b>74,097</b>	<b>68,009</b>

### CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2008/09	2009/10
	£	£
Income	0	436
Expenditure	(3,358)	(6,155)
Surplus / (Deficit) for year	(3,358)	(5,719)
Fund balance 1 April	361,783	358,425
Revaluation	0	(10,704)
<b>Fund balance 31 March</b>	<b>358,425</b>	<b>342,002</b>
Represented by:		
Dwellings	190,000	0
Land and other buildings	174,273	174,273
Investment	0	179,732
Creditor	(5,848)	(12,003)
	<b>358,425</b>	<b>342,002</b>

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).

### THE SALTER COLLECTION CHARITY

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

	2008/09 £	2009/10 £
Income	0	0
Expenditure	(1,230)	(3,273)
Deficit for year	(1,230)	(3,273)
Fund balance 1 April	295,711	294,481
Revaluation	0	0
<b>Fund balance 31 March</b>	<b>294,481</b>	<b>291,208</b>
Represented by:		
Dwellings	120,000	120,000
Collection	180,000	180,000
Creditor	(5,519)	(8,792)
	<b>294,481</b>	<b>291,208</b>

### 63. PRIOR YEAR ADJUSTMENTS

#### Collection Fund

The treatment of the Collection Fund within the Council's Statement of Accounts has changed under SORP 2009, as detailed under the Statement of Accounting Policies on page 13. The details that follow show the restatement of the comparative figures for 2008/09 under the SORP legislation compared to the original figures shown in the 2008/09 Statement of Accounts, which were prepared under SORP 2008.

	2008/09 Restated SORP 2009	2008/09 Original SORP 2008	Variance
	£000	£000	£000
<b>Income &amp; Expenditure Account 2008/09</b>			
Demand on Collection Fund 2008/09	(7,557)	(7,557)	0
15/01/08 Distribution	0	(50)	50
Share of Surplus for 2008/09	(154)	0	(154)
Difference – not distributed 2007/08	127	0	127
	<b>(7,584)</b>	<b>(7,607)</b>	<b>23</b>

**SMGFB 2008/09**

Reverse share of Surplus for 2008/09	154	0	154
Remove 2007/08 residual surplus to leave 2007/08 distribution	(177)	0	(177)
	<b>(23)</b>		<b>(23)</b>
<b>2008/09 Original I &amp; E Entries</b>	<b>(7,607)</b>	<b>(7,607)</b>	<b>0</b>
<b>General Fund impact</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2008/09 Restated SORP 2009 £000	2008/09 Original SORP 2008 £000	Variance £000
<b>STRGL 2008/09</b>			
Deficit on the Income and Expenditure Account for the Year	26,757	26,734	23
Collection Fund Deficit – element relating to authority	(2)	23	(25)
Total Recognised (Gains)/Losses for the Year	36,194	36,196	(2)

**Balance Sheet 2008/09**

	2008/09 Restated SORP 2009 £000	2008/09 Original SORP 2008 £000	Variance £000
<b>Debtors (Collection Fund only)</b>			
Council Tax arrears	480	3,446	(2,966)
Provision for bad or doubtful debts – Council Tax	(216)	(1,549)	1,333
Other Local Authorities <sup>1</sup>	153	0	153
Business Ratepayers' arrears, i.e. NDR	0	2,116	(2,116)
Provision for bad or doubtful debts – NDR	0	(162)	162
	417	3,851	(3,434)
<b>Cash<sup>2</sup></b>	<b>(177)</b>	<b>(177)</b>	<b>0</b>

<sup>1</sup> Other major preceptors' share of Council Tax 'cash deficit' in Collection Fund Balance Sheet owed to Dover District Council under SORP 2009.

<sup>2</sup> Total Council Tax 'cash deficit' within Collection Fund Balance Sheet, included within Dover District Council's own cash and bank balances.

**Creditors (Collection Fund only)**

Council Tax overpayments and pre-payments	(86)	(614)	528
Other Local Authorities <sup>3</sup>	0	(954)	954
Business Ratepayers' over-payments and pre-payments	0	(865)	865
Government – NDR Pool Contribution <sup>4</sup>	(440)	(1,529)	1,089
	<u>(526)</u>	<u>(3,962)</u>	<u>3,436</u>

**Financed by:****Collection Fund Adjustment Account**

Balance brought forward at 01.04.08	(177)	0	(177)
Reverse share of Surplus for 2008/09	(154)	0	(154)
Remove 07/08 residual surplus to leave 07/08 distribution	177	0	177
Balance carried forward 31.03.09	<u>(154)</u>	<u>0</u>	<u>(154)</u>
<b>Collection Fund Surplus</b>	<u>0</u>	<u>(152)</u>	<u>152</u>
<b>Balance Sheet Impact</b>	<u><b>(440)</b></u>	<u><b>(440)</b></u>	<u><b>0</b></u>

<sup>3</sup> Share of Total Collection Fund balance owed to other major preceptors under SORP 2008

<sup>4</sup> The SORP 2009 NDR Pool Contribution figure shows the amalgamation of all NDR balances into a single Government Debtor.

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is legal prohibition on cross subsidy to or from local taxpayers.

### HRA INCOME AND EXPENDITURE ACCOUNT

2008/09 £000s	Note	2009/10 £000s
<b>Income</b>		
(16,151)	8	(16,326)
(345)		(382)
(493)		(292)
(218)		(246)
(108)		(171)
<b>(17,315)</b>		<b>(17,417)</b>
<b>Expenditure</b>		
4,054		3,826
3,432		2,955
73		88
5,336	9	5,245
0	15	102
2,370	3	2,157
22,959	7	(2,489)
14		12
169	11	106
<b>38,407</b>		<b>12,002</b>
<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>		
21,092		(5,415)
337		382
98		7
<b>21,527</b>		<b>(5,026)</b>
(19)		78
(731)		(241)
451		685
<b>21,228</b>		<b>(4,504)</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008/09 £000s		2009/10 £000s
	<b>(Surplus)/deficit for the year on the HRA</b>	
<b>21,228</b>	<b>Income and Expenditure Account</b>	<b>(4,504)</b>
	Net additional amount required by statute to be	
<u>(22,025)</u>	debited/(credited) to HRA Balance for the year	<u>3,992</u>
(797)	(Increase)/decrease in the HRA balance	(512)
<u>(6,649)</u>	HRA surplus brought forward	<u>(7,446)</u>
<b><u>(7,446)</u></b>	<b>HRA surplus carried forward</b>	<b><u>(7,958)</u></b>

### NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

**Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year.**

2008/09 £000s		Note	2009/10 £000s
	Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	7	2,489
(22,960)	Gain/(loss) on sale of HRA fixed assets		(78)
19	Net charges made for retirement benefits in accordance with FRS 17	12	<u>(747)</u>
<u>(621)</u>			<b><u>1,664</u></b>
<b><u>(23,562)</u></b>	<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year</b>		
775	Transfer to/(from) the Major Repairs Reserve	3	1,085
473	Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners	12	535
289	Capital expenditure funded by the HRA	6	<u>708</u>
<u>1,537</u>			<b><u>2,328</u></b>
<b><u>(22,025)</u></b>	Net additional amount required by statute to be debited/(credited) to HRA Balance for the year		<b><u>3,992</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPES OF DWELLING

#### Movement in Housing Stock 2009/10

	Stock at 01.04.09	Sales	Transfers / Disposals	Stock at 31.03.10
Houses/bungalows	2,862	5	0	2,857
Flats	1,778	4	160	1,614
<b>Total</b>	<b>4,640</b>	<b>9</b>	<b>160</b>	<b>4,471</b>

#### Total Value of Assets

	01.04.09 £000s	31.03.10 £000s
Operational assets:		
- Dwellings	235,407	237,996
- Garages	2,250	2,186
- Other land and buildings	68	68
- Equipment	190	95
Non-operational assets	1,290	2,558
	<b>239,205</b>	<b>242,903</b>

### 2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2009 was £523m. The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost of providing social housing.

### 3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years as at 31 March 2010 is £319k (31 March 2009 £340k).

#### Major Repairs Reserve

	2008/09 £000s	2009/10 £000s
<b>Balance as at 1 April</b>	<b>(783)</b>	<b>(340)</b>
Major Repairs Allowance:		
Depreciation	(2,361)	(2,157)
Transfer to/from Major Repairs Reserve	(775)	(1,085)
Transfer from reserve for capital expenditure	3,579	3,263
<b>Balance as at 31 March</b>	<b>(340)</b>	<b>(319)</b>

#### 4. SUMMARY OF CAPITAL EXPENDITURE

	2008/09 £000s	2009/10 £000s
Capital expenditure:		
Dwellings	4,055	4,320
<b>Total</b>	<b>4,055</b>	<b>4,320</b>
Financed by:		
Capital receipts	0	(12)
Direct revenue financing	(289)	(708)
Major Repairs Reserve	(3,579)	(3,263)
Government supported borrowing	(187)	(187)
PCT Grant - Disabled Adaptations	0	(150)
	<b>(4,055)</b>	<b>(4,320)</b>

#### 5. SUMMARY OF CAPITAL RECEIPTS

	2008/09 £000s	2009/10 £000s
Receipts from sales during the year:		
Dwelling sales	(406)	(623)
Other HRA sales	(141)	(338)
Sub total	(547)	(961)
Amount pooled to Government *	299	451
	<b>(248)</b>	<b>(510)</b>

\*Capital Accounting Regulations 2003 require that 75% of right to buy capital receipts and up to 50% of other capital receipts are paid to the Government.

#### 6. CAPITAL EXPENDITURE FUNDED BY THE HRA

This relates to improvements to existing Housing Revenue Account properties, partly funded by the Housing Revenue Account as shown in note 4.

#### 7. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised a number of impairments during the year:

- £98k caused by revaluation of St Nicolas House from £848k to £750k
  - £501k caused by revaluation of William Muge from £748k to £247k
  - £631k caused by revaluation of Snelgrove House from £878k to £247k
  - £458k caused by revaluation of Manley House from £950k to £492K
- Total impaired £1,689k

Assets previously impaired in 2008/09 have been revalued giving a gain of £4,144k.

The total impairment adjustment is (£2,489k).



## 8. 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 2010 was £70.36, compared with £68.08 at 31 March 2009.

The increase for 2009/10 was reduced from the original guideline advised by Government following the receipt of revised guidelines to reflect the economic climate.

## 9. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than notional expenditure, resulting in a payment of subsidy to the Government of £5,245m in 2009/10 (£5.336m in 2008/09). Details are shown below:

	2008/09 £000s	2009/10 £000s
Rents	15,085	15,435
Interest on receipts	0	0
	<hr/>	<hr/>
	15,085	15,435
Less:		
Management allowance	2,076	2,142
Maintenance allowance	4,600	4,752
Major repairs allowance	3,144	3,242
Debt management expenses	37	37
Subsidy capital financing requirement	0	17
Prior year adjustment	(108)	0
	<hr/>	<hr/>
	9,749	10,190
<b>Subsidy Paid</b>	<hr/> <b>5,336</b>	<hr/> <b>5,245</b>

## 10. RENT ARREARS

The position for rent arrears is shown below:

31 March 2009				31 March 2010			
Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s	Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s
133	377	176	686	117	324	205	646

## 11. PROVISION FOR BAD DEBTS

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

	2008/09 £000s	2009/10 £000s
Balance brought forward as at 1 April	472	388
Provision made in the year	169	106
Less amounts written off	(253)	(85)
<b>Balance carried forward as at 31 March</b>	<b>388</b>	<b>409</b>

## 12. FRS 17 (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 adjustments have been made:

	2008/09 £000s	2009/10 £000s
<b>Income and Expenditure Account</b>		
Reverse actual contributions	(82)	(76)
Reverse unfunded benefits	(100)	(115)
Reverse back funding	(291)	(344)
Current service costs	72	55
Curtailments	0	7
Past service costs	98	0
<b>Included within Net Cost of Services</b>	<b>(303)</b>	<b>(473)</b>
Interest cost per actuary	1,165	1,264
Expected return on assets per actuary	(714)	(579)
<b>Pensions Interest Cost and Expected Return on Assets</b>	<b>451</b>	<b>685</b>
<b>Statement of Movement on the HRA Balance</b>		
Current service costs per actuary	(72)	(55)
Curtailments per actuary	0	(7)
Past service costs per actuary	(98)	0
Interest cost per actuary	(1,165)	(1,264)
Return on assets per actuary	714	579
<b>Net Charges Made for Retirement Benefits in Accordance with FRS 17</b>	<b>(621)</b>	<b>(747)</b>
Contributions in respect of unfunded benefits	99	115
Payments to the pension fund	374	420
<b>Employer's Contribution Payable to the Pension Fund</b>	<b>473</b>	<b>535</b>

### 13. STOCK CONDITION

The Council is required to meet the Government's Decent Homes' standards by December 2010. This Council has produced an HRA business plan that demonstrates it can meet the Decent Homes target.

Five sheltered accommodation schemes required significant investment, so the Council took the decision to close these schemes. Bede and Dunstan has been sold and the remaining four sites William Muge, Manley House, St Nicholas House and Snelgrove House were fully decanted by 31 March 2010, and are awaiting disposal.

### 14. COMMITTED CONTRACTS

As at 31 March 2010 the Council was committed to HRA repairs and maintenance works in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Decorations and associated repairs	500	Mar 2015
Housing response maintenance and voids	2,100	Mar 2015
Rewiring	500	Dec 2014
Maintenance of UPVC windows and doors	190	Mar 2014
Disabled adaptations	500	Apr 2013
Communal cleaning	140	Mar 2013
Heating installations	650	Mar 2012
Heating services	500	Mar 2012
Kitchen improvements	1,000	Jun 2011
Structural repairs	200	Jul 2010
Re-roofing	200	Jun 2010
	<u>6,480</u>	

### 15. RENT REBATE SUBSIDY LIMITATION

Following the transfer of rent rebates to the General Fund, the Housing Revenue Account is required to reinstate losses incurred by the General Fund.

In 2009/10 average rent exceeded "limit rent", due mainly to the disposal / decant of the five sheltered schemes (see note 13). This resulted in Rent Rebate Subsidy Limitation being incurred by the General Fund that required reimbursement from the Housing Revenue Account.

## THE COLLECTION FUND

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administering collection are accounted for in the General Fund. Any balance on the fund is distributed to the precepting authorities in the next financial year.

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2009/10

2008/09 £000s	Note	2009/10 £000s
<b>INCOME</b>		
(33,227) Non-domestic rates	2	(29,162)
- Exceptional Item	2	4,577
(33,227) Total Non-domestic rates		(24,585)
(47,764) Council tax	1	(48,899)
(7,637) Transfers from General Fund	3	(8,514)
(88,628)		(81,998)
<b>EXPENDITURE</b>		
Precepts and demands:		
39,867 Kent County Council		40,856
2,539 Kent and Medway Fire Authority		2,630
7,557 Dover District Council		7,904
5,104 Kent Police Authority		5,361
Collection Fund surplus paid out:		
50 Dover District Council		-
272 Kent County Council		-
17 Kent and Medway Fire Authority		-
35 Kent Police Authority		-
		56,751
Non-domestic rates:		
33,073 Payment to national pool	2	24,426
154 Cost of collection allowance	2	159
		24,585
154 Provision for non-payment of council tax	4	420
88,822		81,756
194 (Surplus)/deficit for the year		(242)
(1,300) Surplus as at 1 April 2009		(1,106)
<b>(1,106) Surplus as at 31 March 2010</b>		<b>(1,348)</b>

## COLLECTION FUND BALANCE SHEET

Note	TOTAL £000	Apportionment to Major Preceptors			
		Kent County Council £000	Kent Police Authority £000	Kent Fire & Rescue Authority £000	Dover District Council £000
<b>Balance Sheet at 31 March 2010</b>					
<b>Net Assets:</b>					
	<b>3,708</b>	2,663	352	173	<b>520</b>
4	<b>(1,909)</b>	(1,371)	(181)	(89)	<b>(268)</b>
	<b>(725)</b>	(521)	(69)	(34)	<b>(101)</b>
	<b>274</b>	197	26	13	<b>38</b>
<b>Net Assets</b>	<b>1,348</b>	968	128	63	<b>189</b>
<hr style="border-top: 3px double #000;"/>					
<b>Financed by: Collection Fund surplus</b>	<b>1,348</b>	968	128	63	<b>189</b>
<hr style="border-top: 3px double #000;"/>					
<b>Balance Sheet at 31 March 2009</b>					
<b>Net Assets:</b>					
	<b>3,446</b>	2,481	325	160	<b>480</b>
4	<b>(1,549)</b>	(1,115)	(146)	(72)	<b>(216)</b>
	<b>(614)</b>	(442)	(58)	(28)	<b>(86)</b>
	<b>(177)</b>	(128)	(17)	(8)	<b>(24)</b>
<b>Net Assets</b>	<b>1,106</b>	796	104	52	<b>154</b>
<hr style="border-top: 3px double #000;"/>					
<b>Financed by: Collection Fund surplus</b>	<b>1,106</b>	796	104	52	<b>154</b>
<hr style="border-top: 3px double #000;"/>					

Under SORP 2009, Dover District Council only includes within its Consolidated Balance Sheet its own share of Council Tax arrears, prepayments and provision for bad or doubtful debts shown above. However, the net Cash surplus or deficit sits fully within Dover's Balance Sheet, so an additional creditor or debtor is included to show the portion of Cash above that is either *owed to* or *due from* the major preceptors. This is shown within the Creditors and Debtors Notes to the Core Statements, within the lines headed "Other Local Authorities". See also Accounting Policies on page 13.

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential dwellings. Each dwelling in the district has been valued at 1 April 1991 prices and placed in valuation bands. There are eight valuation bands:

Band A	up to £40,000		
Band B	£40,001	-	£52,000
Band C	£52,001	-	£68,000
Band D	£68,001	-	£88,000
Band E	£88,001	-	£120,000
Band F	£120,001	-	£160,000
Band G	£160,001	-	£320,000
Band H	over £320,000		

Charges per dwelling are calculated by estimating the amount of income required to be raised by the Collection Fund for Kent County Council, the Kent Police Authority, the Kent and Medway Towns Fire Authority and Dover District Council for the forthcoming year and dividing this by the council tax base.

The Council's tax base i.e. number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated number of taxable properties after discount	Proportion of Band D charge	Band D equivalent dwellings
Dis A	8.25	5/9	4.58
A	5,249.99	6/9	3,499.99
B	13,921.75	7/9	10,828.03
C	11,809.20	8/9	10,497.07
D	5,993.70	1	5,993.70
E	3,706.75	11/9	4,530.47
F	2,038.60	13/9	2,944.64
G	1,287.60	15/9	2,146.00
H	47.70	2	95.40
	44,063.54		40,539.88
	Less adjustment for collection rates		98.20%
	<b>Council tax base 2009/10 *</b>		<b>39,810.15</b>

\*Tax base 2008/09 was 39,795.66

Estimated income from this tax base was £56.751m (after adjustment for collection rates), including town and parish council precepts of £1.731m. Actual income was £56.993m (after bad debts), an increase of £0.242m.

The actual income of £56.993m comprised £48.899m council tax recoverable directly from taxpayers, £8.514m transferred from the General Fund in respect of those on benefits, less £0.420m bad debts.

## 2. NON-DOMESTIC RATES (NDR)

Under arrangements for uniform business rates the Council collects non-domestic rates for its district based on rateable values multiplied by a uniform rate in the pound as determined by the Government. The non-domestic rate multiplier for 2009/10 was 48.1p for qualifying properties of less than £15k rateable value and 48.5p for all others (2008/09 45.8p and 46.2p respectively). The aggregate rateable value for the Council's district as at 31 March 2010 was £73.978m (£76.446m as at 31 March 2009).

Amounts collected, less certain reliefs and other deductions, are paid to a central pool (the NDR pool) managed by central Government. Authorities then receive back their share of the pool based on a standard amount per head of the local adult population.

The contribution for the pool was calculated as follows:

	2008/09 £000s	2009/10 £000s
<b>Gross Amount</b>	33,343	30,388
Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief		
<b>Less: Exceptional Item- Credit</b> (see below)	-	(4,577)
<b>Less: Discretionary Relief</b>	(100)	(122)
Reductions for charitable occupation, non-profit making bodies and hardship		
<b>Losses in Collection:</b> Bad and doubtful debts	(1)	(1,005)
<b>Overpayments:</b> Interest on repayments	(15)	(99)
<b>NDR Income</b>	33,227	24,585
<b>Costs of Collection:</b> Allowance for collecting NDR	(154)	(159)
<b>Net Contribution to NDR Pool</b>	<b>33,073</b>	<b>24,426</b>

### Exceptional Item – NDR Credit for Channel Tunnel:

Since the balance sheet date, there has been a back-dated revaluation of the rateable value for the Channel Tunnel, reducing their liability for the years 2005/06 to 2009/10 (inclusive) by £4,384k and additionally requiring an interest refund to be made for those years of £193k. The total refund due is £4,577k and the size of this adjustment is considered sufficient to be reflected in the Collection Fund Income and Expenditure Statement for the year.

This adjustment has no effect on the net debtor owed by central Government within DDC's main Statements of Account following the changes in disclosure requirements under SORP 2009.

### 3. TRANSFERS FROM THE GENERAL FUND

Where council tax benefit has been granted, an amount equal to the benefit subsidy payable to the Authority's General Fund, plus the proportion that is not subsidised, is transferred into the Collection Fund from the Authority's General Fund. The transfer from the General Fund in 2009/10 was £8.514m (£7.637m in 2008/09).

### 4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt relating to the Collection Fund. However, only Dover District Council's share of the Council tax figure is shown in its balance sheet under SORP 2009 (see also Collection Fund Balance Sheet above). The NDR debt provision is now aggregated with NDR Payers' debts and any over/under payment to Government based on the final contribution to pool, to form a single Government debtor or creditor in Dover District Council's Balance Sheet.

	NDR £000s	Council Tax £000s	Total Provision £000s
Brought forward 01.04.09	<b>163</b>	<b>1,549</b>	<b>1,712</b>
<b>Add:</b> provision made in year	1,005	420	1,425
<b>Less:</b> amounts written off	(74)	(60)	(134)
<b>Provision 31.03.10</b>	<b>1,094</b>	<b>1,909</b>	<b>3,003</b>

The increase in provisions is mainly due to the impact of the recession.



# Annual Governance Statement

FOR THE PERIOD 1 APRIL 2009 TO 31 MARCH 2010

## 1.1 SCOPE OF RESPONSIBILITY

1.1.1 Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Dover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.1.2 In discharging this overall accountability, Members and Senior Officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at [www.dover.gov.uk](http://www.dover.gov.uk) or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

1.1.4 This Statement explains how Dover District Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement of Internal Control.

1.1.5 Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:

- Overseeing the implementation and monitoring the operation of the Local Code;
- Reviewing the operation of the Local Code in practice; and
- Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

1.1.6 In addition, Dover District Council's Head of Governance has been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound System of Internal Control which facilitates the effective exercise of Dover District Council's functions, and includes arrangements for the management of risk.

## 1.2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

1.2.2 The System of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The System of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dover District Council's policies and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.2.3 The governance framework has been in place at Dover District Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

## 1.3 **THE GOVERNANCE FRAMEWORK**

1.3.1 The key elements of the systems and processes that comprise the Authority's governance arrangements are summarised below:

### 1.3.2 Identifying and communicating our vision and outcomes for citizens and service users

In March 2008 Members agreed a Corporate Plan for the period 2008 to 2020. An Interim Corporate Plan was agreed in March 2010, reaffirming long-term aims, but taking account of the economic position and re-assessing the needs of the community. Both documents are available on the Council's website.

### 1.3.3 Reviewing our vision and its implications for our governance

## arrangements

Progress towards the achievement of the objectives is monitored through the Performance Management Framework and the key output from this process, the Performance Report. During the year the Major Projects Board was replaced with the Projects Assurance Group, which monitors key projects and reports risks and successes to the Corporate Management Team.

### 1.3.4 Established clear channels of communication with all sections of our Community and other stakeholders, ensuring accountability and encouraging open consultation

The Council's Communication and Consultation Strategy which was agreed by Cabinet on 6 October 2008 included actions for the two years 2008/09 and 2009/10. The Strategy was reviewed by Cabinet in February 2010. Together with our Equality and Diversity Strategy, this helps to ensure that all groups in our Community have a voice, can be heard and are suitably consulted.

### 1.3.5 Defining and documenting the roles and responsibilities of the Executive, Non-executive, Scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. There are two Overview and Scrutiny Committees who support and monitor the work of the Executive. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

### 1.3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of Members and Officers of Dover District Council, its partners and the Community are defined and communicated through codes of conduct and protocols. These include:

- Members' national Code of Conduct;
- An effective Performance Management System;
- Regular Performance Appraisals for staff linked to

- corporate and service objectives;
- A Fraud and Corruption Policy;
- Member/Officer Protocols; and
- A Standards Committee with five independent members.

Details of the Complaints Procedures are available on the Internet and in public offices for members of the public to refer to.

1.3.7 Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle-blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective formal and informal Complaints Procedure. Should a complainant remain dissatisfied, they may refer the matter to the Local Government Ombudsman. During 2009/10 no complaints against Dover District Council were judged by the Local Government Ombudsman to have resulted from maladministration.

1.3.8 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Head of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last major review was adopted by Council on 27 January 2010. The significant changes were:

- Revisions to responsibilities for functions;
- Revisions to delegations;
- Revisions to delegations specifically in respect of the Shared Services agenda and specifically the Dover / Shepway Partnership;
- Strengthening way of working with Neighbourhood forums
- Revisions to Council procedure rules
- To update the process of dealing with petitions
- Review members allowances

In addition to the above, members agreed job profiles and descriptions for their own roles.

1.3.9 Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Dover District Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for Officers to ensure that, as far as is possible, all Officers understand their responsibilities both to the Council

and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all Officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published in full on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in an internal newsletter, internal meetings, use of Net Consent (via log in to the ICT systems) and where appropriate, arranging training for all or key members of staff.

In 2002, as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to a regular review. This strategy was last reviewed as part of the 2009 update of the Code of Corporate Governance.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance. Any areas identified in need of review have been included in the Action Plan for 2010/11.

The Solicitor to the Council has also provided his opinion on the Council's compliance with its legal obligations. He is satisfied that the Council is in all material respects complying with relevant legal obligations.

1.3.10 Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Dover District Council, through its budget monitoring and control processes, ensures that financial resources are being used to their best advantage. Monthly financial management reporting is made to the Corporate Management Team, Cabinet and Members. The report is also made available to all budget managers. A summary of the financial position is also made in the quarterly Performance Reports.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years.

Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements in services are in line with corporate objectives. In recognition of the ever-increasing demands on limited resources a complete review of service delivery is planned for 2010/11.

Through the Quarterly Performance Report, corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's VFM tool, which is reported via the Quarterly Performance Report through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

#### 1.3.11 Financial Management

Responsibility for ensuring that an effective System of Internal Financial Control is maintained and operated rests with the Section 151 Officer. The System of Internal Financial Control provides reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal Financial Control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2009/10 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget on a monthly basis;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the Prudential Code and associated indicators;
- Monthly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

The Council had funds invested with Icelandic bank Landsbanki at the time of its collapse during 2008/09. Disclosure of this was made at the time, and reports have been made to Members detailing how this impacts on the

delivery of services. The UK Government, the Local Government Association (LGA) and UK local authorities are participating in the winding up of Landsbanki and are working to protect the status of UK local authorities as preferred creditors.

#### 1.3.12 Effectiveness of Internal Audit

The Internal Audit function is provided by the East Kent Audit Partnership (EKAP), which reports primarily to the Head of Governance and to the Section 151 Officer where appropriate. The EKAP operates under a Charter, which defines its relationship with the Council's Officers and with the Governance Committee. This Charter is reviewed annually. The main responsibility of EKAP is to provide assurance and advice on the Internal Control System of the Council to the Corporate Management Team and Members. EKAP reviews and appraises the adequacy, reliability and effectiveness of Internal Control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use is made of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the System of Internal Audit. EKAP has measured itself against CiPFA guidance, and this work was reviewed by the Head of Governance (Monitoring Officer) and Head of Finance and ICT (Section 151 Officer). The review concluded that an effective System of Internal Audit is provided through the East Kent Audit Partnership. Additionally the operation of EKAP was reviewed during the year by the Audit Commission, which concluded that it can continue to place reliance on their work. The Head of the Audit Partnership provides an annual report to the Council's Governance Committee on internal control. The full details of the review will be reported to the Governance Committee, alongside this document as it is a key element of the review of the System of Internal Control and governance framework.

#### 1.3.13 A Governance (Audit) Committee

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal and External Audit and to ensure that any actions agreed are implemented. It has previously assessed its value against CIPFA guidance. The Committee has produced a Guide to assist the community and other members to better understand how it operates. An

Annual Report summarising its work during 2009/10 will be submitted to the Annual Council Meeting in May 2010.

#### 1.3.14 Performance and Risk Management

Dover District Council produces a Quarterly Performance Report, which reports on the Best Value Performance Indicators and Local Performance Indicators which are key to the measurement of the attainment of corporate objectives. Additionally, it provides information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Corporate Management Team and by Members. All Members receive a copy of the Report, and it is formally considered by the Cabinet and Scrutiny (Policy and Performance Committee) and placed on the Council's Intranet.

The Performance and Risk Manager has provided a positive opinion on the Council's compliance with its Risk Management Strategy. The Governance Committee considers the effectiveness of the risk management arrangements and has not provided any adverse comments.

#### 1.3.15 **ICT**

ICT governance arrangements consider the following areas to ensure soundness of the Council's arrangements for the acquisition of ICT and the security of data and equipment:

- Stakeholder engagement and representation;
- Strategic planning for information and technology investment, procurement and deployment;
- Policy development and agreement;
- High level monitoring of programme delivery;
- 'Business as usual' performance monitoring;
- Standards selection and implementation;
- Risk management;
- Policing policy, standards, conformance with legislation, and proper use.

The work of the ICT division continues to support the principles of sound governance.

#### 1.3.16 The development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training

Training and Development Plans are agreed with officers on an individual basis as part of their Personal Performance Reviews. Specific training is a pre-requisite for Members appointed to a number of committees. Scrutiny Committee reviews the annual training plan for Members.

#### 1.3.17 Incorporating good governance arrangements in respect of partnerships and other group working

In 2008/09 review work began to ensure that all key



governance criteria are incorporated into new and existing partnerships. Work on assessing the arrangements of pre-existing partnership continues.

#### 1.3.18 The ethical conduct of Members and Officers of this Council

Arrangements are in place to ensure that complaints made under the Local Filter Arrangements for the review of Members' behaviour under the national Members Code of Conduct are dealt with locally.

The Standards Committee and the Head of East Kent Human Resources have provided a positive opinion on the Council's compliance with its Ten Principles of Good Conduct.

### 1.4 **REVIEW OF EFFECTIVENESS**

1.4.1 Dover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the System of Internal Control. This review is informed by:

- The work of the Internal Auditors and the Head of the East Kent Audit Partnership's Annual Report;
- The work of Heads of Service and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment; and
- The External Auditors in their Annual Audit and Inspection Letter and other reports, including the Use of Resources and Direction of Travel Statements.

1.4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

#### 1.4.3 Council

At a corporate level the Corporate Plan for the period 2008-2020 was agreed in March 2008. This was reviewed in March 2010, and an Interim Plan for 2010/11 – 2013/14 agreed. Service Plans and the Constitution have all been subject to review in year. The Council's Quarterly Performance Report shows our performance against our key priorities. The Council has previously adopted the model Code of Conduct for Members.

#### 1.4.4 Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet and the Scrutiny (Policy and Performance) Committee receive and consider the Quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets.

#### 1.4.5 Governance Committee

The Governance Committee receives quarterly updates from the Head of EKAP on the assurance which can be placed against various systems and processes during the year, including reviews of internal controls, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved one of the two highest levels of audit assurance.

Additionally, this Committee receives the Council's Annual Constitutional Review for recommendation to Council and ensures the effectiveness of the Council's risk management arrangements.

#### 1.4.6 Standards Committee

The Standards Committee receives a quarterly report on the progress of formal complaints against the Council. It also considers alleged breaches of the Code of Conduct by Members of Dover District Council and the members of the Town and Parish Councils of the district. An Annual Report of the work of the Standards Committee throughout the year will be presented to the Annual Council Meeting in May 2010. The report to the Annual Council Meeting in May 2009 commented positively on work undertaken by the committee during 2008/09, in particular the introduction of the Local Filter.

#### 1.4.7 Internal Audit

Based on the work undertaken by them during the year, the Head of EKAP considered that appropriate steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to Reasonable or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Head of EKAP has stated that the Council can have very high levels of assurance in respect of all of its main financial systems and the majority of its Governance arrangements. Following Audit reviews, almost all of the main financial systems which feed into the production of the Council's Financial Statements have achieved a Substantial assurance level. The Council can therefore be very assured in these areas.

#### 1.4.8 External Agencies and commissioned reviews

The Council has previously been accredited under the "Investors in People" scheme. During 2009/10 a re-assessment was undertaken which resulted in recommendations for retaining the status. However, due to the range of challenges currently facing the Council, including budgetary constraints and a shift to Partnership working, it was decided not to submit to a further inspection to maintain this accreditation at this time. The Council will however implement a range of actions consistent with the requirements for liP to ensure that the liP status can be readily re-gained when it has the capacity to undertake a fresh re-assessment.

## 1.5 **IMPROVEMENTS DURING THE YEAR**

1.5.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

1.5.2 Focusing on our purpose and on outcomes for the Community and creating and implementing a vision for the local area.

An Interim Corporate Plan has been agreed to help document the focus of our work.

Plans for partnership working with our neighbouring East Kent Authorities to deliver some key services and make efficiency gains have progressed, with a joint Human Resources service now in place. A joint waste collection service is due to commence in October 2010. Plans for other joint services are being developed.

1.5.3 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

An annual review of the Constitution occurs to ensure that there is clarity between the respective roles of Members and Officers. Members' job descriptions linked to their individual roles have been agreed.

Joint committees with neighbouring authorities have been established to oversee joint working arrangements.

1.5.4 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Communication of values is promoted through the use of Net Consent log in software, which requires the reading of and then acknowledgement by users to show their acceptance of policies and procedures.

1.5.5 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Procedures in managing the key corporate policies have been strengthened to ensure that risks attributable to the change in the economic climate are carefully managed with the aim of ensuring projects can still be successfully implemented.

1.5.6 Developing the capacity and capability of Members and Officers to be effective.

Through the Local Development Framework Advisory Committee, Planning Committee, Cabinet and Council and the careful management of staffing resources, the Council's Local Development Core Strategy was deemed to be sound

following examination by an independent Planning Inspector. It was formally adopted by the Council in February 2010.

Training courses have been extended to include Town & Parish Councillors.

1.5.7 Engaging with local people and other stakeholders to ensure robust public accountability.

The format of the Neighbourhood Forums has been subject to review to ensure engagement is meaningful.

1.6 **SIGNIFICANT GOVERNANCE ISSUES**

1.6.1 On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by the Heads of Service, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

1.6.2 Tasks to address further development:

1.6.3 Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area.

A Priority Service Review will be undertaken during 2010/11 to ensure that resources are properly focussed on the outcomes important to the community.

1.6.4 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Constitution has received its annual review, and work has commenced to ensure that the next review addresses the new Leader models and will be recommended for adoption by the Council during 2010.

1.6.5 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

With the increased incidence of joint working between authorities, Senior Management and Members needs to be particularly vigilant to ensure that decisions are properly made by those within the Authority with the power to make them.

Work will commence to ensure that Partners' standards are compatible with those adopted by the Council.

1.6.6 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Improving the resilience for all major ICT systems, and upholding existing principles to protect information.

1.6.7 Developing the capacity and capability of Members and Officers to be effective.

Development of a formal workforce planning strategy.

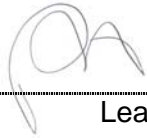
1.6.8 Engaging with local people and other stakeholders to ensure robust public accountability.

Implement changes to the Neighbourhood Forum process, ensuring that the element of accountability is not lost.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Governance Committee and the Scrutiny (Policy and Performance) Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:



Leader of the Council

Date: 7/6/10



Chief Executive

Date: 7/6/10

## AUDIT ASSURANCE

### *Definition of Audit Assurance Statements*

#### **Substantial Assurance**

Evaluation: either there is a sound system of control designed to achieve the system objectives, or, while most of the necessary controls of the system are in place, there are minor weaknesses which result in a negligible level of risk to achievement of the system objectives;

And/or

Testing: either the controls are being consistently applied and are operating as intended, or, there is evidence that the level of non-compliance with some of the key controls may result in a negligible level of risk to achievement of the system objectives.

#### **Reasonable Assurance**

Evaluation: while most of the necessary controls of the system are in place, there is scope for some improvement, resulting in a marginal level of risk to achievement of the system objectives;

And/or

Testing: there is evidence that the level of non-compliance with some of the key controls may result in a marginal level of risk to achievement of the system objectives.

#### **Limited Assurance**

Evaluation: Only some of the necessary controls of the system are in place, putting achievement of the system objectives at a critical level of risk;

And/or

Testing: There is evidence of substantial non-compliance with many key controls not operating as intended, leaving the achievement of the system objectives at a critical level of risk.

#### **No Assurance**

Evaluation: a substantial number of the necessary key controls of the system are absent or weak leaving the system open to fundamental error or abuse;

And/or

Testing: there is evidence of significant non-compliance with the basic controls leaving the system open to fundamental error or abuse.

## GLOSSARY OF FINANCIAL TERMS

**ACCOUNTS** - a statement aggregating items of income and expenditure and assets and liabilities. The accounts may show detailed transactions for every activity (generally used for management and control purposes during a financial year) or be summarised to show the overall position at the end of the period. The latter are known as final accounts and show both the net surplus (profit) or deficit (loss) and a Balance Sheet of the assets, liabilities and other balances at the end of the accounting period. Authorities are required to publish a Statement of Accounts as specified in the *Accounts and Audit Regulations 2003*.

**AMORTISATION** – this is the equivalent of depreciation for intangible assets, it is an annual charge made to the income and expenditure account to reduce the value of an intangible asset to zero over its useful economic life.

**AUDIT COMMISSION** - an independent body created by the Local Government Finance Act 1982 with the responsibility for the external audit of local authority accounts.

**BALANCE SHEET** - a statement of the assets, liabilities and other balances of an authority at the end of an accounting period.

**BALANCES** - capital or revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the general fund or any other account. Revenue balances may be utilised to provide for unforeseen circumstances, to ensure that payments can be made pending the receipt of income and, if justified, they may be used to reduce the collection fund levy.

**BUDGET** - a statement of a council's plans for net revenue and capital expenditure over a specified period of time.

**CAPITAL ADJUSTMENT ACCOUNT** – this account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

**CAPITAL EXPENDITURE** - generally, expenditure that is of value to an authority in the provision of services beyond the end of the financial year in which it was incurred, e.g. purchase of land and buildings, construction or improvement of buildings.

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

**CAPITAL FINANCING COSTS** - annual charges to the revenue accounts of council services to cover the interest on and repayment of loans raised for capital expenditure.

**CAPITAL RECEIPTS** - proceeds from the sale of capital assets. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

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

**CENTRAL SERVICES TO THE PUBLIC** - this includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

**COLLECTION FUND** – is the fund into which council tax and non-domestic rates are paid, prior to the distribution of the various precepts and prior to payment to the non-domestic rates pool.

**COMMUNITY ASSETS** - assets that a council intends to hold in perpetuity, that have no determinable finite useful life, and in addition may have restrictions on their disposal e.g. parks and cemetery land.

**CONTINGENT ASSETS** – a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

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

**CORPORATE AND DEMOCRATIC CORE** - comprises all activities that local authorities engage in because they are elected, multi-purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management, bank charges and the cost of democratic representation.

**COUNCIL TAX** - a local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

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

**CURRENT SERVICE COST (PENSIONS)** - the increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

**DEBTORS** - amounts due to an authority but unpaid at the Balance Sheet date.

**DEFERRED CHARGES** – are capital payments that do not give rise to an asset such as house renovation grants.

**DEPRECIATION** - the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effect of time or obsolescence through technological or other changes.



**FAIR VALUE** - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FIXED ASSETS** - tangible assets that yield benefits to a local authority and the services it provides for a period of more than one year. Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the authority. Examples of intangible assets are computer software licences and patents for goods or services.

**GENERAL FUND** – is the main revenue account of a council from which payments are made to provide services, and into which receipts are paid, including the council's share of council tax.

**HOUSING REVENUE ACCOUNT** - the statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings, financed by rents, grants and other income.

**IMPAIRMENT** - a reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

**INCOME AND EXPENDITURE ACCOUNT** – an account which reports the net cost for the year of all of the functions for which the authority is responsible and how that cost has been financed from general Government grants and income from local taxpayers.

**INVESTMENTS** – fall into two categories depending on when the investment is due to be repaid. Short-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year. Long-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

**NET BOOK VALUE** - the amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET DEBT** – is an authority's borrowings less cash and liquid resources.

**NET SERVICE EXPENDITURE** - comprises all expenditure less all income, other than income from council tax and Revenue Support Grant, in respect of a particular service.

**NON-DISTRIBUTED COSTS** – are overheads that do not benefit specific end-services and therefore cannot be attributed to them. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

**NON-DOMESTIC RATES** - businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of their business premises. The total business rate collected nationally is re-distributed to district councils based on population.

**NON-OPERATIONAL ASSETS** - these are fixed assets held by a local authority, but not directly used for the delivery of services. There are three categories of non-operational assets. These are investment properties, assets that are surplus to requirements, pending sale or redevelopment and assets under construction.

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

**PRECEPT** - the demand on the collection fund by one authority (e.g. Kent County Council, Police or Fire Authorities), which is collected from the council tax payer by another (e.g. Dover District Council). Precepts on Dover are also made by town and parish councils in the district. These are charged to the General Fund.

**PRIOR YEAR ADJUSTMENTS** - these are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

**PUBLIC WORKS LOANS BOARD** - a government agency that provides longer-term loans to the public sector at interest rates only slightly higher than those at which the Government itself can borrow.

**REVALUATION RESERVE** – this reserve records unrealised revaluation gains arising from holding fixed assets.

**REVENUE EXPENDITURE** - the day-to-day running costs of services including salaries, running expenses and capital charges.

**REVENUE SUPPORT GRANT** - a general grant paid by central Government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Income and Expenditure Account.

**REVENUE ACCOUNT** – is an account that records the day-to-day expenditure and income of an authority on such items as salaries and wages, running costs of services, the purchase of consumable materials and equipment, and the financing costs of capital assets.

**SUPPORT SERVICES** - an allocation of the net cost of the administrative and professional departments that provide support for council services (e.g. Legal Services, Finance, Human Resources), together with the costs of pooled administrative buildings.

**TEMPORARY LOANS** - money borrowed for an initial period of less than one year.

**USABLE CAPITAL RECEIPTS** - funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

**WORK IN PROGRESS** - the cost of work done on an incomplete project at the year-end that had not been recharged at the Balance Sheet date.