



**Statement
Of
Accounts**

2017/18

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NARRATIVE REPORT

1. INTRODUCTION

This Narrative Report provides an overview of the Council, its year-end position at 31 March 2018, a review of the financial year 2017/18 and possible issues for the future.

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

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

2. CORPORATE PLAN

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

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

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

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

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

3. OVERVIEW OF DOVER DISTRICT

The Dover District has a population of 114,000 and covers an area of 31,484 hectares (123 square miles), with a coastline of around 20 miles. The district contains two urban areas, Dover a market town and a large rural area made up of dozens of villages and smaller settlements.

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

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

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

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

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

Regeneration is progressing across the district, with new housing, retail and leisure developments adding to the district's relocation appeal for both businesses and families. For example, the new St. James' development in the heart of Dover, with a new cinema, hotel, restaurants and shops; Aylesham Garden Village has established itself as a key development site, with 1,200 new homes being built and sold; and we are also building a new Dover District Leisure Centre, in Whitfield.

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

4. THE COUNCIL

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

Seven Kent County Council (KCC) councillors serve the Dover District over five county divisions. KCC is elected every four years and the most recent elections took place in May 2017.

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

An electoral ward is a subdivision of a local authority, used to elect local councillors. There are currently 21 electoral wards in the Dover District. District council elections are held every four years and will be held next in May 2019. There are currently 45 serving councillors representing the 21 wards in the district, with each ward electing one, two or three councillors depending on the size of its electorate.

At the meeting of Council held in May 2017, the full Council agreed to submit a request asking for a review of the number of elected members by the Local Government Boundary Commission for England (LGBCE). As part of our submission, it was agreed to submit a request for an indicative council size of 'around 35'. The LGBCE accepted this request and included the Council within its programme of electoral reviews, with a view to the new electoral arrangements being in force by May 2019.

5. HOW WE WORK

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

The Executive (the Leader and the rest of Cabinet) takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet meetings or individual decision-making processes. Key Decisions to be taken by the Cabinet are set out in our Forward Plan. Where Cabinet decisions fall outside the agreed policy and budget strategy, these must be referred to the Council for consideration as a whole. All meetings of our Cabinet are open to the public.

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

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

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

6. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards. There have been no changes to the presentation of the accounts for 2017/18.

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

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

(a) **Statement of Responsibilities for the Statement of Accounts (page 16)**

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

(b) **Core Financial Statements (page 17 to 21)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 17)**

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

- **Movement in Reserves Statement - MIRS (pages 18 to 19)**

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

- **Balance Sheet (page 20)**

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

- **Cash Flow Statement (page 21)**

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

- **Notes to the Core Financial Statements (pages 22 to 76)**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, e.g. the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the

Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

(c) **Supplementary Financial Statements (pages 77 to 92)**

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

- **Collection Fund (pages 77 to 84)**

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

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

- **The Housing Revenue Account (pages 85 to 90)**

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

- **Charities Administered by Dover District Council (pages 91 to 92)**

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

(d) **Independent Auditors' Report (page 93)**

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

SUMMARY OF THE 2017/18 FINANCIAL YEAR

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

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

GENERAL FUND REVENUE ACCOUNT

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

In March 2017 the Council approved the 2017/18 budget, forecasting a deficit of £61k. During the year the forecast budget deficit was increased to £97k. Overall the year-end position resulted in a £6k deficit for the year, which is £91k better than the forecast position.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium Term Financial Plan. The major variations between the original budget, forecast position and year-end outturn are also detailed.

<u>2016/17</u> <u>Actual</u> £000		<u>2017/18</u> <u>Original</u> <u>Budget</u> £000	<u>2017/18</u> <u>Revised</u> <u>Budget</u> £000	<u>2017/18</u> <u>Actual</u> £000
	Directorate			
1,000	Chief Executive	1,785	1,850	1,411
2,236	Governance	2,714	2,583	2,479
7,361	Finance, Housing & Community	7,501	8,250	7,495
4,832	Environment & Corporate Assets	4,834	4,079	3,434
186	Non-distributed costs	(48)	186	172
630	Special Revenue Projects	1,011	1,516	516
16,245	Directorate Service Costs	17,797	18,464	15,507
68	River Stour Drainage Board	70	70	70
67	Council Tax Support Funding to Towns & Parishes	39	39	39
(1,227)	Recharge Income from HRA & Capital Projects	(1,543)	(1,731)	(1,424)
113	Accrued Annual Leave Adjustment	0	0	0
	<u>Contribution to/(from) Reserves:</u>			
48	- Special Projects & Events Reserve	(991)	(1,496)	(195)
162	- Periodic Operations Reserve	117	175	1,054
(539)	- Urgent Works Reserve	0	0	24
466	- Dover Regeneration Reserve	(115)	(231)	(51)
(142)	- IT Equipment Reserve	58	58	54
614	- Revenue Grants in Advance Reserve	0	(60)	413
(924)	- Business Rates & Council Tax Reserve	(728)	398	466
14,951	Net Service Expenditure	14,704	15,686	15,957
	<u>Financing Adjustments</u>			
(263)	Interest Receivable	(229)	(516)	(507)
237	Interest Payable	238	238	236
9	Loan Principal Repayments	9	457	9
(1,099)	Revenue Expenditure Funded by Capital Under Statute	(859)	(859)	(665)
654	Direct Revenue Financing of Capital (excluding direct expenditure)	0	0	0
14,489	Total Budget Requirement	13,863	15,006	15,030
	Financed by:			
2,794	Non-Domestic Rates	2,852	3,911	4,013
1,081	Business Rates - Enterprise Zone Relief Retained	1,129	1,170	1,153
12	Business Rates - Renewable Energy Retained	84	84	84
1,758	Revenue Support Grant	1,027	1,027	1,027
6,251	Council Tax	6,600	6,600	6,600
145	Council Tax - Collection Fund Surplus	236	236	236
1,907	New Homes Bonus	1,874	1,874	1,874
529	New Burdens & Other Grants	0	7	37
14,477	Total Financing	13,802	14,909	15,024
12	General Fund Deficit/(Surplus) for the Year	61	97	6
(2,995)	General Fund Balance at Start of Year	(2,689)	(2,533)	(2,533)
450	Transfer to Earmarked Reserves	0	0	0
(2,533)	Leaving Year End Balances of	(2,628)	(2,436)	(2,527)

Major Variations

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

	£000
Original Budget Deficit	61
Homelessness - increased costs of emergency accommodation	745
Staff - recognition of costs to implement 18/19 restructure savings	85
Business Rates Income - reduced S31 grant due to lower Small Business Rates Relief than budgeted	51
Bank Charges - increase in volume of card transactions and charge rates	43
Printing & postage savings	(15)
Universal Credit - additional grant from DWP towards pilot scheme	(19)
Business Rates Income - Enterprise Zone relief income re prior year	(25)
Regulatory services - increased income from licensing, food safety, port health, etc	(46)
Waste Income - increases in sales of bins, special collections & highway income	(49)
Parking Income - increased parking fees and PCNs, less reduced season tickets	(54)
Net excess of vacancy savings achieved after reserve transfer for GDPR regulations	(58)
Investment Income - increase due to use of pooled funds and GF/HRA split	(284)
Internal Recharges - net increase in recharges recovered	(301)
Miscellaneous other variances (net)	(37)
Revised Budget Deficit	97
Transfer to Regeneration Reserve	200
Transfer to ICT Equipment & Server Reserve	200
Refuse collection - additional net contract costs relating to 16/17	89
Transfer to Periodic Operations Reserve	50
Reduced rental income due to reduction in East Kent Housing use of office space	34
Deal Pier - reduced fishing and rental income	32
NNDR - Bus Shelters - reduction as new contractor's liability	(11)
Further printing & postage savings	(13)
Parks - inspection of play areas now provided in-house	(15)
Public Conveniences - lower cleaning and sewerage/waste utility costs	(16)
Electoral Registration - additional grant for Individual Electoral Registration	(21)
Regulatory services - increased income from licensing, port health, etc	(25)
Additional management fees saving from East Kent Services re 2016/17 released	(30)
Internal Recharge variances - additional net favourable variance	(41)
Street Cleansing - reduced need for traffic management and litter bin provision	(41)
Staff - further excess of vacancy savings achieved	(54)
Grounds maintenance - increased external income	(92)
Council Tax - excess costs recovery after allowing for bad debts	(103)
Homelessness - reduction in net emergency accommodation overspend	(176)
Miscellaneous other variances (net)	(58)
Actual Budget Deficit	6

Financing

The financing of the budget of £15.02m came from:

	£000	%
Council tax ¹	6,600	43.9
Revenue Support Grant ²	1,027	6.8
Non-domestic rates ³	4,013	26.7
Enterprise Zone & Renewable Energy Relief Retained ⁴	1,237	8.2
New Homes Bonus ⁵	1,874	12.5
New Burdens & other grants ⁶	37	0.3
Collection Fund Surplus – Council Tax ⁷	236	1.6
Total	15,024	100.0

- (1) Council tax is paid by the residents of the district to the Council, of which 10.8% is for DDC's own use and 3.8% was to meet the precepts of the various town and parish councils, 71.5% was paid to Kent County Council with 9.5% paid to The Police & Crime Commissioner for Kent and 4.4% to the Kent and Medway Fire & Rescue Authority.
- (2) Revenue Support Grant is received directly from Central Government based on their assessment of local authorities' requirements.
- (3) National non-domestic rates are set by Government but collected by the Council from businesses in the district. Under the current rates retention scheme the amounts collected are split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). In 2017/18 £37.6m of NNDR was billed to ratepayers in the district. However, Dover's 40% share is reduced significantly by a tariff payable to Central Government of £11.5m which, in 2017/18, reduces its retained funding (after provisions, for example for Business Rates appeals) to £474k above the baseline level that the Government has calculated that it needs. As a result, Dover also pays a 50% levy of £237k to Government on this sum (i.e. on the "growth" of £474k). See the Collection Fund section for more information (pages 77 to 84).
- (4) Enterprise Zone Relief is granted by DDC to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2017/18 is £1,176k, which is above the sum budgeted of £1,061k and therefore the extra £115k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's EZ relief of £92k. The net Enterprise Zone Relief Grant recognised in the year is £1,153k. Additionally, income from renewable energy businesses is retained locally, but can be fully retained by Dover where it has granted planning permission (i.e. 100%). Dover's business rates income from renewable energy businesses for 2017/18 is £61k, which is above the sum budgeted of £40k and therefore the extra £21k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's renewable energy retained of £44k. The net Renewable Energy Retained in the year is £84k.
- (5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2017/18 was £1,874k.

- (6) The Government has provided £30k New Burdens Grants for “DCLG custom build LA payments” and a further £7k for other S31 grants.
- (7) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2017) as the Council’s likely share of the distributable surplus on the Collection Fund at 31st March 2017 relating to Council Tax, which has been distributed in 2017/18. Its estimated share was £236k.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,287 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the housing subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £2,154k was paid off the PWLB loan principle sum during 2017/18.

In 2017/18 the HRA outturn was a surplus balance of £1,012k compared to the original budget forecast of a surplus of £1,085k, an adverse variance of £73k. The main reasons for the variance are as follows:

- Net transfer to Housing Initiatives Reserve – (£203k) - adverse
- Re-phased spend on the Capital Works Programme - (£1.03m) - favourable
- Reduction in revenue maintenance budgets - (£688k) - favourable
- Transfer of HRA garages from HRA to General Fund - £495k - adverse

In 2017/18 £3.6m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of £1m.

Right-to-buy sales also continued at high levels, in 2017/18 36 sales were completed.

CAPITAL INVESTMENT

The Council invested £35m in major projects in 2017/18, the most significant of which were:

- £5.24m on Housing Revenue Account projects including £3.17m on Housing Stock projects; £1.18m on the purchase of property for social housing; £534k on the refurbishment of Folkestone Rd properties for social housing; £158k on the Norman Tailyour sheltered upgrade; and £114k on the refurbishment of St Radigunds play area;
- £21.75m on the acquisition of properties as part of the Property Investment Strategy:
 - £17.25m on the purchase of B&Q, Whitfield, inclusive of Stamp Duty, etc.
 - £4.5m on the purchase of Whitfield Court, inclusive of Stamp Duty, etc.
- £6.6m on the construction of the new Dover District Leisure Centre;
- £665k on disabled facility grants;
- £112k on grants and loans for private sector housing;
- £113k on coast protection works in Deal;
- The remainder has been spent on a number of smaller projects.

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

- £27.645m internal borrowing¹;
- £1.575m in grants from external bodies including KCC Better Care Fund, Sport England, and the Environment Agency;
- £2.5m from the Major Repairs Reserve;
- £1.5m from earmarked reserves;
- £776k from the Housing Revenue Account (revenue financing);
- £878k from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

Overall, the capital programme is within budget.

OTHER KEY FINANCIAL AREAS

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

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

TREASURY MANAGEMENT

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

At 31 March 2018 the Council had investment balances and day-to-day cash balances managed in-house of approximately £45m. In addition, the Council held £1.9m of UK Gilts.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.84% for the year.

The total interest received for the year was approximately £525k. This was higher than the original budget of £305k, which is a favourable variance of £220k. This is due to a change in treasury management strategy where by the Council invested £26m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years.

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

The Council has just under £82.5m of borrowing from the Public Works Loans Board (PWLB). The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

During 17/18 the Council employed the services of Arlingclose Limited as treasury management advisers.

¹ Internal borrowing is the use of cash balances to avoid the immediate requirement to borrow, thus postponing borrowing costs.

BALANCE SHEET – The Council’s Assets and Liabilities

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

As at 31 March	2017	2018
	£000	£000
Value of land, property and other assets	291,762	328,209
Investments held and cash at bank	66,347	46,452
Money owed to DDC for goods and services	6,626	10,955
Loans owed to DDC (short and long term)	2,074	2,101
Money owed by DDC for goods and services	(11,493)	(22,155)
Loans owed by DDC (short and long term)	(91,913)	(85,738)
Grants for assets received but not yet used	(378)	(727)
Share of pension scheme liabilities owed by DDC	(85,823)	(81,053)
Total Assets less Total Liabilities	177,202	198,044
Financed by:		
Usable reserves ¹	60,833	66,899
Unusable reserves ²	116,369	131,145
Net Worth of Council	177,202	198,044
¹ Usable reserves are made up of:		
Capital receipts and grants	20,480	22,762
Revenue balances	3,580	3,539
Earmarked reserves	36,773	40,598
	60,833	66,899

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

PENSION FUND

The Council is a member of the Local Government Pension Scheme administered by Kent County Council. This Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits). IAS19 does not have an impact on the level of employer contribution rates paid by the Council.

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

The net liability at 31 March 2018 was £81.0 (£85.8m at 31 March 2017).

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full

valuation of the scheme as at 31 March 2016. The actuarial valuation of the Fund carried out as at 31 March 2016 sets contributions for the period 1 April 2017 to 31 March 2020.

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

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2018/19 and Medium Term Financial Plan (MTFP) 2018/19 – 2021/22 were approved in March 2018. The MTFP covers both revenue and capital budgets for the General Fund and the Housing Revenue Account over a three-year forecasting period. The main features of the MTFP are:

- Balanced General Fund budget for 2018/19;
- Prudent General Fund balances maintained in 2018/19;
- Overall net expenditure levels reduced slightly;
- Council Tax increase of £4.95, rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- The forecasts for future years show a balanced General Fund budget for 2019/20 and 2020/21, and then savings or income generation of circa £500k required in 2021/22 need to be identified;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- The current capital programme is funded, subject to the borrowing arrangements for Dover Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are;
 - Property Investment Strategy;
 - Replacement of Dover Leisure Centre;
 - Refurbishment of Dover Town Hall.
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2018/19 and the Medium Term Financial Plan can be found on the Council's website at: <https://www.dover.gov.uk/Corporate-Information/Financial-Information/Budgets--Accounts.aspx>

THE FUTURE

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

- The economic climate and the impact of the EU Referendum outcome;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants;
- The sustainability of the NHB scheme;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the implementation of 100% business rates retention;

- Proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees; and
- Developing partnership arrangements with others in order to achieve cost efficiencies.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance, Housing and Community's Responsibilities

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

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

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

The Director of Finance, Housing and Community has also:

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

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

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

Signed:



Mike Davis CPFA
Director of Finance, Housing and Community

Dated: 30th July 2018

Signed:



Councillor Patrick Heath
Chairman, Governance Committee

Dated: 30th July 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2016/17 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2017/18 Gross Income £000	Net Expenditure £000
			Continuing Operations				
13,405	(2,719)	10,686	Chief Executive		5,210	(2,286)	2,924
44,796	(40,899)	3,897	Director of Finance, Housing & Community		39,988	(35,780)	4,208
19,364	(10,042)	9,322	Director of Environment & Corporate Assets		21,374	(11,711)	9,663
3,384	(981)	2,403	Director of Governance		2,789	(602)	2,187
748	(118)	630	Special Projects		1,139	(624)	515
(2,951)	(20,655)	(23,606)	Local Authority Housing (HRA)		8,689	(19,901)	(11,212)
0	(57)	(57)	Non-distributed Costs		0	(0)	0
78,746	(75,471)	3,275	Net Cost of Services		79,189	(70,904)	8,285
			Other Operating Expenditure:				
			<u>Amounts due to precepting authorities:</u>				
		2,310	– Town and Parish Councils				2,366
		68	– River Stour Drainage Board Levy				70
		297	Contribution of Housing Capital Receipts to Central Government Pool	24			294
		(9,761)	(Gain) or loss on disposal of fixed assets	8			(1,228)
		(15)	Other income				0
			Financing and Investment Income & Expenditure:				
		3,021	Interest payable and similar charges				2,942
		(492)	Interest and investment income				(752)
		(16)	Changes in the value of Investment Properties	6			120
		2,629	Net Interest on Defined Benefit Liability	19			2,181
			Taxation & Non-specific Grant Income:				
		(8,661)	Demand on the Collection Fund – Council Tax	20			(9,035)
		(4,898)	Income from National Non-Domestic Rates	21			(4,995)
		(4,189)	Government grants (not attributable to specific services)	22			(2,930)
		(1,398)	Capital Grants and Contributions	22			(1,973)
		(17,830)	(Surplus) or Deficit on Provision of Services				(4,655)
			<u>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
		(7,293)	(Surplus) or deficit arising on revaluation of fixed assets	36			(10,280)
		(50)	Prior Year Other Land and Buildings Adjustment	5			0
		(26)	Prior Year Soft Loan Adjustment	16			0
		7,589	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	19			(6,481)
			<u>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
		8	Deficit on revaluation of available-for-sale financial assets	17			574
		228	Other Comprehensive Income & Expenditure				(16,187)
		(17,602)	Total Comprehensive Income & Expenditure				(20,842)

MOVEMENT IN RESERVES STATEMENT

2016/17

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

MOVEMENT IN RESERVES STATEMENT

2017/18

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		2,533	1,047	24,274	12,499	17,312	3,168	60,833	116,369	177,202
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(4,753)	9,408	0	0	0	0	4,655	0	4,655
Other comprehensive income & expenditure		0	0	0	0	0	0	0	16,187	16,187
Total Comprehensive Income & Expenditure		(4,753)	9,408	0	0	0	0	4,655	16,187	20,842
Depreciation and amortisation of non-current assets	5	5,205	0	0	1,973	0	0	7,178	(7,178)	0
Non-current asset revaluation loss	5	276	0	0	0	0	0	276	(276)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(2,689)	0	2,689	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(4,662)	0	0	(4,662)	4,662	0
Capital grants and contributions		(1,985)	0	0	0	280	335	(1,369)	1,369	0
Movement in the market value of Investment Properties	6	120	0	0	0	0	0	120	(120)	0
Revenue expenditure funded from capital under statute	11	678	0	0	0	0	0	678	(678)	0
(Gain) or loss on disposal of non-current assets	8	47	(1,275)	0	0	2,838	0	1,610	(1,610)	0
Non-current asset revaluation gain	34	(43)	(1,052)	0	0	0	0	(1,095)	1,095	0
Adjustments under statutory provisions relating to soft loans	16	(156)	0	0	0	0	0	(156)	156	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
Net charges made for retirement benefits	19	1,763	(52)	0	0	0	0	1,711	(1,711)	0
Council tax income regulatory adjustment	20	135	0	0	0	0	0	135	(135)	0
NNDR income regulatory adjustments	21	254	0	0	0	0	0	254	(254)	0
Enterprise Zone Relief regulatory adjustment	21	(23)	0	0	0	0	0	(23)	23	0
Renewable Energy regulatory adjustment	21	23	0	0	0	0	0	23	(23)	0
Capital expenditure charged to revenue	10	(203)	(2,179)	0	0	0	0	(2,382)	2,382	0
Employee benefits – accrued annual leave	23	0	0	0	0	0	0	0	0	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(878)	0	(878)	878	0
Net increase / decrease before transfers to/from Earmarked Reserves		1,623	2,161	0	0	1,946	336	6,066	14,776	20,842
Transfers to or (from) earmarked reserves	26	(1,629)	(2,196)	1,629	2,196	0	0	0	0	0
Increase or (Decrease) in Year		(6)	(35)	1,629	2,196	1,946	336	6,066	14,776	20,842
Balance at 31 March		2,527	1,012	25,903	14,695	19,258	3,504	66,899	131,145	198,044

BALANCE SHEET

31 March 2017		Notes	31 March 2018
£000			£000
196,030	Council dwellings		197,246
75,953	Land and buildings		82,039
2,123	Vehicles, plant and equipment		2,066
8,646	Infrastructure assets		8,320
174	Community assets		172
2,189	Assets under construction		10,014
285,115	Property, Plant and Equipment	5	299,857
4,127	Heritage assets	7	4,127
2,355	Investment property	6	23,977
38	Intangible assets	5	98
6	Long term investments	12	25,571
2,074	Soft loans	16	2,101
1,011	Long term debtors	27	937
9,611	Long Term Assets		56,811
55,796	Short term investments	12	17,464
127	Stocks in hand		150
9,727	Short term debtors	27	14,400
(4,112)	Less provision for bad debts	27	(4,382)
10,545	Cash and cash equivalents	28	3,417
72,083	Current Assets		31,049
(6,320)	Short term borrowing	13	(2,376)
(7,861)	Short term creditors	29	(17,685)
(982)	Provisions	30	(2,010)
(2,650)	Receipts in advance	31	(2,460)
(17,813)	Current Liabilities		(24,531)
(85,593)	Long term borrowing	13	(83,362)
(378)	Capital grants received in advance	33	(727)
(85,823)	Pensions liability	19	(81,053)
(171,794)	Long Term Liabilities		(165,142)
177,202	Net Assets		198,044
2,533	General Fund balance	25	2,527
1,047	Housing Revenue Account balance	25	1,012
24,274	Earmarked reserves	26	25,903
12,499	Housing Revenue Account reserves	26	14,695
17,312	Usable capital receipts reserve	24	19,258
3,168	Capital grants unapplied	32	3,504
60,833	Reserves Available to Fund Services		66,899
46,405	Revaluation reserve	36	53,035
157,195	Capital adjustments account	34	161,378
14	Available-for-sale financial instruments reserve	17	(561)
(1,461)	Financial adjustments account	15	(1,304)
(519)	Collection Fund adjustment account- NNDR	21	(773)
422	Collection Fund adjustment account- Council tax	20	287
92	Enterprise Zone relief adjustment account	21	115
44	Renewable Energy adjustment account	21	21
(85,823)	Pensions reserve	19	(81,053)
116,369	Reserves Unavailable to Fund Services		131,145
177,202	Total Reserves		198,044

CASH FLOW STATEMENT

2016/17 (Restated)		2017/18	
£000	£000	£000	£000
16,191			10,545
(10,545)			(3,417)
	5,646	Net (increase) or decrease in Cash & Cash Equivalents	7,128
£000	£000	£000	£000
	(17,603)	Net surplus on Income & Expenditure	(4,655)
		<u>Non-cash transactions:</u>	
(3,669)		(5,208)	
3,304		699	
9,754		1,231	
(1,276)		(1,711)	
71		731	
179		(1,028)	
(1,945)		(1,971)	
	6,418		(7,259)
		<u>Items on an accruals basis:</u>	
66		24	
(1,862)		4,744	
(201)		(74)	
(48)		(197)	
422		(4,510)	
(334)		190	
1,029		(389)	
	(928)		(212)
		<u>Adjustments re investing and financing activities:</u>	
(1,098)		(678)	
1,413		1,985	
	315		1,307
	(11,798)	Net Cash Flows from Operating Activities	(10,819)
		<u>Investing activities:</u>	
9,190		33,370	
(63)		(129)	
(19,115)		(53,322)	
40,400		40,400	
(11,936)		(2,884)	
(166)		(234)	
(383)		(1,376)	
	17,927	Net Cash Flows from Investing Activities	15,825
		<u>Financing activities:</u>	
(4,067)		0	
2,162		6,175	
1,422		(4,052)	
	(483)	Net Cash Flows from Financing Activities	2,123
	5,646		7,128

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards:

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

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

(b) Qualitative Characteristics of Financial Information

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

(c) **Accounting Concepts**

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

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

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

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

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

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

(e) **Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The

authority has defined cash equivalents as internally held investments with a maturity of 100 days or less from the date of acquisition of the investment.

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

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

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

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

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

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

(g) Provisions

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

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

(h) Contingent Assets and Liabilities

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

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

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

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

(i) **Debt Write-Off**

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

(j) **Employee Benefits**

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

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued

salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

(k) Events After the Balance Sheet Date

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

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 31 July.

Two types of events can be identified:

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

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

(l) Exceptional Items

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

(m) **Prior Period Adjustments**

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

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

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

(n) **Financial Instruments**

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

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

Financial instruments are valued at fair value. The fair value of financial instruments can be attributed in three ways.

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

Financial Assets

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

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

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

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

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

Soft Loans

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

(o) **Foreign Currency Transactions**

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

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

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

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

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

year that the capital expenditure is incurred where there are conditions attached to its use.

(q) **Long Term Contracts**

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

(r) **Leases**

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

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

Finance Leases

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

Operating Leases

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

(s) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist, or written off to revenue through the Comprehensive Income and Expenditure Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements.

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

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

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

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

• Land and Buildings

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

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

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

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

- Vehicles, Plant and Equipment

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

- Infrastructure Assets

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

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

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

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

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

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

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

Investment properties are not subject to depreciation or componentisation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(t) Overheads and Support Services

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on services, or other appropriate basis, and costs of buildings are apportioned on a floor area basis.

(u) Reserves

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

(v) Revenue Expenditure Funded from Capital Under Statute

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

(w) Value Added Tax (VAT)

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

(x) Critical Judgements in Applying Accounting Policies

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

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

- The Council continues to face a significant financial challenge brought about by, in the main, the Government's budget deficit reduction programme and the

economic climate, as well as some specific government led-initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets;

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

2. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are calculated on a maximum 5-year cycle with the exception of Housing Revenue Account dwellings which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.96m change in the balance sheet values, equating to approximately £450 per dwelling. There would also be an impact of approximately £20k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.7m.
Bad Debts Provisions	The Council has bad debt provisions of £4.38m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 32.9% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. EXPENDITURE AND FUNDING ANALYSIS

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

2016/17	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Chief Executive	1,000	725	1,725	8,961	10,686
Director of Finance, Housing & Community	7,361	(1,765)	5,596	(1,699)	3,897
Director of Environment & Corporate Assets	4,832	113	4,944	4,378	9,322
Director of Governance	2,236	(204)	2,032	371	2,403
Special Projects	630	0	630	0	630
Local Authority Housing (HRA)	(23,606)	16,676	(6,931)	(16,676)	(23,606)
Non-distributed Costs	187	(245)	(58)	1	(57)
Net Cost of Service	(7,361)	15,300	7,939	(4,664)	3,275
Other Income & Expenditure	(10,676)	(1,079)	(11,755)	(9,350)	(21,105)
(Surplus) or deficit			(3,816)	(14,014)	(17,830)
Opening General Fund and Housing Revenue Account Balance 1 April 2016			(36,537)		
Closing General Fund and Housing Revenue Account Balance 31 March 2017			(40,353)		
<u>Made up of:</u>					
General Fund Balance			(2,533)		
Housing Revenue Account Balance			(1,047)		
General Fund Earmarked Reserves			(24,274)		
Housing Revenue Account Earmarked Reserves			(12,499)		
			(40,353)		

2017/18	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Chief Executive	1,411	1,140	2,552	372	2,924
Director of Finance, Housing & Community	7,495	(1,791)	5,704	(1,496)	4,208
Director of Environment & Corporate Assets	3,434	201	3,635	6,029	9,664
Director of Governance	2,479	(869)	1,609	577	2,187
Special Projects	516	0	516	0	516
Local Authority Housing (HRA)	(11,212)	6,384	(4,827)	(6,384)	(11,212)
Non-distributed Costs	172	(172)	0	0	0
Net Cost of Service	4,295	4,893	9,188	(902)	8,286
Other Income & Expenditure	(12,131)	(841)	(12,973)	31	(12,940)
(Surplus) or deficit			(3,784)	(870)	(4,654)
Opening General Fund and Housing Revenue Account Balance 1 April 2017			(40,353)		
Closing General Fund and Housing Revenue Account Balance 31 March 2018			(44,137)		
<u>Made up of:</u>					
General Fund Balance			(2,527)		
Housing Revenue Account Balance			(1,012)		
General Fund Earmarked Reserves			(25,903)		
Housing Revenue Account Earmarked Reserves			(14,695)		
			(44,137)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2017/18	Depreciation / Impairment	Soft Loan Adjustments	Charge for Pension Adjustment	Other Capital Adjustments	Other Adjustments	Total Adjustment Between Funding & Accounting Basis
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£000	£000	£000	£000	£000	£000
Chief Executive	27	0	345	0	0	372
Director of Finance, Housing & Community	47	70	(1,613)	0	0	(1,496)
Director of Environment & Corporate Assets	5,361	0	668	0	0	6,029
Director of Governance	3	0	575	0	0	577
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(1,052)	0	(444)	(4,888)	0	(6,384)
Non-distributed Costs	0	0	0	0	0	0
Net Cost of Service	4,385	70	(470)	(4,888)	0	(902)
Other Income & Expenditure	(1,228)	(226)	2,181	(1,092)	396	31
Total	3,157	(156)	1,711	(5,979)	396	(871)

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

2016/17			2017/18			
Totals per Resources Allocations (Restated) £000	Adjustments per Accounting Code £000	Totals per CIES £000		Totals per Resources Allocations £000	Adjustments per Accounting Code £000	Totals per CIES £000
(8,298)	0	(8,527)	Fees, charges and other service income	(9,798)	0	(9,798)
(47,990)	0	(47,761)	Grants	(43,560)	0	(43,560)
0	(13,784)	(13,784)	Recharges to other accounts	0	(14,872)	(14,872)
(56,288)	(13,784)	(70,072)	Total General Fund Income	(53,358)	(14,872)	(68,231)
13,383	2,868	16,251	Employees	14,366	4,147	18,513
1,606	0	1,606	Premises	1,215	0	1,215
186	0	186	Transport	207	0	207
7,998	0	7,998	Supplies and services	8,831	0	8,831
12,170	0	12,170	Third Parties	11,848	0	11,848
37,444	0	37,444	Transfer Payments	32,841	0	32,841
0	8,386	8,386	Recharges from other accounts	0	8,765	8,765
0	86	86	Financial Instrument Adjustments	0	70	70
0	12,825	12,825	Capital charges	0	5,437	5,437
72,788	24,165	96,953	Total General Fund Expenditure	69,308	18,421	87,729
(6,931)	(16,676)	(23,606)	Housing Revenue Account	(4,827)	(6,384)	(11,212)
9,569	(6,294)	3,275	Total Cost of Services	11,122	(2,836)	8,286

5. PROPERTY, PLANT AND EQUIPMENT

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

Movement on Balances 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2017	196,030	79,828	5,223	15,724	575	0	2,189	299,568
Additions – Expenditure in year	4,352	0	146	0	0	0	7,952	12,450
Additions–transfer from WIP*			67	0	0	0	(127)	(60)
Revaluation increases or decreases recognised in the Revaluation Reserve	0	7,217	0	0	0	0	0	7,217
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	(898)	(486)	0	0	0	0	0	(1,384)
Transfers	(628)	628	0	0	0	0	0	0
Disposals	(1,610)	0	0	0	0	0	0	(1,610)
Other movements in cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2018	197,246	87,188	5,436	15,724	575	0	10,014	316,182
Accumulated Depreciation and Impairment								
At 1 April 2017		(3,868)	(3,101)	(7,078)	(406)	0	0	(14,454)
Depreciation charge	(1,950)	(4,589)	(270)	(326)	(2)	0		(7,137)
Deprecation written out to CIES	1,950	0	0	0	0	0	0	1,950
Deprecation written out to Revaluation Reserve	0	3,315	0	0	0	0	0	3,315
Other Movements in Depreciation and Impairment	0	(6)	0	0	6	0	0	0
Subtotal	0	(5,148)	(3,371)	(7,405)	(402)	0	0	(16,326)
Net Book Value								
At 31 March 2018	197,246	82,039	2,066	8,319	173	0	10,014	299,856
At 31 March 2017	196,030	75,954	2,122	8,646	175	0	2,189	285,115

Tangible Non-current Assets and Depreciation

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

	2016/17 £000	2017/18 £000
General Fund	3,635	5,164
Housing Revenue Account	1,952	1,973
Total	5,587	7,137

Intangible Non-Current Assets

	2016/17 £000	2017/18 £000
Opening Net Book Value	65	37
Additions – transferred from	6	61
Additions – expenditure in year	0	41
Amortisation	(34)	(41)
Closing Net Book Value	37	98

Non-Current Asset Valuation

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

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2017. Housing Revenue Account dwellings were valued as at 31 March 18 and the valuation was valid for the 3 months.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. During 2017/18 the Whitfield Offices were revalued resulting in a revaluation loss. A small gain in the housing stock valuation for 2017/18 has been offset by capital expenditure.

	2016/17 £000	2017/18 £000
General Fund		
General gain/(loss) on Other Land and Buildings	(9,765)	(690)
Losses written out of Revaluation Reserve	377	161
Prior year losses written out	47	43
Write back Depreciation	159	253
Total charged to the General Fund	(9,182)	(233)
Housing Revenue Account		
General gain/(loss) on Housing Stock	10,655	(898)
Write back Depreciation	1,794	1,950
Total charged to the HRA	12,449	1,052
Total charged to Property, Plant & Equipment	3,267	819

6. INVESTMENT PROPERTIES

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

	2016/17 £000	2017/18 £000
Rental income from investment property	340	1,048
Direct operating expenses arising from investment property	(90)	(61)
Net gain or loss	250	987

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

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

	2016/17 £000	2017/18 £000
Balance at start of the year	2,268	2,355
Revaluation gains from fair value adjustments	30	5
Revaluation losses from fair value adjustments	(14)	(126)
Transfer of Asset	(45)	0
Acquisitions	160	21,742
Disposals	(44)	0
Balance at end of year	2,355	23,976

7. HERITAGE ASSETS

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

	At 31 March 2017 £000	At 31 March 2018 £000
Historic Buildings	210	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	4,127	4,127

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

	2016/17 £000	2017/18 £000
Net Book Value		
HRA right-to-buy	1,601	1,610
HRA other sales	15	0
General Fund sales	511	0
Total	2,127	1,610
Sales Proceeds		
HRA right-to-buy	(2,607)	(2,885)
HRA other sales	(11)	0
General Fund sales	(9,317)	0
Total	(11,936)	(2,885)
Less admin fees	48	47
(Gain) or Loss on Disposal	(9,761)	(1,228)

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2018 the Authority was contractually committed to capital expenditure amounting to £15,124k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Dover Leisure Centre – new facility provision	BAM Construction	14,469	Jan 2019
Dover Leisure Centre – new facility provision	Faithful & Gould	185	Jan 2019
Dover Leisure Centre – new facility provision	Various	33	Jan 2019
Parks for People – Kearsney Abbey & Russell Gdns	Various	49	Oct 2020
Dover Town Investment Zone - Waterfront	WSP	21	On-going

Project	Contractor	Total Commitment £000	Estimated Completion Date
Folkestone Rd properties refurbishment	Perfect Homes	26	May 2018
DTIZ Enhancement Works	Perfect Homes	86	July 2018
DTIZ Enhancement Works	Other	8	July 2018
Deal Pier Capital Works	HTR Building	185	Various
Deal Pier Capital Works	Various	13	Various
Sandwich Quay Fender Piles	Highway Marine	49	Sept 2018
Total		15,124	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	90,043	91,575
Capital Investment:		
Plant, property and equipment	9,094	12,428
Investment Property	0	21,742
Intangible assets	60	63
Revenue expenditure funded by capital	1,099	678
Private sector housing loans	137	112
Total Capital Investment	10,390	35,024
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(787)	(878)
Government grants	(1,069)	(1,575)
Major repairs reserve	(3,000)	(2,508)
Direct revenue financing/Reserves	(1,435)	(2,382)
Section 106 funding	(423)	(35)
Total Financing	(6,714)	(7,379)
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,087)	(2,154)
Under Borrowing	3,619	27,636
Closing Capital Financing Requirement	91,575	117,057

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2016/17		2017/18	
	£000	£000	£000	£000
Gross expenditure:				
Disabled Facilities Grants	644		620	
Winter Warmth Grants	0		45	
Renovation Loans	0		112	
Small Works Adaptation Grants	5		0	
St Margarets Bay Beach Study	0		13	
Discovery Park	250		0	
Deal Youth Centre	200		0	
		1,099		790
Grants & contributions received:				
Disabled Facilities Grant (KCC BCF)	(644)		(665)	
Building Foundations for Growth	(250)		0	
Environment Agency	0		(13)	
		(894)		(678)
Total deferred charges		205		112
Written off to revenue in year		(205)		(112)
Total		<u>0</u>		<u>0</u>

12. INVESTMENTS

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

Short Term Investments

	2016/17	2017/18
	£000	£000
Investments managed by Fund Managers	1,938	1,914
In-house managed investments	38,458	15,550
Cash flow short term investment	15,401	0
Total	<u>55,796</u>	<u>17,464</u>

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

Long Term Investments

	2016/17	2017/18
	£000	£000
Stocks	6	6
Pooled Investment Funds	0	25,565
Total	<u>6</u>	<u>25,571</u>

Investment Portfolio

The Council's investment portfolio as at 31 March 2018 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2018
<u>Internal Investments:</u>			
Loans and receivables			
Birmingham City Council	27/04/18	7,500	UK 'AA'
Mid Suffolk District Council	15/05/18	3,000	UK 'AA'
Suffolk County Council	27/04/18	5,000	UK 'AA'
Total Internal Investments		15,500	
<u>External Investments:</u>			
<u>Available for sale</u>			
<u>Pooled Investment Funds</u>			
CCLA Property Fund		6,000	'AA'
Investec Multi Asset Fund		6,000	'AA'
Columbia Threadneedle		6,000	'AA'
Strategic Bond Fund			
Payden and Rygel Sterling Reserve Fund		8,000	'AA'
<u>Fixed Interest Securities</u>			
United Kingdom Gilts 1.25%	22/07/18	1,910	'AA'
Total External Investments		27,910	
<u>Cash and Cash Equivalents:</u>			
Loans and receivables			
Cash in hand	n/a	342	
Nat West	Instant Access	1	UK 'BBB+'
HSBC	Instant Access	0	UK 'AA-'
Santander UK	Instant Access	1	UK 'A+'
Bank of Scotland	Instant Access	5	UK 'A+'
Barclays	Instant Access	34	UK 'A+'
Goldman Sachs MMF	Instant Access	500	UK 'AAA'
Standard Life MMF	Instant Access	2,534	UK 'AAA'
Total Cash and Cash Equivalents		3,417	

13. BORROWING

	2016/17 £000	2017/18 £000
<u>Short term borrowing</u>		
Accrued Interest	157	145
PWLB	2,154	2,223
Temporary loan	4,000	0
LTA loan	9	9
Total Short Term Borrowing	6,320	2,377
<u>Long term borrowing</u>		
PWLB	82,515	80,293
LOBO	3,000	3,000
LTA Loan	78	69
Total Long Term Borrowing	85,593	83,362

14. FINANCIAL INSTRUMENTS

Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices – Money Market Funds and Pooled investment funds are valued using this method.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments – Government bonds and long term borrowing are valued using this method.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness – no financial instruments held valued using this method

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

Financial Assets**Balance as at:**

	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Short term Assets</u>				
Available for sale				
Cash held by external fund manager	1,938	1,938	1,914	1,914
Loans and receivables				
Deposits with banks and building societies	35,456	35,470	0	0
Notice accounts with Bank and building societies	15,401	15,401	0	0
Local Authorities	3,001	3,001	15,550	15,550
Total Short Term Investments	55,796	55,810	17,464	17,464
Debtors	2,593	2,593	3,783	3,783
Cash and liquid assets	10,545	10,545	3,417	3,417
Total short term assets	68,934	68,948	24,664	24,664
<u>Long term Assets</u>				
Long Term Debtors	17	17	203	203
Stocks	6	6	6	6
Soft Loans	2,073	2,073	2,101	2,101
Available for sale				
Long Term Investments	0	0	25,565	25,565
Total long term assets	2,097	2,097	27,875	27,875
Total Financial Assets	71,031	71,045	52,539	52,539

Financial Liabilities**Balance as at:**

	31 March 2017		31 March 2018	
	Restated			
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Short Term Liabilities</u>				
Accrued Interest	157	157	145	145
PWLB repayments due	2,154	2,154	2,223	2,223
Temporary Loan	4,000	4,000	0	0
Lawn Tennis Association Loan	9	9	9	9
Total Short Term Borrowing	6,320	6,320	2,377	2,377
Creditors	3,298	3,298	6,887	6,887
Total Short Term Liabilities	9,618	9,618	9,264	9,264
<u>Long Term Liabilities</u>				
PWLB – maturity	4,001	9,653	4,001	9,517
PWLB – Annuity	78,514	91,916	76,292	86,370
LOBOs	3,000	4,774	3,000	4,524
Lawn Tennis Association Loan	78	78	69	69
Total Long Term Liabilities	85,593	106,421	83,362	100,480
Total Financial Liabilities	95,211	116,309	92,626	109,744

The figures at 31 March 2017 have been restated for Creditors, to remove the inclusion of prepayments, and for the PWLB annuity loan, recalculated under IFRS13 requirements.

Maturity Analysis

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

	31 March 2017		31 March 2018	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,001	4,084	4,001	4,084
PWLB – HRA Self Financing	80,668	80,699	78,515	78,535
Lawn Tennis Association Loan	87	87	78	78
LOBO	3,000	3,043	3,000	3,041
Temporary Loan	4,000	4,000	0	0
Creditors	3,298	3,298	6,887	6,887
Total	95,054	95,211	92,481	92,626
Less than 1 year	9,461	9,618	9,119	9,264
Between 1 and 2 years	3,373	3,373	3,481	3,481
Between 2 and 5 years	7,243	7,243	7,475	7,475
Between 5 and 10 years	14,695	14,695	15,124	15,124
More than 10 years	60,282	60,282	57,282	57,282
Total	95,054	95,211	92,481	92,626

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2016/17		2017/18	
	£000	£000	£000	£000
Opening balance				
Soft loans	1,525		1,461	
Movement during the year				
Soft loans		(64)		(156)
Balance at 31 March		1,461		1,305

16. SOFT LOANS

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

	2016/17 £000	2017/18 £000
Opening balance	2,047	2,073
Advances in year	137	113
Repayments in year	(200)	(241)
Financial instruments adjustments	89	156
Closing balance	2,073	2,101

17. AVAILABLE FOR SALE RESERVE

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

Available for sale reserve	2016/17 £000	2017/18 £000
Opening balance	22	14
Unrealised profit/(loss) on pooled investments and fixed securities	(8)	(575)
Closing balance	14	(561)

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments; and
- market risk - the possibility that losses may arise due to changes in interest rates and market prices.

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

	2016/17	2017/18
	£000	£000
Cash and cash equivalents	10,545	3,416
Less than 1 year	55,796	17,464
More than 1 year	6	25,571
Total	66,347	46,451

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

Market Risk

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

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

Foreign Exchange Risk

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

Interest Rate Risk

The Council received interest of £526k on its investments of £46.9 m achieving an average interest rate of 0.84%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £469k in the interest received.

The Council paid interest on its borrowings of £2.9m based on an average rate of 3.39%. The loans associated with this borrowing are held at fixed interest rates and therefore there is no associated interest rate risk with the existing commitments.

Accounting Standards issued but not yet adopted

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- CCLA Local Authorities Property Fund
- Investec Diversified Income Fund
- Colombia Threadneedle Strategic Bond Fund
- Payden and Rygel Sterling Reserve Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) [and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables)]. The estimated additional provision to be made as at 1st April 2018 is £0.

19. PENSION COSTS

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

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	2,330	3,356
Curtailments and past service costs	33	11
Administrative expense	50	45
Net Operating Expenditure		
Net Interest on the Defined Liability	2,629	2,181
Charge to the Surplus or Deficit on the Provision of Services	5,042	5,593
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	13,391	766
Actuarial gains and losses arising on changes in demographic assumptions	3,930	0
Actuarial gains and losses arising on changes in financial assumptions	(28,508)	5,715
Experience loss/(gain) on defined benefit obligation	4,073	0
Other	(475)	0
Re-measurement of the net defined benefit liability	(7,589)	6,481
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,042)	(5,593)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,766	3,882
Contribution (From) or To Pensions Reserve	(1,276)	(1,711)

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

Pension Assets and liabilities recognised in the Balance Sheet

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

Liabilities	2016/17 £000	2017/18 £000
Opening balance at 1 April	154,510	177,664
Current service costs	2,330	3,356
Interest cost	5,321	4,552
Change in financial assumptions	28,508	(5,715)
Change in demographic assumptions	(3,930)	0

	2016/17 £000	2017/18 £000
Liabilities		
Experience loss/(gain) on defined benefit obligation	(4,073)	0
Benefits paid net of transfers in	(4,990)	(5,214)
Past service costs, including curtailments	33	11
Contributions by scheme participants	571	620
Unfunded pension payments	(616)	(607)
Closing balance at 31 March	177,664	174,667

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

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

	2016/17 £000	2017/18 £000
Assets		
Opening balance at 1 April	77,552	91,841
Interest on assets	2,692	2,371
Return on assets less interest	13,391	766
Other actuarial gains / (losses)	(475)	0
Administration expenses	(50)	(45)
Contributions by employer including unfunded	3,766	3,882
Contributions by scheme participants	571	620
Estimated benefits paid plus unfunded net of transfers in	(5,606)	(5,821)
Closing balance at 31 March	91,841	93,614

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Net Pension Liability

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

	2016/17 £000	2017/18 £000
Present value of funded obligation	167,874	165,430
Fair value of scheme assets (bid price)	(91,841)	(93,614)
Net Liability	76,033	71,816
Present value of unfunded obligation	9,790	9,237
Net Liability in Balance Sheet	85,823	81,053

The figures presented are prepared only for the purpose of IAS19. They are not relevant for calculations undertaken for funding purposes. IAS19 does not have any impact on the actual level of employer contributions paid to Kent County Council Pension Fund. Employers' levels of contribution are determined by triennial actuarial

valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Reconciliation of Opening & Closing Surplus or Deficit

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

	2016/17 £000	2017/18 £000
Surplus or Deficit		
Opening balance at 1 April	(76,958)	(85,823)
Current service costs	(2,330)	(3,356)
Past service costs and curtailments	(33)	(11)
Employer's contributions	3,766	3,882
Administrative expenses	(50)	(45)
Remeasurement of net defined benefit liability	(7,589)	6,481
Interest on net defined benefit liability	(2,629)	(2,181)
Closing balance at 31 March	(85,823)	(81,053)

Breakdown of Assets Held by Pension Fund shown at Fair Value

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

	31 March 2017		31 March 2018	
	Fund Value £000	Percentage of Fund %	Fund Value £000	Percentage of Fund %
Assets				
Equities	64,816	70	62,470	66
Gilts	685	1	716	1
Bonds	8,947	10	8,950	10
Property	11,445	12	11,770	13
Cash	2,346	3	3,102	3
Target Return Portfolio	3,602	4	6,606	7
Total	91,841	100	93,614	100

Scheme History

	2013/2014 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities	(137,582)	(159,683)	(154,510)	(177,664)	(174,667)
Scheme assets	71,754	78,227	77,552	91,841	93,614
Surplus or (deficit) in the scheme	(65,828)	(81,456)	(76,958)	(85,823)	(81,053)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £81m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2017/18 and are detailed below:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Remeasurement of the net defined liability recognised in the CIES	(293)	(14,059)	5,924	(7,589)	6,481
Cumulative remeasurement of the net defined benefit liability	(52,186)	(66,245)	(60,321)	(67,910)	(61,429)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2016.

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

	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23 years	23.1
Women	25 years	25.2
Longevity at 65 for future pensioners		
Men	25.1 years	25.3
Women	27.4 years	27.5
Rate of inflation – RPI	3.5%	2.35%
Rate of inflation – CPI	2.6%	3.35%
Rate of increase in salary	4.1%	3.85%
Rate of increase in pension	2.6%	2.35%
Rate for discounting scheme liabilities	2.6%	2.55%

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

Sensitivity Analysis

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

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	171,904	174,667	177,477
Projected service cost	3,111	3,181	3,253
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	174,882	174,667	174,453
Projected service cost	3,181	3,181	3,181
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	177,265	174,667	172,110
Projected service cost	3,253	3,181	3,110
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	181,523	174,667	168,077
Projected service cost	3,282	3,181	3,083

Projected Pension Expense for the Year to 31 March 2019

These projections are based on the Actuary's assumptions as at 31 March 2019.

	2018/19 Projection £000
Service cost	3,181
Net interest on the defined liability (asset)	2,017
Administration expenses	46
Total	5,244
Employer's contributions	3,305

Further Information

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

20. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income	£000	2016/17 £000	£000	2017/18 £000
District council's council tax		6,251		6,600
Parish councils' council tax		2,243		2,327
		<u>8,494</u>		<u>8,927</u>
Current year's actual Collection Fund surplus (Council Tax)	422		287	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	404		422	
Share of estimated prior year surplus distributed in year	(145)		(236)	
	<u>259</u>		<u>186</u>	
		163		101

Council Tax Income	£000	2016/17 £000	£000	2017/18 £000
Council Tax S31 Grant – re discount for Family Annexes		4		7
Amount credited to the CIES from Council Tax		8,662		9,035

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

	£000	2016/17 £000	£000	2017/18 £000
District council's share of NNDR		13,785		15,308
S31 Grant for NNDR Reliefs given		625		1,128
Tariff to Central Government		(10,604)		(11,458)
Levy Payable to Government		(288)		(237)
Current year's actual Collection Fund surplus/(deficit) - NNDR	(519)		(773)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	(1,464)		(519)	
Share of estimated prior year surplus/deficit contributed in year	724		728	
	<u>(740)</u>		<u>209</u>	
Income from NNDR		221		(982)
		3,739		3,759
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government	1,024		1,061	
Enterprise Zone Relief due from Government	92		115	
Total Enterprise Zone Relief		1,116		1,176
Renewable Energy NNDR Retained:				
Renewable Energy retained as per NNDR1	0		40	
Further Renewable energy due for year	44		21	
Total Renewable Energy Retained		44		61
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		4,899		4,996

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2017/18 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General Fund are taken to the Collection Fund, Enterprise Zone Relief and Renewable Energy NNDR Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are: the collection fund deficit arising in the year (£982k),

which is offset by a favourable £254k MIRS adjustment, reducing the deficit to £728k, which is the actual amount contributed by the council (in 2016/17 this was a surplus arising in the year of £221k, which was offset by an adverse £944k MIRS adjustment, changing the surplus to a deficit, which was the actual deficit contributed of £723k). The accrued Enterprise Zone Relief Grant of £115k (2016/17 £92k) and the Renewable Energy NNDR of £21k (2016/17 £40k) are also reversed through the MIRS.

22. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	2017/18 £000
General government grants:		
Revenue Support Grant	1,758	1,027
Community Housing Grant	509	0
New Burdens Grant	15	30
Council Tax Freeze Grant	0	0
New Homes Bonus	1,907	1,873
Total non-specific grant income	4,189	2,930
Capital Grants & Contributions	2016/17 £000	2017/18 £000
KCC Better Care Fund	859	1,058
Green Deal	1	0
Section 106	422	35
Environment Agency	80	126
Disabled Facility Grant repayments	36	0
Sport England	0	727
Total capital grant contributions	1,398	1,946
Credited to Services	2016/17 £000	2017/18 £000
Rent Allowance Subsidy	26,152	22,704
Council Tax Benefit Subsidy	7	0
Benefit Administration Grant	314	278
Council Tax Administration Grant	314	277
Non-HRA Rent Rebate Subsidy	270	207
HRA Rent Rebate Subsidy	11,250	10,143
Discretionary Housing Payment Contribution	162	273
NNDR Cost of Collection Allowance	160	161
New Burdens – NNDR	0	12
New Burdens – IER	97	77
Homelessness Grant	0	102
Coast Protection Grant	0	13
Universal Credit Grant	40	68
Commonwealth War Memorial Dover	0	466
Other	175	153
Total Credited to Services	38,941	34,934
Total Grant Income	44,528	39,810

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

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees		Movement in Bands Note Ref
	2016/17	2017/18	
£50,000-£54,999	10	10	
£55,000-£59,999	3	5	D / B
£60,000-£64,999	4	7	E / D
£65,000-£69,999	0	1	E
£70,000-£74,999	10	1	C / D / E
£75,000-£79,999	0	5	D
£80,000-£84,999	0	0	-
£85,000-£89,999	0	1	C
£90,000-£94,999	3	0	D
£95,000-£99,999	0	3	D
£110,000-£114,999	0	1	C
£130,000-£134,999	1	1	-
£140,000-£144,999	1	0	-
	32	35	

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

Exit Packages

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

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

2017/18 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	1	1	2	£18,900	-
20-40	2	-	2	£57,724	£4,737
40-60	1	1	2	£41,112	£42,000
60-80	-	-	-	-	-
Total	4	2	6	£117,736	£46,737

Senior Officers' Emoluments

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

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

2017/18 Post holder information (Post title)	Salary (Including fees & Allow- ances) £000	Expense Allow- ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib- utions £000	Total Remuneration including pension contributions £000
Chief Executive	120	3	11	134	20	154
Dir of Finance, Housing & Comm (S.151 Officer)	85	3	7	95	13	108
Dir of Governance (Monitoring Officer)	85	3	7	95	55	150
Dir of Environment & Corp Assets	85	3	9	97	13	110
Head of Inward Investment	67	0	6	73	10	83
Head of Regeneration and Development	57	0	5	62	9	71
Head of Electoral Services	56	0	6	62	9	71
	555	12	51	618	129	747

Reason for Change between years

- Dir of Governance – Pension contributions include actuarial strain reflecting flexible retirement with effect from 1 April 2018, pursuant to the Local Government Pension Scheme Regulations 2013, Reg. 30(6) and in accordance with the Council's Pension Discretion Policy Statement
- Head of Regeneration and Development – Salary reflects change of post to part-time
- Head of Electoral Services - Change of direct reporting line to Head of Paid Service

24. CAPITAL RECEIPTS

Usable Capital Receipts

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

	2016/17 (restated) £000	2017/18 £000
Balance at 1 April	(6,211)	(17,312)
Right to buy (retained) adjustment	(82)	0
Usable capital receipts received	(12,102)	(3,118)
	(18,395)	(20,430)
Less: usable capital receipts applied:-		
Expenditure on non-current assets	787	766
Financing for Disabled Facilities and Renovation Grants	0	0
Private Sector Housing Loans	0	112
Contribution to Affordable Housing	0	0
Pooled housing capital receipts	296	294
Balance at 31 March	(17,312)	(19,258)

Pooling of Housing Capital Receipts

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2017/18 £294k has been paid to the DCLG in relation to capital pooling requirements (£296k in 2016/17).

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

25. GENERAL FUND AND HRA BALANCES

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

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special Projects & Events	2,967	20	(725)	2,262
Periodic Operations	3,530	2,415	(572)	5,373
Urgent Works	1,126	24	(70)	1,080
Dover Regeneration	2,041	538	(458)	2,121
ICT Equipment & Servers	724	258	(226)	756
Business Rates & Council Tax	1,338	1,381	(915)	1,804
District Regeneration & Economic Development	12,548	0	(41)	12,507
Total	24,274	4,636	(3,007)	25,903

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

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

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

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

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

Business Rates & Council Tax Support Reserve – This reserve has been established to allow for the risk of unforeseen pressures from the Redistribution of Business Rates and the new Council Tax Support scheme and future changes for Universal Credit. As there are still many uncertainties around these areas, such as the unknown collection rates achievable and the level of business rates appeals, etc., this reserve has been retained and will be reviewed on an annual basis.

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

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Housing Initiatives	12,499	3,600	(1,403)	14,696
Total	12,499	3,600	(1,403)	14,696

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

27. DEBTORS

Long Term Debtors	31 March 2017 £000	31 March 2018 £000
Loans to:		
Leaseholders	2	8
Local organisations	14	9
Local Authorities	162	156
Other:		
Housing benefit debtors ¹	647	578
EKH Single System Loan ²	186	186
Total	1,011	937

¹ **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2018 which is expected to be recovered after one year.

Short Term Debtors	31 March 2017 £000	31 March 2018 £000
General Fund		
Housing rents and other charges	329	676
Central Government	1,005	1,939
Local Authorities	1,504	1,294
Payments in Advance	387	2,637
Other debtors	4,796	6,064
	8,021	12,610

Collection Fund		
Local tax payers (district council's share)	1,591	1,646
Central Government	115	143
	<u>1,706</u>	<u>1,789</u>
Total	9,727	14,399

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

The net increase in debtors incorporates: an increase in payments in advance due to precept payments to the parish councils (£2.3m), an increase in rent arrears due to Universal Credit (£340k) and increase in other sundry General Fund debtors (£1m). An increase in the Central Government debts (General Fund) which includes: an increase in the Business Rates Tariff Adjustment (£1.1m), a small increase in Council Tax arrears (£50k), an increase in the S31 Grant monies owed by Central Government (£70k), and a debtor relating to HLF funding for a project (£82k), offset by a reduction in monies owed by DWP relating to the Housing Benefit subsidy (£375k).

Provision for Bad Debts	Council Tax £000	NDR £000	General Debtors £000	Housing Benefits £000	HRA £000	Total £000
Balance at 1 April 2016	443	783	565	1,870	446	4,107
Write-offs	(37)	(92)	0	(242)	(84)	(455)
Contribution to provision	72	14	54	240	79	459
Balance at 31 March 2017	478	705	619	1,868	441	4,111
Write-offs	(40)	(16)	(60)	(264)	(22)	(402)
Contribution to provision	116	13	183	268	93	673
Balance at 31 March 2018	554	702	742	1,872	512	4,382

The provisions for bad debts in respect of council tax and NNDR represent the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 81.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

	At 31 March 2017			At 31 March 2018		
Age of debt	General Debtors £000	HRA £000	Total £000	General Debtors £000	HRA £000	Total £000
< 1 month	374	180	554	1,149	323	1,472
1 – 3 months	133	95	228	357	219	576
3 – 6 months	65	38	103	101	102	203
6 – 12 months	20	10	30	51	28	79
1 year +	219	8	227	178	7	185
Total	811	331	1,142	1,836	679	2,515

Collectability of Debt

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

28. CASH & CASH EQUIVALENTS

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

	2016/17 £000	2017/18 £000
Cash held by Authority	(107)	342
Bank call accounts	10,652	3,075
Total Cash and Cash Equivalents	10,545	3,417

29. SHORT TERM CREDITORS

As at 31 March	2016/17 (restated) £000	2017/18 £000
General Fund		
Government departments	(637)	(2,817)
Other local authorities	(79)	(601)
Housing tenants	(268)	(261)
Other creditors – revenue	(2,438)	(4,641)
Other creditors – capital	(782)	(1,646)
	<u>(4,204)</u>	<u>(9,966)</u>
Collection Fund		
Government Departments	(663)	(5,105)
Local Authorities	(2,523)	(2,020)
Local tax payers (DDC's share)	(472)	(594)
	<u>(3,658)</u>	<u>(7,719)</u>
Total	<u>(7,862)</u>	<u>(17,685)</u>

The net increase in creditors is due to changes in both General Fund and Collection Fund creditors. The changes in General Fund Creditors include a £2.2m increase in the amount owed to DWP for Housing Benefit subsidy, £528k increase in Local Authority creditors (including £225k increase in amounts owed to East Kent Services, and £161k for Council Tax Support), £1,140k increase in sundry General Fund creditors (mainly 'goods receipted' but not invoiced), £199k increase in HRA sundry creditors, £900k increase in sundry capital creditors, £176k increase in amounts owed to Sainsbury's for car parking income collected on their behalf, and £149k increase in retentions on building projects. Additionally, there are Collection Fund increases due to: an NDR transitional payment protection reduction following a

significant decrease in rateable value of a major site after the submission of the NNDR1 form (£3.3m), and an increase in the Collection Fund cash owed to Government (£1.1m).

30. PROVISIONS

Localisation of Business Rates

Under the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2017/18 and prior years. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £4.98m (2016/17 £2.41m) can be seen within the separate Collection Fund section.

The increase in the appeals provision is mainly due to the revaluation at 1st April 2017, whereby the rateable values of businesses have been recalculated by the Valuation Office Agency (VOA) and therefore requires a specific additional provision to be made relating to the 2017/18 year, on top of the provision for those appeals already lodged under the prior 2010 valuation.

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

The lack of appeals lodged so far against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents (who pursue appeals on behalf of businesses for a fee) increases, which is expected further down the line when backdating of appeals to 1st April 2017 is likely to increase the fees they can charge on amounts refunded to businesses. The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses), which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation. However, as stated, only the Council's 40% share of this amount is included in its own accounts. See the separate Collection Fund section for further information.

Municipal Mutual Insurance

In 1992 the company failed and went into solvent "run-off". If a solvent "run-off" is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £182,782 less £50,000. In 2012/13 the scheme administrator indicated that a levy of between 9.5%

and 28% would be required to achieve a projected solvent run off. A provision of 25% of the claim payment was therefore set aside. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £19,917. In 2016/17 another 10% levy (£13,278) was paid, and there may be a further levy of 15%. To provide for this, the provision has been set at 15% of the total claim.

	2016/17 £000	2017/18 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(962)	(1,990)
Municipal Mutual Insurance provision	(20)	(20)
Total	(982)	(2,010)

31. RECEIPTS IN ADVANCE

	2016/17 £000	2017/18 £000
As at 31 March		
Government departments	(1,290)	(873)
Other local authorities	(294)	(423)
Other	(1,066)	(1,165)
Total	(2,650)	(2,461)

32. CAPITAL GRANTS UNAPPLIED

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

	2016/17 £000	2017/18 £000
Balance at 1 April	(3,262)	(3,168)
Contributions received	(895)	(1,785)
Applied to projects	989	1,450
Balance at 31 March	(3,168)	(3,503)

33. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2016/17 (restated) £000	2017/18 £000
Balance at 1 April	(95)	(377)
Contributions received	(362)	(475)
Applied to capital projects	80	126
Balance at 31 March	(377)	(726)

34. CAPITAL ADJUSTMENT ACCOUNT

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

Capital Adjustment Account	2016/17 (restated) £000	2017/18 £000
Balance at 1 April	(151,614)	(157,195)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	5,580	7,137
Amortisation of intangible assets	30	41
Revaluation losses on property, plant and equipment	9,182	276
Revaluation gains on property, plant and equipment	(12,471)	(1,095)
Revenue expenditure funded from capital under statute	1,099	678
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	2,117	1,610
Adjusting amounts written out of the Revaluation Reserve	(2,417)	(3,649)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(787)	(878)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,000)	(2,508)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(502)	(160)
Application of grants to capital financing from the Capital Grants Unapplied Account	(989)	(1,450)
Receipt of capital income from long term debtors	199	241
Capital expenditure charged against the General Fund and HRA balances	(673)	(844)
Capital expenditure charged against Earmarked Reserves	(762)	(1,538)
Movements in the market value of Investment Properties debited or credited to the CIES	(16)	120
Loan Repayments Made	(2,095)	(2,162)
Prior year adjusting entry	(76)	0
Balance at 31 March	(157,195)	(161,378)

35. DEVELOPMENT CONTRIBUTIONS

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

	2016/17 £000	2017/18 £000
Balance at 1 April	1,521	1,560
Contributions received	630	722
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(591)	(330)
Balance at 31 March	1,560	1,952

36. REVALUATION RESERVE

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

	2016/17 £000	2016/17 £000	2017/18 £000	2017/18 £000
Balance carried forward		41,540		46,405
15/16 Adjustment		29		0
Balance at 1 April		41,569		46,405
Revaluation gains	7,640		10,440	
Revaluation losses	(377)		(161)	
Surplus on revaluation of fixed assets		7,263		10,279
Revaluations relating to disposals written out		(10)		0
Historic cost depreciation written out to the capital adjustments account		(2,417)		(3,649)
Balance at 31 March		46,405		53,035

37. RELATED PARTY TRANSACTIONS

All Members and Chief Officers of the Council are required to disclose where they or any member of their family or household has an interest in a company, partnership or trust that has had transactions with the Council. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

Organisation	Value	Details
Deal Town Council	£5,000	Grant made to Deal Town Council. Five Members also Town Councillors.
Sandwich Toll Bridge Fund	£51,626.72	Payments for rent. Members of Sandwich Town Council are by definition Trustees of this Fund. Through this, one Member of Dover District Council is a Trustee.
Dover, Deal & District Citizens Advice Bureau	£97,000	Grant made to the C.A.B. One Member is a Director of this local charity.
Gazen Salts Nature Reserve	£4,500	Grant made to the Gazen Salts Reserve. One member is also a Director of the Gazen Salts Nature Reserve Company.
Aylesham and District Community Workshop Trust	£3,000	Payment to the Trust for use of office space. One member is a trustee.

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 22 Grant Income on reporting for resources allocation decision.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2017/18 was the seventh year of operation.

In 2017/18 £2.242m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £395k, Dover District Council made a loan to East Kent Housing in 2015/16, of which £nil was repaid in 2017/18. Please see note 27 Debtors for further details.

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

38. MEMBERS' ALLOWANCES

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

	2016/17	2017/18
	£000	£000
Basic Allowance	178	178
Special Responsibility Allowance	94	94
Members' National Insurance Contributions	3	3
Total	276	276

The Council also produces a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving

details of allowances paid to individual Members for the year. This may be seen on the Council's website at:

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

39. EXTERNAL AUDIT FEES

The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2017/18:

	2016/17 £000	2017/18 £000
External audit services – Grant Thornton	54	54
Certification of grant claims and returns	38	17
Other services	2	2
Total	94	73

40. CONTINGENT LIABILITIES

Private Finance Initiative

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

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

Munich Municipal Insurance (MMI)

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

As at 31 March 2018, the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £183k less £50k.

A provision of 25% of the claim was made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. In 2015/16, the provision

was increased by £20k, returning it to £33k. In 2016/17 a further payment of £13k was made. The £80k balance of the claim remains as a contingent liability.

East Kent Housing Pension Deficit

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

East Kent Housing Ltd's total pension liability decreased from £10.18m to £10.08m at 31 March 2018, of which Dover District Council's share would be £2.52m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability.

Civica UK Ltd Pension Deficit

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

Rent Deposit Scheme

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £40k.

41. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2018. The Council does not consider there to have been any material post balance sheet events.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

have one board member each out of twelve in total and so, at Board level, the Councils are a minority and do not have control of the Board, even if acting together.

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

However, for information, the financial (draft unaudited) results of EKH for 2017/18 and the Council's share is as follows:

Restated			East Kent Housing Ltd	DDC share 25%
East Kent Housing Ltd	DDC share 25%		2017/18	2017/18
2016/17	2016/17		2017/18	2017/18
£000	£000		£000	£000
(8,653)	(2,163)	Turnover	(8,817)	(2,204)
9,721	2,430	Expenses	9,076	2,269
1,068	267	Operational (profit)/loss	259	65
290	73	Finance costs	298	74
1,357	339	(Profit)/loss after taxation	558	139
1,927	482	Re-measurement of post-employment benefit obligations	(1,332)	(333)
3,284	821	Total comprehensive (income)/loss for the year	(774)	(194)
658	164	Non-current assets	1,262	315
964	241	Current assets	686	171
(972)	(202)	Current liabilities	(450)	(112)
(10,706)	(2,676)	Non-current liabilities	(10,788)	(2,697)
(10,056)	(2,514)		(9,290)	(2,323)
(119)	(30)	Profit and loss reserve	(790)	(197)
10,175	2,544	Pensions reserve	10,081	2,520
10,056	2,514		9,290	2,323

The 2016/17 figures have been restated to reflect the final, audited accounts from EKH.

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2017/18. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

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

Accounting Standards that have been issued but not yet adopted include:

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

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17			2017/18		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income					
Council tax:					
0	(59,327)	(59,327)	0	(62,899)	(62,899)
0	0	0	0	0	0
National Non-domestic rates:					
(35,825)	0	(35,825)	(37,620)	0	(37,620)
(1,375)	0	(1,375)	(1,448)	0	(1,448)
0	0	0	(1,302)	0	(1,302)
(37,200)	(59,327)	(96,527)	(40,370)	(62,899)	(103,269)
Total Income					
Expenditure					
Precepts, Demands & Shares:					
16,326	0	16,326	18,226	0	18,226
2,939	41,785	44,724	3,281	44,999	48,280
0	5,609	5,609	0	6,000	6,000
327	2,655	2,982	364	2,801	3,165
13,061	6,396	19,457	14,581	6,836	21,417
0	2,243	2,243	0	2,327	2,327
32,653	58,688	91,341	36,452	62,963	99,415
Enterprise Zone Relief Payable:					
1,100	0	1,100	1,159	0	1,159
248	0	248	260	0	260
27	0	27	29	0	29
1,375	0	1,375	1,448	0	1,448
Renewable Energy Retained					
44	0	44	61	0	61
44	0	44	61	0	61
Charges to the Collection Fund:					
229	222	451	39	199	238
(197)	273	76	(6)	619	613
569	0	569	2,847	0	2,847
158	0	158	164	0	164
759	495	1,254	3,044	818	3,862
Transitional Protection Payments					
8	0	8	0	0	0
34,839	59,183	94,022	41,005	63,781	104,786
Total Expenditure					
(2,361)	(144)	(2,505)	635	882	1,517
(Surplus) or Deficit for the Year					
3,659	(2,736)	923	1,298	(2,880)	(1,582)
Balance brought forward at 1 April					
1,298	(2,880)	(1,582)	1,933	(1,998)	(65)
Balance Carried Forward at 31 March					

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

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

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

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

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

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

Precepts

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

Preceptor	2016/17 Precept £000	2016/17 Surplus £000	2016/17 Total £000	2017/18 Precept £000	2017/18 Surplus £000	2017/18 Total £000
Kent County Council	41,093	692	41,785	43,857	1,142	44,999
Police and Crime Commissioner for Kent	5,516	93	5,609	5,847	153	6,000
Kent and Medway Fire & Rescue Authority	2,610	45	2,655	2,729	72	2,801
Dover District Council	6,251	145	6,396	6,600	236	6,836
	55,470	975	56,445	59,033	1,603	60,636
Parish councils	2,243	-	2,243	2,327	-	2,327
Total Demand on the Collection Fund	57,713	975	58,688	61,360	1,603	62,963

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

Preceptor	2016/17 Precept £000	2016/17 Surplus £000	2016/17 Total £000	2017/18 Precept £000	2017/18 Deficit £000	2017/18 Total £000
Kent County Council	3,101	(162)	2,939	3,445	(164)	3,281
Kent and Medway Fire & Rescue Authority	345	(18)	327	382	(18)	364
Dover District Council	13,785	(724)	13,061	15,309	(728)	14,581
	17,231	(904)	16,327	19,136	(910)	18,226
Central Government	17,231	(905)	16,326	19,136	(910)	18,226
Total Demand on the Collection Fund	34,462	(1,809)	32,653	38,272	(1,820)	36,452

Council Tax Base

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

Band	2016/17			2017/18		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	2.36	5/9ths	1.31	1.08	5/9ths	0.60
A	3,752.37	6/9ths	2,501.58	3,904.66	6/9ths	2,603.11
B	11,612.42	7/9ths	9,031.88	11,959.35	7/9ths	9,301.72
C	10,880.68	8/9ths	9,671.72	11,244.10	8/9ths	9,994.75
D	6,059.17	9/9ths	6,059.17	6,137.95	9/9ths	6,137.95
E	3,773.44	11/9ths	4,611.99	3,840.26	11/9ths	4,693.65
F	2,118.36	13/9ths	3,059.86	2,182.36	13/9ths	3,152.30
G	1,265.82	15/9ths	2,109.70	1,305.77	15/9ths	2,176.28
H	46.17	18/9ths	92.34	49.00	18/9ths	98.00
	<u>39,510.79</u>		<u>37,139.55</u>	<u>40,624.53</u>		<u>38,158.36</u>
Estimated Collection Rate			97.61%			97.50%
Council Tax Base			36,251.91			37,204.40

Band D Council Tax

	2016/17	2017/18
	£	£
Kent County Council	1,133.55	1,178.82
Police and Crime Commissioner for Kent	152.15	157.15
Kent and Medway Fire & Rescue Authority	72.00	73.35
Dover District Council	172.44	177.39
	<u>1,530.14</u>	<u>1,586.71</u>
Parish councils (average)	61.86	62.56
Total	1,592.00	1,649.27

This basic amount of council tax for a Band D property of £1,649.27 for 2017/18 (£1,592.00 for 2016/17) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of 'rate poundage' of 47.9p (49.7p) for large businesses or 46.6p (48.4p) for small businesses in 2017/18 (2016/17) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under the BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government (50%), the billing authority (40%) and the major

precepting authorities, being Kent County Council (9%) and Kent & Medway Fire and Rescue Authority (1%). There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year, as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

However, from April 2013 the Department of Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline funding level for the billing authority. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline) result in safety net payments from Government (or levy payments to it). Dover is in a levy position for 2017/18 and pays a levy, estimated to be £237k, on growth above its baseline funding level determined by Government. Similar arrangements exist for the other major preceptors. Tariff, levy and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself.

The NNDR income, after reliefs, of £37.620m for 2017/18 (£35.825m for 2016/17), was based on the total rateable value for the Council's area, which at the year-end was £104.991m (£89.405m in 2016/17).

Separately, there has been a revaluation of the rateable values of businesses as at 1st April 2017 (the "2017 valuation"), which is the main reason that the total rateable value has increased by more than £15.5m since the last year-end. Such revaluations take place at intervals and are carried out by the Valuation Office Agency (VOA). This is the first revaluation since 2010. This does not lead to a proportionate increase in NNDR income, as the Government has introduced higher thresholds to exempt or reduce payments by small businesses, lower multipliers to calculate the amounts payable by all businesses, as well as transitional arrangements to phase in increases for those businesses whose rateable values have increased, all of which reduce the NNDR income. Additionally, the tariff payable by Dover on its 40% share of business rates income has been increased by Government by £854k to £11.46m to keep its net funding similar to the old basis (i.e. under the "2010 valuation").

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	<u>2016/17</u>			<u>2017/18</u>		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	3,011	1,958	4,969	3,284	1,761	5,045
Write-Offs	(222)	(229)	(451)	(199)	(39)	(238)
Contribution to Provision	495	32	527	818	33	851
Balance at 31 March	3,284	1,761	5,045	3,903	1,755	5,658

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 16 January 2017 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, The Police and Crime Commissioner for

Kent, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £1,603k for 2016/17, so there was an additional payment to major preceptors of this amount in 2017/18. The distributable surplus for 2017/18 was estimated as £968k and will be distributed to major preceptors during 2018/19. The actual surplus of £1,998k at 31 March 2018 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2018/19 (N.B. "Council Tax Cash" in [note 5](#) shows cash surpluses at 31 March 2017 and 2018, but these surpluses include significant prepayments on account of the following years' debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2016 £000	Movement in Year £000	Surplus at 31 March 2017 £000	Movement in Year £000	Surplus at 31 March 2018 £000
Kent County Council Police and Crime Commissioner for Kent Kent & Medway Fire & Rescue Authority	(1,946)	(108)	(2,054)	624	(1,430)
Dover District Council	(262)	(13)	(275)	82	(193)
	(124)	(5)	(129)	41	(88)
Dover District Council	(404)	(18)	(422)	135	(287)
Total	(2,736)	(144)	(2,880)	882	(1,998)

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2017 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rates income. The District Council estimated that the fund would have an accumulated deficit of £1,820k for 2016/17 and this was collected from major preceptors during 2017/18. The District Council estimated that the fund would have an accumulated deficit of £1,513k for 2017/18 and this will be collected from major preceptors during 2018/19. The actual deficit of £1,933k is a slightly poorer position at 31 March 2017. Therefore the amount collected during 2018/19 will be £420k lower than strictly required (i.e. DDC should be recovering a deficit of £1,933k rather than £1,513k). This will be adjusted against the 2019/20 proportionate shares of non-domestic rates income.

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

	Proportionate Shares	Deficit at 31 March 2017 £000	Movement in Year £000	Deficit at 31 March 2018 £000
Central Government	50%	649	318	967
Kent County Council	9%	117	57	174
Kent & Medway Fire & Rescue Authority	1%	13	6	19
Dover District Council	40%	519	254	773
Total	100%	1,298	635	1,933

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

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

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000	
At 31 March 2017	Council Tax:						
	Council tax arrears	3,458	461	215	704	0	4,838
	Council tax provision for bad debts	(2,347)	(313)	(146)	(478)	0	(3,284)
	Council tax overpayments & prepayments	(1,024)	(136)	(64)	(208)	0	(1,432)
	Council tax cash	1,967	263	124	404	0	2,758
	Collection Fund surplus	(2,054)	(275)	(129)	(422)	0	(2,880)
		0	0	0	0	0	0
	Business Rates (NNDR):						
	NNDR arrears	200	0	22	888	1,109	2,219
	NNDR provision for bad debts	(158)	0	(17)	(705)	(881)	(1,761)
	NNDR provision for appeals	(217)	0	(24)	(962)	(1,203)	(2,406)
	NNDR overpayments & prepayments	(59)	0	(7)	(264)	(329)	(659)
	NNDR cash	117	0	13	524	655	1,309
	Collection Fund deficit	117	0	13	519	649	1,298
	0	0	0	0	0	0	
Total	0	0	0	0	0	0	
At 31 March 2018	Council Tax:						
	Council tax arrears	3,923	536	239	777	0	5,475
	Council tax provision for bad debts	(2,796)	(382)	(171)	(554)	0	(3,903)
	Council tax overpayments & prepayments	(1,061)	(145)	(65)	(210)	0	(1,481)
	Council tax cash	1,364	184	85	274	0	1,907
	Collection Fund surplus	(1,430)	(193)	(88)	(287)	0	(1,998)
		0	0	0	0	0	0
	Business Rates (NNDR):						
	NNDR arrears	196	0	22	870	1,086	2,174
	NNDR provision for bad debts	(158)	0	(17)	(702)	(878)	(1,755)
	NNDR provision for appeals	(448)	0	(50)	(1,990)	(2,488)	(4,976)
	NNDR overpayments & prepayments	(86)	0	(10)	(384)	(480)	(960)
	NNDR cash	322	0	36	1,433	1,793	3,584
	Collection Fund deficit	174	0	19	773	967	1,933
	0	0	0	0	0	0	
Total	0	0	0	0	0	0	

6. BUSINESS RATES RELIEFS

The Council has received applications for mandatory charitable relief from business rates on behalf of NHS Trusts, but it considers the basis of these applications to be unfounded and has made no allowance for them in its financial statements. This is a national issue and remains unresolved, but the claim for charitable relief is not currently expected to be successful.

Under the 2017 valuation, thresholds for Small Business Rates Relief have been changed to exempt more business from paying business rates (BR) or to reduce the amounts that they pay. This reduces income collected and local authorities have been given some compensatory S31 grant to reflect this, being £304k split between Dover (£243k), KCC (£55k) and KMFRA (£6k). This forms part of the authorities' total income from business rates.

7. APPEALS PROVISIONS

The Collection Fund includes a prudent provision for appeals, as required under legislation. There are more than 100 appeals that remain outstanding under the 2010 valuation that have not yet been resolved by the Valuation Office Agency (VOA), and we have a provision against these totalling £2.77m at 31st March 2018 (£2.41m at 31st March 2017) which allows for backdating.

Few appeals have been lodged under the new 2017 valuation. A new "Check, challenge, appeal" system has been introduced by VOA which is currently thought to have discouraged appeals, as it is believed that BR payers are finding the system complex to use. Ratings Agents often encourage businesses to pursue appeals and offer their services for a fee, based on a percentage of any refunds secured for the BR payer. Therefore in the earlier years of a new valuation there would be lower fees chargeable by Ratings Agents due to a shorter period of backdating for claims (i.e. only to 1st April 2017). Therefore we expect to see more activity from Ratings Agents a few years down the line, when backdating of refunds would increase the size of fees payable. With this in mind, the lack of appeals lodged *thus far* against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents increases, with backdating of appeals to 1st April 2017 likely. As such, we have provided a sum of £2.2m for successful appeals against bills raised in 2017/18 under the 2017 valuation.

In accordance with other Kent Authorities, the appeals provision against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses). This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

	2016/17 £000	2017/18 £000
Provided against 2010 valuation appeals	2,406	2,771
Provision for 2017 valuation appeals	0	2,205
Total	2,406	4,976

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2016/17 £000		Note	2017/18 £000
	Income		
(19,258)	Dwelling rents	10	(19,005)
(483)	Non-dwelling rents		(24)
(413)	Tenant charges for services and facilities		(399)
(249)	Leaseholder charges for services and facilities		(296)
(170)	Contributions towards expenditure		(177)
(20,573)	Total Income		(19,901)
	Expenditure		
2,964	Repairs and maintenance		2,909
3,938	Supervision and management		4,058
44	Rent, rates, taxes and other charges		25
1,956	Depreciation and impairment of fixed assets	5	1,973
(12,449)	Exceptional Item – revaluation gain, reversal of prior year loss	9	(1,052)
28	Debt management expenses		32
(5)	Increase (decrease) in impairment of debtors	12	70
(3,524)	Total Expenditure		8,015
	Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement		(11,885)
(24,097)			(11,885)
476	HRA share of corporate and democratic core		664
	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		10
15			10
(23,606)	Net Cost of HRA Services		(11,211)
(1,003)	(Gain) or loss on sales of HRA non-current assets		(1,275)
2,783	Interest payable and similar charges		2,705
(79)	Interest and investment income		(18)
473	Net Interest on Defined Benefit Liability	13	392
(21,432)	(Surplus) or Deficit for the year on HRA Services		(9,407)

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £000	2017/18 £000	2017/18 £000	£000
			Balance on the HRA at the end of the previous year
(1,013)			(1,047)
(21,432)		(9,407)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement
			Adjustments between Accounting Basis and Funding under Statute:
12,449	1,052		Impairment of non-current assets
3,143	2,688		Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA
1,003	1,274		Gain on disposal of non-current assets
(20)	52		Net charges made for retirement benefits
632	2,179	7,245	Capital expenditure funded by the HRA
(4,226)		(2,162)	
4,192		2,197	Transfers to earmarked reserves
(34)			35
			Balance
(1,047)			(1,012)
			Balance on the HRA at the End of the Current Year

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2017/18

	Stock at 1 April 2017	Sales	Acquisitions	Transfers	Stock at 31 March 2018
Houses/bungalows	2,731	25			2,706
Flats	1,606	11	10	24	1,581
Total	4,337	36	10	24	4,287

Total Value of Assets

	1 April 2017 £000	31 March 2018 £000
Dwellings	196,029	197,246
Garages	3,376	0
Other land and buildings	462	457
Equipment	248	342
Investment properties	455	774
Assets under construction	0	0
	200,570	198,820

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2018 was £598m (£594m as at 31 March 2017). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to Government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

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

	2016/17 £000	2017/18 £000
Balance as at 1 April	0	0
Major Repairs Allowance:		
Depreciation	(1,945)	(1,973)
Voluntary Excess Depreciation charge to HRA	(3,142)	(2,689)
Transfer from reserve for capital expenditure	3,000	2,508
Repayment of principal on loan	2,087	2,154
Balance at 31 March	0	0

4. OTHER EARMARKED RESERVES

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including “Affordable Housing” and has a balance of £14.7m at 31 March 2018 (£12.5m at 31 March 2017).

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,973k (£1,956k at 31 March 2017) as detailed below.

	2016/17 £000	2017/18 £000
Council dwellings	1,797	1,953
Garages	148	0
Equipment	7	20
Intangible assets	4	0
Total	1,956	1,973

6. SUMMARY OF CAPITAL EXPENDITURE

	2016/17 £000	2017/18 £000
Capital expenditure:		
Dwellings	3,477	3,170
Other Land & Buildings	259	1,956
Equipment	0	114
Total	3,736	5,240
Financed by:		
Funded by HRA	(632)	(2,179)
Transfer from Major Repairs Reserve	(3,000)	(2,508)
Capital Grants	(0)	0
Excess RTB Receipts	(15)	(534)
S106 Contribution	(89)	(19)
	(3,736)	(5,240)

7. SUMMARY OF CAPITAL RECEIPTS

	2016/17 £000	2017/18 £000
Receipts from sales during the year:		
Dwelling sales	(2,607)	(2,885)
Other HRA sales	(11)	0
Sub total	(2,618)	(2,885)
Amount pooled to Government	296	294
	(2,322)	(2,591)

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

£2,179k (£632k in 2016/17) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in [Note 6](#).

9. **REVALUATION GAIN ON HRA STOCK**

The gain of £1.052m is due to the reversal of prior year losses. The housing market has continued to recover resulting in an increase in value this year. (£12.449m in 2016/17)

10. **RENT OF DWELLINGS**

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

The average weekly rent at 31 March 2018 was £84.90 compared with £85.67 at 31 March 2017.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2017			31 March 2018		
Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears
£000	£000	£000	£000	£000	£000
89	241	330	143	536	679

12. **IMPAIRMENT OF DEBTORS**

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

	2016/17 £000	2017/18 £000
Balance brought forward as at 1 April	446	442
Provision made in the year	79	92
Less amounts written off	(83)	(22)
Balance carried forward at 31 March	442	512

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

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

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

The following IAS19 adjustments have been made:

	2016/17 £000	2017/18 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	6	2
Administrative expense	9	8
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	473	393
Charge to the Surplus or Deficit on the Provision of Services	488	403
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(488)	(403)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	468	454
Contribution (From) or To Pensions Reserve	(20)	51

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2016/17	2017/18
	£	£
Income	155	72
Expenditure	0	(3,914)
Surplus or (deficit) for year	155	(3,842)
Fund balance at 1 April	69,237	69,392
Fund balance at 31 March	69,392	65,550
Represented by:		
Investments	69,392	65,550
	69,392	65,550

THE SALTER COLLECTION CHARITY

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

	2016/17	2017/18
	£	£
Income	162	61
Expenditure	0	0
Surplus or (deficit) for year	162	61
Fund balance at 1 April	270,973	271,135
Fund balance at 31 March	271,135	271,196
Represented by:		
Collection	180,000	180,000
Investment	91,135	91,196
	271,135	271,196

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:

	2016/17	2017/18
	£	£
Income	308	115
Expenditure	0	0
Surplus or (deficit) for year	308	115
Fund balance at 1 April	496,791	497,099
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	497,099	497,214
Represented by:		
Land and other buildings	323,822	323,822
Investment	179,732	179,732
Creditor	(6,455)	(6340)
	497,099	497,214

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dover District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Housing Revenue Account Income and Expenditure Statement, the Movement in the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Housing and Community's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Housing and Community has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance, Housing and Community is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 93, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Director of Finance, Housing and Community and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Housing and Community. The Director of Finance, Housing and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Housing and Community is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Wells

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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31 July 2018