

REPORT OF THE HEAD OF FINANCE AND ICT

GOVERNANCE COMMITTEE – 24 JUNE 2009

FINANCIAL OUTTURN 2008/09

Recommendations

That Members receive and note this report setting out the:

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

Contact Officer – Helen Lamb (extension 2063).

Purpose of the Report

1. This report has been produced in support of the draft accounts, in order to provide Members with a more detailed explanation of the 2008/09 outturn and the financial standing of the Council and to highlight the key issues and significant changes.

Statutory Requirements

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

Purpose of the Accounts

3. The accounts have a key role in assisting the Council to be accountable to stakeholders and interested parties for the stewardship and sound management of public monies. They provide a significant amount of information, including the Council's financial position as at 31 March, and a summary of the income and expenditure in the year to 31 March.
4. However, the accounts are also a long and complex document which may not be easily accessible to those Members not serving on the Governance Committee, the public and other stakeholders. Therefore, in order to further promote accountability, this Council also produces:
 - Members' Summary Accounts - this provides a little more detail than the Public Summary and will be produced and circulated following the approval of the draft accounts.
 - Frequently Asked Questions – this will be published on the web site – see Appendix G.
 - Summary of the Draft Accounts – this will also be produced after approval of the draft accounts and will be in the Annual Report and will also be published on the web site.
5. Finally, when considering this report and the Statement of Accounts, Members are reminded that the final accounts, budget and Medium Term Financial Plan (MTFP) should not be considered in isolation. Together they form a continuous process of financial management, and so the 2008/09 outturn will feed into the next MTFP.

Format and Changes to the 2008/09 Accounts

6. The explanatory foreword to the accounts provides a brief explanation of the main changes to the 2008/09 accounts and a summary of the core statements. It is suggested that Members start their review with this report and the explanatory forward.
7. The main changes to the accounts are:
 - FRS 17 (Retirement Benefits) has been amended to show quoted securities held as assets within the defined benefit pension scheme valued at bid price rather than the mid-market value:
 - 'Deferred Charges' have been renamed as 'Revenue Expenditure Funded from Capital under Statute'; and
 - Externally managed investments are now classified as 'available for sale', rather than at 'fair value through the Income and Expenditure Account'.
8. None of these changes make a significant impact on the financial position of the authority.

General Fund Revenue Outturn

9. The starting point for considering the financial outturn is the 2008/09 Original budget which is shown, together with the 2008/09 Projected Outturn and the 2008/09 Outturn at Appendix A.
10. The 2008/09 Original Budget forecast a Deficit of £49k. The 2008/09 Projected Outturn was a deficit of £340k. The variations leading to the 2008/09 Projected Outturn were reported to Members as they were identified, through the monthly budget monitoring reports. The main variations have been:

	£000
Original Budget	49
Items of carry forward from 2007/08	240
Expenditure on Windfarm inquiry	210
Savings from vacancy exceeding budget	(277)
Reduction in Building Control income	93
Reduction in Development Control income	88
Reduction in Land Charges income	176
Reduction in Car Parking income, part offset by Departmental savings	122
Numerous Governance Departmental savings	(101)
Numerous Housing, Culture & Community Safety Departmental savings	(104)
Performance reward grant received	(42)
Corporate employee-related insurance saving	(99)
Area based grant for climate change	(23)
Miscellaneous	8
Projected Outturn	340

11. The 2008/09 Outturn was a deficit of £336k. This is a favourable variance of £4k against the projected outturn. The variances are analysed in Appendix B with explanations in Appendix C.
12. Members will be aware that the Council's financial processes are designed to encourage responsible financial management. This includes positive measures to avoid managers adopting a "use it or lose it" approach to their budgets at year end. As a result, where managers have a planned underspend at the year end they are able to carry it forward, providing that it is for a specific purpose and is sustainable (ie – generally not to be used for salaries).
13. In addition to the 2008/09 Outturn of £336k, approval has been given for £138k of budget carry forwards and so the underlying reduction in the General Fund balance is £474k.

General Fund Reserves and Balances

14. General Fund reserves are "cash backed" reserves and are available for the Council to use. For management and planning purposes they are split into "General Balances" and "Earmarked General Reserves".
15. General Balances are usually applied to cope with unanticipated variations in spend. Earmarked General Reserves are funds set aside for planned purposes.

16. The Medium Term Financial Plan (MTFP – approved by Council March 2009) recommended a minimum level of General Reserves to be maintained at 10% of the net revenue budget (i.e. around £1.5m) with a preferred minimum level of £2m.
17. As reported above, the 2008/09 Outturn is a deficit of £336k. However budget carry forwards to 2009/10 of £138k have been approved. Therefore there will be an underlying reduction in General Fund balances as below.

Table 2 – Movement in General Fund Balances	
	£000
Balance at start of the year	(2,696)
Deficit from 2008/09	336
Balance at the end of the year	(2,360)
Less amounts carried forward	138
Underlying General Fund Balances	(2,222)

18. The Opening Balance of £2,696k and the year end balance of £2,360k can also be found within the Statement of Accounts in the “Statement on Movement of the General Fund Balance” and the “Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balances”.
19. Contributions to and from the Earmarked Reserves have been managed in order to ensure there are sufficient reserves to meet anticipated commitments. The main adjustments are :-
 - Cluster Preparation – the costs of consultancy studies for the joint Waste Management project are mainly being met by other partners, but the potential for some initial investment from DDC is increasing as the joint working agenda gathers pace and so additional provision has been made.
 - Special Projects Reserve – £480k has been drawn from the reserve during the year to finance approved projects (£130k Capital & £350k Revenue). £35k has been added to the reserve; £31k coming from Revenue and £4k from Leisure Centres Equipment Reserve.
 - Corporate Review Reserve – the reserve funds have been earmarked to meet additional costs of the on-going job evaluation process.
 - Benefits Overpayments – Recovery of benefits overpayments can be unpredictable. This reserve has been set up to smooth the impact upon the General Fund of variations in performance.
 - Local Development Framework – this reserve has been created to hold the monies set aside to fund the Local Development Framework. A total of £149k has been drawn from the reserve in 2008/09
 - Concessionary Fares – During the year £178k was drawn down in the year to help meet the additional cost pressures of the scheme. An additional £250k has been applied to the reserve from grant to help with further costs including those for the appeal by Stagecoach.
 - Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from Government on the basis of Planning performance, judged against performance indicators. Predicting the award that Dover may receive in future years is difficult because the basis of assessment is not announced in advance. The award is made from a fixed overall fund and the awards are therefore based on comparative rather than absolute performance. Application of the reserve is made in accordance with the PDG plan.

20. Note 47 to the Core Financial Statements in the draft Statement of Accounts provides a complete breakdown of the Earmarked Reserves and Note 49 includes the General Fund Balances.
21. In considering the earmarked reserves and general balances Members are reminded that there is an “opportunity cost” of maintaining these reserves and balances when the resources could be applied to meet service or capital investment requirements. At the same time, maintaining cash backed reserves generates additional income from interest on cash balances, which is used as an additional income stream. However, the key judgement is to ensure that the reserves are set at levels that facilitate the prudent financial management of the authority, provide sufficient resources to meet anticipated future demands, and provide for a margin for unanticipated variation. The General Fund balances should be sufficient to maintain the preferred level after allowing some scope for annual variations in outturn.
22. It is the view of the Head of Finance and ICT that overall the reserves and balances are sufficient for the Council's current plans.

Housing Revenue Account Outturn

23. The Housing Revenue Account shows an increase in the HRA balance of £797k, which is a favourable variance of £604k against the original budgeted increase of £193k, and a variance of £640k against the Projected Outturn previously reported (see Appendix D (i)).
24. The variance is attributable to a number of items, including £250k to decant the sheltered properties as detailed in the HRA business plan; a £166k saving on Direct Revenue Financing, where the decision was taken to utilise the balance on Major Repairs Reserve to fund capital expenditure; there is also £139k to be carried forward to 2009/10 to complete those projects for which monies were set aside in 2008/09. A schedule of the other main variances is contained in Appendix D (ii) of this report.
25. The overall HRA surplus has increased to £7.4m. The additional surplus on the Housing Revenue Account as at 31 March 2009 can be utilised in future years to meet the Government's Decent Homes targets.
26. The financial model of the HRA business plan will be revised in 2009/10 to ensure that the actions and recommendations put in place are adequate and facilitate the long term viability of the HRA.

Collection Fund Outturn

27. The Collection Fund income and expenditure account, which is a separate statutory account to record the transactions for the collection of Council Tax and Non-Domestic Rates (NDR), shows a surplus of £1.1m at 31 March 2009. The balance on the fund is distributed to the precepting authorities (Kent County Council, Kent Police Authority, Kent and Medway Fire Authority and Dover District Council) in proportion to their respective precept amounts (Dover District Council's 2009/10 budget included a £nil contribution based on a lower estimate of the 2008/09 surplus, so the surplus will be included in the forecasts for distribution in 2009/10).

Capital Programme Outturn

28. The Medium Term Capital Programme (MTCP) is set out at Appendix E (i).

29. For each project “in progress” and each project awaiting capital appraisal, the MTCP includes, under the heading “Approved Budget” :-
- The cumulative expenditure from previous years;
 - The estimated expenditure for 2008/09
 - The remainder of the approved project budgets
30. Under the heading “Proposed Budget” the MTCP includes :-
- The cumulative expenditure from previous years
 - The actual expenditure for 2008/09
 - The rephasing of the capital programme
 - The revised project budgets.
31. The budgeted expenditure for 2008/09 was £9.701m (this is based on the latest budget monitoring report sent to members and includes changes to the original budget as reported throughout the year). The actual expenditure was £9.685m, a favourable variance of £16k. This is due to a number of minor variances and project slippage rather than savings. All other project total costs are expected to remain within approved budget.
32. The Housing Revenue Account capital works programme at Appendix E (ii) gives a breakdown of the amounts in the Medium Term Capital Plan allocated to housing projects for 2008/09 and 2009/10.
33. Appendix E(i) also provides an analysis of the sources of financing for the MTCP. For 2008/09 the main sources of capital financing have been :-
- £2.0m Capital receipts – these are receipts from the sales of assets, mainly from Council House Sales. These have shown a declining trend in recent years.
 - £3.6m Major Repairs Allowance – this is a government grant used to finance major repairs to Council Houses
 - £3.4m Grants from external bodies including SEEDA, HCA and other Government Departments – these are grants to assist the Council in purchasing sites to progress the Dover Town Investment Zone project.
34. Overall the Capital Programme is within budget. However, the declining trend in Council house sales continues to limit the Council’s ability to finance new projects.

Special Projects Outturn

35. The Special Projects reserve is mainly used to finance major one-off revenue projects because they cannot be financed from the various capital financing sources listed in the section above. It is also used to provide a source of additional financing for a small number of capital projects.
36. The bulk of the Special Projects (see Appendix F) are shown as “projects in progress” and these have a revised budget total of £3.2m. The Special Projects programme is dynamic. It is adjusted as new projects are approved, and these changes are reported to Members during the year. However, “in year” variations in spend against approved budget for individual projects are mainly due to timing

37. In the 2008/09 accounts a sum of £31k has been transferred from General Fund balances and £4k from Leisure Centres Equipment Reserve to provide additional financing for the programme in 2008/09 and future financial years.
38. In addition to the projects in progress, several projects have been approved in principle subject to capital appraisals. This leaves the Special Projects reserve with an uncommitted balance of £593k.

Treasury Management

39. The Council is pro-active in its cash management and in September 2002 it adopted the CIPFA Code of Practice on Treasury Management. Management of the Council's cash is divided between in-house management and the Councils' fund manager Investec.
40. The Council employs Investec because they are able to invest in financial instruments such as Gilts and Certificates of Deposit which offer the potential for higher returns. However, returns have been disappointing.
41. The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover 90% to 100% of its investment. The accounts include an impairment reflecting the potential loss of capital and interest.
42. As at 31 March 2009 the Council had over £15m managed by the Council's fund manager, Investec. The Council also has day-to-day cash balances, which it manages in-house, and these averaged over £14m in 2008/09. The Council also has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank.
43. The significant interest rates, over the year, were :-
 - Investment :-
 - Investec - interest of £812k (after Investec fees), a return of 6.72%.
 - In-house cash management – interest of £764k (before soft loan adjustments), a return of 4.78%.
 - Borrowing
 - PWLB (25 years and over) £4m - 6.56% interest charged.
 - Dresdner Bank LOBO £3m - 4.75% interest charged.
44. The Council has borrowing with the PWLB and Dresdner Bank. The PWLB debt appears expensive in comparison with the returns on investments, however there are redemption penalties which have made it uneconomical to pay back the loan. This is being monitored and if interest rates increase, the penalties may change, making redemption a viable option.
45. The Council retains the services of Sector as Treasury Management advisers and they provide market intelligence, economic forecasts, fund managers performance, debt re-scheduling, opportunities for borrowing and ad-hoc enquiries.

Summary of Assets and Liabilities

46. At the year end the balance sheet is drawn up. This shows the value of Dover District Council's land and buildings and assets and liabilities. The full balance sheet is provided in the Statement of Accounts together with comprehensive explanatory notes. A summary balance sheet has been produced (see below). This is also included in the Summarised Accounts that are to be incorporated into the Best Value Performance Report.

As at 31 March	2008	2009
	£000	£000
Value of land, property and other assets	331,136	307,361
Investments held and cash at bank	29,098	25,498
Money owed to DDC for goods and services	5,703	8,451
Loans owed to DDC (short and long-term)	499	1,181
Money owed by DDC for goods and services	(10,325)	(12,354)
Loans owed by DDC (short and long-term)	(9,235)	(10,731)
Grants for assets received but not yet used	(17,811)	(17,817)
Share of pension scheme liabilities owed by DDC	(39,900)	(48,620)
Total Assets less Total Liabilities	289,165	252,969

Financed by:

Distributable reserves ¹	(17,402)	(15,212)
Non-distributable reserves ²	(271,763)	(237,757)
Net Worth of Council	(289,165)	(252,969)

¹Distributable reserves are made up of:

Capital receipts	(2,610)	(939)
Revenue balances	(9,520)	(9,958)
Other earmarked reserves	(5,272)	(4,315)
	(17,402)	(15,212)

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

47. The main point to note against the prior year comparative is:-

- Value of Land and Property – council dwellings are revalued each year and other land and property are revalued on a five year rolling programme. The main changes in the values are due to :-
 - Acquisitions – mainly in relation to the DTIZ scheme
 - Disposals – Council House and other sales
 - Impairments :-
 - General Fall in property prices
 - Specific Revaluations

Background Papers

- Accounts and Audit Regulations 2003 & 2006.
- CIPFA Code of Practice on Local Authority Accounting.
- Final Account papers held by the Accountancy Division.
- SORP 2008.
- Draft Statement of Accounts 2008/09

Consultation Statement

48. The statutory process of making the accounts available for inspection by the public under Accounts and Audit Regulations has been observed. Adverts were placed in local papers and the public will be able to inspect the accounts on working days from 7th July 2009 to 4th August 2009 and will be able to raise questions with the external auditor who will be available on 5th August 2009.
49. A summary of the accounts will be included in the Best Value Performance Plan and the Council's web site and the views of stakeholders as to the format and content of the summary will be sought.

Attachments

- Appendix A – General Fund Budget Summary
Appendix B - Schedule of General Fund variances
Appendix C - Explanation of General Fund variances as follows:-
 C (i) - Explanation of Main General Fund variations.
 C (ii) – Carry Forward Requests from 2008/09 budgets.
Appendix D – Housing Revenue Account summary D(i) and variances D(ii)
Appendix E – Capital Projects as follows :-
 E (i) – Medium Term Capital Programme incorporating 2008/09 Actual and future year proposed budgets.
 E (ii) – A detailed breakdown of the HRA Capital Programmes for 2008/09 and 2009/10
Appendix F – Special Projects Programme and analysis of Special Projects Reserve.
Appendix G – Frequently Asked Questions
Appendix H – Statement by the Head of Finance & ICT

(See also on the agenda - Draft Statement of Accounts 2008/09).

MIKE DAVIS
Head of Finance and ICT.

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

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BUDGET SUMMARY

2007/08 Actual		2008/09 Original Budget	2008/09 Projected Outturn	2008/09 Outturn
£'000		£'000	£'000	£'000
	<u>Head of Service</u>			
1,282	Chief Executive	1,417	1,261	2,568
1,272	Head of Governance	1,540	1,442	1,338
2,003	Head of Housing, Culture & Community Safety	2,077	2,035	1,987
724	Head of Finance & ICT	578	587	1,053
2,811	Head of Development & Public Protection	2,703	3,041	3,030
5,696	Head of Property, Leisure & Waste Services	5,532	5,738	6,668
2,368	Head of Business & Community Transformation	2,259	2,464	2,307
606	Special Revenue Projects	92	402	350
0	Salary Vacancy Provision	(400)	0	
(84)	Council Tax Second Homes	(84)	(80)	(80)
0	Contingency	100	0	0
0	Undistributed Corporate Costs			
(21)	Exceptional Item (BCCI Monies)	0	(23)	(23)
16,658	Net Service Expenditure	15,813	16,866	19,197
(1,739)	Depreciation	(1,041)	(1,060)	(3,640)
1,086	Pension Adjustments	1,473	1,888	1,596
	Contribution to/(from) Reserves			
14	- Local Development Framework Reserve	(44)	(153)	(149)
(364)	- Special Projects Reserve	158	(395)	(318)
(133)	- Planning Delivery Grant	(148)	(264)	(194)
(32)	- Training Reserve	0	0	0
	- Corporate Review Reserve	0	(37)	(6)
	- Major Events	20	(15)	(1)
	- Benefits Overpayment Recovery	240	88	89
	- Concessionary Fares	0	35	72
	- Elections Reserve	48	48	48
	- Private Sector Housing Surveys	25	25	0
	- IT Equipment Reserve	0	0	7
	- Car parks	0	0	45
	- Cluster Preparation	0	(25)	67
50	- Invest to Save	0	(62)	(42)
(121)	- Growth Point Funding	0	0	0
170	- Investment Equalisation Reserve	0	0	0
15,589	Net Service Expenditure	16,544	16,938	16,771
	<u>Financing Adjustments</u>			
(802)	Interest Receivable	(665)	(665)	(667)
410	Interest Payable	405	405	430
(336)	Deferred Charges	(445)	(512)	(279)
550	Grant Applied	254	346	254
15,411	Total Budget Requirement	16,093	16,513	16,509
	Financed by:			
1,431	Revenue Support Grant	1,236	1,236	1,236
8,526	NNDR	8,877	8,877	8,877
46	Collection Fund Surplus	50	50	50
5,559	Council Tax	5,881	5,881	5,881
0	Area Based grant	0	129	129
15,562	Total Financing	16,044	16,173	16,173
(151)	General Fund (Surplus)/Deficit for the Year	49	340	336
(2,545)	General Fund Balance at Start of Year	(2,024)	(2,696)	(2,696)
(2,696)	Leaving Year End Balances of	(1,975)	(2,356)	(2,360)
240	Approved carry forward items	0	0	138
(2,456)	Underlying General Fund Balances	(1,975)	(2,356)	(2,223)

SUMMARY OF GENERAL FUND VARIANCES FOR 2008/09

	Total Variance	Transfers to and From Reserves				Technical Adjustments				Other Variations			Carry Forwards
		Planning Delivery Grant	Local Development Framework	Special Projects	Other Reserves	FRS17	Capital Charges	Deferred Charges	Government Grants Deferred	Central Support	Interest	Direct Variance	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Head of Service													
Chief Executive	1,306			-25	-86	-13	1,465	0	0	-23	0	-12	8
Head of Governance	(104)				-31	-27	0	12	0	-19	0	-40	12
Head of Housing, Culture & Community Safety	(48)				25	-18	0	0	-172	173	0	-56	35
Head of Finance & ICT	466				-16	526	-5	34	-61	139	0	-151	58
Head of Development & Public Protection	(11)	-70	-3			-29	0	16	0	-3	0	78	4
Head of Property, Leisure & Waste Services	931				-20	-37	1,118	22	0	-124	0	-28	0
Head of Business & Community Transformation	(157)				-42	-36	1	8	0	6	0	-94	21
Special Revenue Projects	(52)			-52								0	
Salary Vacancy Provision	0											0	
Council Tax Second Homes	0											0	
Contingency	0											0	
Undistributed Corporate Costs	0											0	
Exceptional Item (BCCI Monies)	(0)											0	
	2,331	-70	-3	-77	-169	366	2,579	92	-233	149	0	-302	138
Depreciation	(2,579)						-2,579					0	
Pension Adjustments	(291)					-366				75		0	
Contribution to/(from) Reserves												0	
- Local Development Framework Reserve	3		3									0	
- Special Projects Reserve	77			77								0	
- Planning Delivery Grant	70	70										0	
- Training Reserve	0				0							0	
- Corporate Review Reserve	31				31							0	
- Major Events	14				14							0	
- Benefits Overpayment Recovery	1				1							0	
- Concessionary Fares	37				37							0	
- Elections Reserve	0				0							0	
- Private Sector Housing Surveys	(25)				-25							0	
- IT Equipment Reserve	7				7							0	
- Car parks	45				45							0	
- Cluster Preparation	92				92							0	
- Invest to Save	19				19							0	
- Growth Point Funding	0				0							0	
- Investment Equalisation Reserve	0				0							0	
Net Service Expenditure Variance	-168	0	0	0	52	0	0	92	-233	224	0	-302	138
Financing Adjustments													
Interest Receivable	(2)										-2	0	
Interest Payable	25										25	0	
Deferred Charges	233								233			0	
Grant Applied	(92)							-92				0	
Total Variance	(4)	0	0	0	52	0	0	0	0	224	23	-302	138

Explanation of Main General Fund Variations

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

There is a total variance of £4k (favourable) between the Projected Outturn and the Outturn.

This falls into three main sections :-

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

Transfers to and From Reserves

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

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

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

Technical Adjustments

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

FRS17

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

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

Capital Charges

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

Government Grants Deferred

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

Other Variations

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

Central Support

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

Interest

There is a minor adverse variation of £23k on the net of interest receivable and interest payable over the year.

Direct Variance

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

Description	£000
Chief Executive	
Carry forward requirement	(8.5)
Head of Governance	
Reduction in spend on qualification training	(18.7)
Land Charge – increased search fees income	(6.5)
Carry forward requirement	(11.2)
Head of Housing and Community	
Savings on energy efficiency grants given	(10.2)
Reduced PSH contributions to outside bodies	(6.1)
Carry forward requirement	(34.6)
Head of Finance and ICT	
Premature retirement payments – favourable	(43.9)
Revised bad debt provisions	(26.6)
Improved recovery of print unit costs	(10.9)
ICT software maintenance net savings	(16.1)
Carry Forward Requirement	(58.6)

Description	£000
Head of Development and Public Protection	
Reduction in Development Control income	77.5
Carry forward requirement	(4.7)
Head of Property and Procurement	
Street cleansing – Costs and Income (net favourable)	(23.0)
Head of Benefits, Revenues and Customer Services	
NDR discretionary relief	(10.3)
Penalties and fines income from C Tax and NDR debts	(52.1)
Concessionary fares estimated cost reduction	(12.4)
Carry forward requirement	(20.0)
Various other minor variations across service areas	(5.1)
Total	(302.0)

After allowing for carry forwards of £138k, the underlying direct expenditure variance is £164k. This is 1.0 % of budgeted net service expenditure, or 0.25% of gross expenditure (excluding HRA).

<u>Carry Forward requests from 2008/09 budgets</u>	£000s
Chief Executive	
Information update of Transport computer system	8.5
Head of Governance	
Lexcel Practice Management Standard Assessment	1.0
Corporate eye tests	4.7
Disposal of confidential waste	3.0
Chairman's Function - Bleriot	2.5
Head of Community & Housing	
CLG Grant – Housing Options Advisor (Young People)	33.5
Anti Social Behaviour – Youth Issues	1.1
Head of Development & Public Protection	
Smoke Free Officer – Support 09	2.4
Environmental Health Project work	2.3
Head of Accountancy and ICT	
“Coco” Security – Remaining works	31.8
E-financial Upgrade	25.0
Fees – Recovery of Iceland Investment	1.8
Head of Revenues, Benefits & Customer Services	
Interreg Project – Cross Border Observatory to Optimise Public Service Delivery – Contribution to Mosaic Software	15.5
I-Space incentives	4.5
Total Carry Forward Requested	137.6

Housing Revenue Account - Income and Expenditure Account for the Year Ended 31/03/09

	Original 2008/09	Revised 2008/09	Variance Original to Revised	Actual 2008/09	Variance Revised to Actuals
INCOME					
Dwelling Rents	(16,023)	(16,118)	(95)	(16,151)	(33)
Non Dwelling Rents	(352)	(352)	0	(345)	7
Charges for Services and Facilities	(961)	(814)	147	(820)	(6)
TOTAL INCOME	(17,336)	(17,284)	52	(17,316)	(32)
EXPENDITURE					
Repairs and Maintenance	4,614	4,046	(568)	4,054	8
Supervision and Management	3,921	4,284	363	3,842	(442)
Negative Subsidy Entitlement (Incl MRA)	5,205	5,336	131	5,336	(0)
Capital	3,403	3,461	58	3,287	(174)
TOTAL EXPENDITURE	17,143	17,127	(16)	16,519	(608)
Total Increase for the year	(193)	(157)	36	(797)	(640)

Housing Revenue Account 2008/09 Variations Statement
Original to Revised to Outturn

Original Budget 2008/09 Surplus	(193)
Repairs and maintenance spend is less than anticipated due to a significant reduction in void levels and a reduction in the volume of response maintenance	(371)
A budget is required for the Homeloss payments which are due to sheltered tenants being decanted from their existing properties in order to put in place the measures detailed in the HRA business plan	347
These monies were carried forward from last year for a number of projects that weren't completed as scheduled (i.e. transfer of the Gateway freehold, stock condition survey and work on the Housing Improvement Board KLOEs)	61
Minor Variations	(1)
Revised Budget 2008/09 (surplus)	(157)
This is to be carried forward to 2009/10 to complete those projects not yet completed	(138)
Direct Revenue Financing was less than anticipated	(166)
Indirect costs lower than anticipated; this is largely due to an increased charge to the General Fund in respect of Choice Based Lettings	(119)
The income from interest and investments is more than originally anticipated. This is due to a favourable variance on the HRA cashflow	(111)
A saving has been made on the decanting of the sheltered properties, due to timing issues. Housing are satisfied that a sufficient provision was made when the 2009/10 budgets were set and no carry forward is required	(98)
Minor Variations	(8)
Outturn 2008/09 (surplus)	(797)

MEDIUM TERM CAPITAL PROGRAMME - MARCH 2009

Projects included in the programme	APPROVED BUDGET					PROPOSED BUDGET								
	Previous years	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Total	Previous years	Estimate 2008/09	Actual 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Future years	Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	
Direct Revenue Financing - HRA	n/a	455,000	380,000	n/a	835,000	n/a	455,000	289,329	380,000	380,000	380,000	n/a	1,429,329	594,329
Direct Revenue Financing - General Fund Grants	n/a	25,330	0	n/a	25,330	n/a	25,330	0	0	0	0	n/a	0	(25,330)
- SEEDA for DTIZ	n/a	529,073	675,230	0	1,204,303	n/a	529,073	529,236	675,067	133,711	0	0	1,338,013	133,710
- HCA (was - English Partnerships) for DTIZ/mid-town centre	n/a	639,365	31,129	0	670,494	n/a	639,365	639,149	31,345	48,681	0	0	719,176	48,682
- Growth Point Status grant	n/a	0	864,092	1,514,107	2,378,199	n/a	0	0	864,092	1,514,107	0	0	2,378,199	0
- KCC for skate parks	n/a	158,545	0	0	158,545	n/a	158,545	158,545	0	0	0	0	158,545	(0)
- Mandatory Disabled Facilities Grants	n/a	396,398	408,000	420,000	1,224,398	n/a	396,398	396,398	408,000	420,000	456,000	0	1,680,398	456,000
- Coast Protection grants	n/a	0	190,500	4,900,000	5,090,500	n/a	0	0	190,500	4,900,000	0	0	5,090,500	0
- Land contamination grant	n/a	64,586	0	0	64,586	n/a	64,586	64,586	0	0	0	0	64,586	0
- Private Sector Renewals Grant	n/a	1,345,858	2,657,418	0	4,003,276	n/a	1,345,858	1,345,857	2,657,418	0	0	0	4,003,275	(1)
- Big Lottery Grant (Pencester play area)	n/a	150,000	0	0	150,000	n/a	150,000	150,000	0	0	0	0	150,000	0
- Big Lottery Grant (Markewood play area)	n/a	57,702	0	0	57,702	n/a	57,702	57,702	0	0	0	0	57,702	0
- Big Lottery Grant (Victoria Park)	n/a	50,000	0	0	50,000	n/a	50,000	50,000	0	0	0	0	50,000	0
- Youth Task Force (Victoria Park)	n/a	10,000	0	0	10,000	n/a	10,000	10,000	0	0	0	0	10,000	0
- Deal Town Council (Deal Pier)	n/a	6,000	0	0	6,000	n/a	6,000	6,000	0	0	0	0	6,000	0
- CABA (Bleriot Project)	n/a	30,572	59,428	0	90,000	n/a	30,572	30,572	59,428	0	0	0	90,000	(0)
- Growth Point (Bleriot Project)	n/a	0	90,000	0	90,000	n/a	0	0	90,000	0	0	0	90,000	0
Supported borrowing - HRA	n/a	187,000	201,000	0	388,000	n/a	187,000	187,000	201,000	0	0	0	388,000	0
Supported borrowing - General Fund	n/a	38,500	0	0	38,500	n/a	38,500	61,876	0	0	0	0	61,876	23,376
Unsupported borrowing	n/a	0	0	0	0	n/a	0	0	0	201,000	201,000	0	402,000	402,000
Other reserves					0								0	0
- Special projects reserve	n/a	534,983	150,000	241,000	925,983	n/a	534,983	130,190	150,000	241,000	0	0	521,190	(404,793)
- Historic buildings reserve (£66k available)	n/a	0	0	0	0	n/a	0	0	0	0	0	0	0	0
- Leisure centres equipment reserve	n/a	0	4,036	0	4,036	n/a	0	0	4,036	0	0	0	4,036	0
Total	13,766,140	9,700,997	10,082,113	7,672,607	41,221,857	13,766,140	9,700,997	9,685,278	9,998,204	11,741,999	4,867,000	0	50,058,620	8,836,763

HOUSING REVENUE ACCOUNT CAPITAL WORKS

<u>CAPITAL WORKS PROGRAMME</u>	Approved Budget 2008/09	Outturn 2008/09	Variance 2008/09	Approved Budget 2009/10
	£000	£000	£000	
Reroofing	300	300	0	280
Replacement Doors and Windows	153	153	0	100
Renewal Heating/Heating Programme	945	945	0	823
Thermal insulation	10	10	0	13
Environmental Improvements (Tenants Compact)			0	
Dover	20	20	0	20
Deal	11	11	0	11
Sandwich	12	12	0	12
Rural	7	7	0	7
Asbestos Programme	50	50	0	50
Structural Repairs	220	110	-110	260
Kitchen Programme	1050	1310	260	1100
Rewiring	627	627	0	650
Adaptations for Disabled Persons	500	500	0	500
Sheltered Reurbishments	160	10	-150	110
TOTAL CAPITAL WORKS PROGRAMME	4065	4065	0	3936
<u>Financed By:</u>				
Capital Receipts	148.0	148.0	0	441
Major Repairs Allowance	3266.0	3266.0	0	3294
Direct Revenue Financing (HRA)	455.0	455.0	0	0
Supported Borrowing	196.0	196.0	0	201
TOTAL CAPITAL WORKS PROGRAMME	4065.0	4065.0	0.0	3936
FULL PROGRAMME TOTAL	7845	8055	3990	3936

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SPECIAL PROJECTS - OUTTURN 2008/09

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved	Prior Years	Estimate	Actual	Estimate	Estimate	Future years	Total Revised Budget
		Budget	Exp	2008/09	2008/09	2009/10	2010/11	£	£
		£	£	£		£	£	£	£
Projects in progress									
Asset Management Planning and Asbestos Surveys	R	44,200	28,061	0		16,139	0	0	44,200
Corporate Property Maintenance	R	504,590	403,925	6,985	7,952	62,713	30,000	0	504,590
Play Areas - enhancements to strategic sites	R	261,444	28,538	0		232,906	0	0	261,444
Play Areas - Clarendon, Dover provision of new site (only to go ahead if S106 funding available)	R	100,000	0	0		100,000	0	0	100,000
A2 Lydden to Dover Improvement Study	R	10,000	0	1,200	1,200	8,800	0	0	10,000
Control of Asbestos Regulations Works - Corporate Buildings	R	50,000	11,850	860	767	37,383	0	0	50,000
Disability Discrimination Act Works - Corporate Buildings	R	109,000	44,770	4,230	3,849	60,381	0	0	109,000
Kick start bus initiative and study	R	37,500	3,500	0		25,000	9,000	0	37,500
Whitfield offices - reception area	R	269,658	199,593	69,987	70,065	0	0	0	269,658
Parking Strategy	R	86,980	86,980	0		0	0	0	86,980
Whitfield office moves	R	254,170	221,015	23,655	24,693	8,462	0	0	254,170
Operations centre	R	41,659	21,527	942	305	19,827	0	0	41,659
Replacement of defective plant and equipment at leisure centres	R	7,492	4,190	3,302	-68	3,370	0	0	7,492
Air Quality Assessments		1,186	0	1,186	1,186	0	0	0	1,186
ICT replacement air conditioning unit	C/R	31,468	0	32,000	31,468	0	0	0	31,468
Pavilions - boiler & hot water replacements	R	37,658	0	37,660	37,658	0	0	0	37,658
Quarterdeck, Deal - feasibility study	R	30,000	0	6,750	6,750	23,250	0	0	30,000
Dover Leisure Centre Reception	R	24,982	0	25,000	24,982	0	0	0	24,982
Museum Boiler		41,843	0	41,790	41,843	0	0	0	41,843
Projects approved - previously included in capital programme									
Whitfield Offices: - ESP evaluation	R	50,000	39,483	1,517	271	10,246	0	0	50,000
CRM project - costs	R	281,587	112,411	102,564	60,862	108,314	0	0	281,587
DTIZ - consultants and marketing costs (allocation to capital reduced)	R	40,000	26,470	5,382	5,381	8,149	0	0	40,000
Interreg III programme - graphic panels	R	0	2,300	0	-2,300	0	0	0	0
North Deal Community Centre	R	44,194	12,150	29,590	32,044	0	0	0	44,194
Aylesham - land management	R	3,300	0	3,300	3,300	0	0	0	3,300
Wind Turbine at Whitfield	R	3,377	0	1,558	1,558	1,819	0	0	3,377
Capital projects in capital programme financed from reserve:									
Provision allocated to capital programme to finance capital projects	C	842,549	277,402	522,851	130,190	0	0	0	800,253
		3,208,837	1,524,165	922,309	483,956	726,759	39,000	0	3,166,541

Projects approved subject to project appraisal									
Whitfield Offices: - ESP (Corporate DIP and workflow)	C/R	0	0	0	0	0	0	0	0
Provision - possible abortive costs on unsuccessful Aylesham welfare scheme grant application (Cabinet 17 October 2005)	R	8,430	0	0	8,430	0	0	0	8,430
Feasibility of provision of area offices at Aylesham and Sandwich	R	0	0	0	0	0	0	0	0
Feasibility of provision of area offices at Deal (Quarterdeck and South Street sites)	R	0	0	0	0	0	0	0	0
North Deal - Community based regeneration - Golf Rd/Cannon Str. Deal	R	0	0	0	60,466	0	0	0	60,466
Tourism - signage (previously included in Interreg bid in capital prog)	R	0	0	0	0	0	0	0	0
Major projects	R	0	0	0	76,700	40,000	0	0	116,700
Dover Museum lighting	R	0	0	0	20,000	0	0	0	20,000
Sandwich Bay Public Convenience Refurbishment	R	70,000	0	0	70,000	0	0	0	70,000
New bids for approval to carry out appraisal									
Contingency	R	0	0	0	100,000	0	0	0	100,000
Proposed balance to transfer to capital projects	C	0	0	0	150,000	241,000	0	0	391,000
Bids for consideration subject to funding be available									
See below									
TOTAL PROJECTS FINANCED FROM SPECIAL PROJECTS RESERVE		3,287,267	1,524,165	922,309	1,212,355	320,000	0	0	3,933,137
Less amount financed in previous years									(1,524,165)
BALANCE TO BE FINANCED									2,408,972

Remaining balance in Special Projects reserve		Other bids for consideration - subject to funding availability	
Balance at 1 April 2008	2,393,000	Tourism signage	30000
Allocated to approved schemes	-1,249,716	Public conveniences	150000
Add back Clarendon play area financed by S106 and Whitfield park (£116k)	216,000	Kearsney Abbey walls	100000
Addin Corporate Maintenance contribution - 2008/09	11,000		
Balance currently available for new projects	1,370,284		
New bids received	-777,596		
Balance - before contributions to reserve	592,688		
Balance	592,688		280000

10 Most Frequently Asked Questions

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

1. Why are the accounts produced?

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Who prepares the accounts?

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

6. When are the accounts prepared?

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

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

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

The checks and challenges to the draft accounts are:

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

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

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

In September the Governance Committee receive:

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

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

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

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

Yes. Every year an advert is placed in local papers notifying people of the period during which they can inspect the accounts. This year the period is from 7th July 2009 to 4th August 2009. At the end of that period there is a day when the auditor will be available in case members of the public wish to ask questions or raise an issue. This year that day is 5th August 2009.

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

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

Were these notes helpful?

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

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

Or e-mail Helen.lamb@dover.gov.uk

**Statement in Respect of the Statement of Accounts 2008/09 in Support of the
Certification by the Head of Finance and ICT**

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

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

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

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

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

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

Mike Davis
Head of Finance and ICT

22 June 2009.



**Draft
Statement
Of
Accounts**

2008/09

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EXPLANATORY FOREWORD

INTRODUCTION

The purpose of this foreword is to offer interested parties a straightforward and understandable guide to the most significant matters reported in these accounts for the year ended 31 March 2009.

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

A number of changes to the Statement of Recommended Practice (SORP) were introduced with effect from 2008/09. The main changes are as follows:

- FRS 17 (Retirement Benefits) has been amended to show quoted securities held as assets within the defined benefit pension scheme valued at bid price rather than the mid-market value;
- 'Deferred Charges' have been renamed to 'Revenue Expenditure Funded from Capital under Statute' and
- Externally managed investments are now classified as 'available for sale', rather than at 'fair value through the Income and Expenditure Account'.

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

In the near future wider compliance to international accounting practices will be required.

The Council's accounts consist of:

- **Statement of Responsibilities** (page 11) - this outlines the responsibilities of the Authority and the Head of Finance and ICT with respect to the Statement of Accounts.
- **Statement of Accounting Policies** (page 13) - this explains the basis of the figures used in the accounts. The accounts can only be properly understood if the accounting policies, which have been followed in dealing with material items, are explained. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- **Income and Expenditure Account** (page 22) - this Statement is fundamental to the understanding of a local authority's activities in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

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

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

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

- **Statement of Movement on the General Fund Balance** (page 23) - the Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

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

- **Statement of Total Recognised Gains and Losses** (page 24) - not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded, as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period and these are included in a Statement of Total Recognised Gains and Losses.
- **Balance Sheet** (page 25) - this statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.
- **Cash Flow Statement** (page 27) - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this Statement, as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Housing Revenue Account** (page 72) - the Council is required by law to account separately for the provision of housing. This account shows the major elements of housing income and expenditure (repairs and maintenance, administration and capital financing costs) and how these are financed by rents and other income.
- **Collection Fund** (page 79) - this shows the transactions of the Council relating to the collection of council tax and non-domestic rates and the way in which these have been distributed to precepting authorities.

- **Annual Governance Statement** (page 83) - the Annual Governance Statement is included alongside the accounting statements. It sets out the conclusions of the Council's review of internal control for 2008/09 as required by the Accounts and Audit Regulations and follows the guidance on best practice: Delivering Good Governance in Local Government issued by CIPFA in 2007. The Annual Governance Statement describes the Council's governance framework and reviews its effectiveness.

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

SUMMARY OF THE 2008/09 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Its spending is further split between revenue (as shown in the Income and Expenditure Account) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from council tax, national non-domestic rates, Government grants, fees and charges and other income. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets.

Income and Expenditure Account for 2008/09

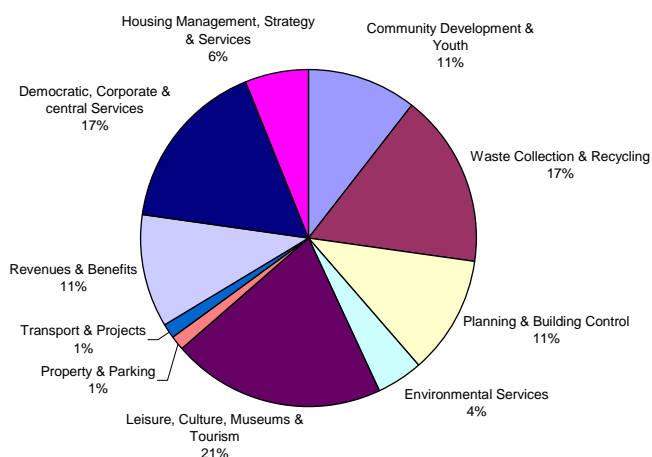
The Council's gross cost of services in 2008/09 was £104.4m, with service income of £63.7m leading to net expenditure of £40.7m. However, the expenditure includes the cost of 'impairment', the loss of value in assets over the last year that is not chargeable to the council tax payer. The Income and Expenditure Account provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

Net expenditure on services 2008/09

	2008/09 Gross Expenditure	2008/09 Gross Income	2008/09 Net Expenditure
	£000s	£000s	£000s
Community development and youth	2,585	(563)	2,022
Waste collection and recycling	4,106	(891)	3,215
Planning and building control	2,948	(765)	2,183
Environmental services	1,012	(165)	847
Leisure, culture, museums and tourism	4,612	(644)	3,968
Property and parking	3,097	(2,858)	239
Transport and projects	263	0	263
Revenues and benefits	39,989	(37,898)	2,091
Democratic, corporate and central services	4,144	(938)	3,206
Housing strategy and services	2,493	(1,305)	1,188
	<hr/>	<hr/>	<hr/>
	65,249	(46,027)	19,222
Local Authority Housing (HRA) ¹	16,269	(17,705)	(1,436)
Exceptional item – impairment ¹	22,948	0	22,948
Total	<hr/> 104,466	<hr/> (63,732)	<hr/> 40,734

¹ Local Authority Housing and the Exceptional item (impairment) have been excluded from the chart below:

PERCENTAGE ALLOCATION OF EXPENDITURE



Revenue Financing

Revenue financing of £17.8m came from:

	£000s	%
Council tax (1)	7,557	42.4
Revenue Support Grant (2)	1,236	6.9
Non-domestic rates (3)	8,877	49.7
Collection Fund surplus (4)	50	0.3
Area Based Grant (5)	129	0.7
Total	17,849	100.0

- (1) Council tax is paid by the residents of the district to the Council. However, only 13.7% of the council tax collected is retained by the district, of which 10.7% is for its own use as 3.0% is to meet the precepts of the various town and parish councils. 72.4% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) Non-domestic rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government for redistribution.
- (4) The Council accounts for all non-domestic rates and council tax in a Collection Fund. When there is a surplus on the fund (generally as a result of higher collection rates than forecast or due to a higher rate of increase in the tax base than forecast), the surplus is shared between the precepting authorities in proportion to their precepts. The £50k represents the Council's share of the prior year surplus.
- (5) Area Based Grants are non-ring fenced grants paid direct to the Authority.

General Fund

The General Fund original budget forecast a deficit of £49k. During the year additional approvals were given for carry forward of unspent budget items from 2007/08 and expenditure on the cost of a planning inquiry. This resulted in an approved budget deficit of £499k. The outturn shows a deficit on the General Fund Balance of £336k and with carry forwards £138k the underlying outturn is a deficit of £474k which is £25k within the total approved budget. This gives an underlying General Fund balance of £2.2m.

The Housing Revenue Account

The Council maintains a housing stock of around 4,640 houses and flats. The income and expenditure from this account is included in the Income and Expenditure Account, but is also reported separately from the General Fund and is maintained in an account called the 'Housing Revenue Account' (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved an increase in the HRA balance of £797k in 2008/09 compared to the original budget that forecast an increase of £193k. The main reasons for these variances are as follows:

- A reduction in the Revenue Financing of Capital Expenditure following a decision to use a greater proportion of the Major Repairs Reserve to finance capital expenditure;
- Savings were made in 2008/09 on a number of projects not yet completed. These budgets have been carried forward to 2009/10 when it is anticipated these projects will be completed;
- A reduction in repairs and maintenance spend due to a significant reduction in void levels and a reduction in the volume of response maintenance calls;
- Interest and investment income was higher, due to a more favourable outcome in the Housing Revenue Account cash flow than anticipated; and
- There was a £23m variation in the Income and Expenditure Account due to impairments. This is an 'accounting' adjustment and is largely offset by an adjustment in the 'Statement of Movement on the Housing Revenue Account' and does not constitute a 'real' variance.

These were partially offset by:

- Home-loss payments required to facilitate the decision to decant five sheltered properties, in line with the Housing Revenue Account Business Plan.

Investment in Major Projects

The Council invested £9.69m in major projects in 2008/09, the most significant of which were:

- Investments of £1.7m in respect of property acquisition and works to progress the development of Dover Town Investment Zone and the surrounding area (this includes circa £312k in respect of Dover Sea Sports Centre);
- £4.1m for Housing Revenue Account property projects, particularly towards achieving the Government's Decent Homes standard by 2010;

- £1.9m on grants and loans for private sector housing;
- Construction of the Deal Pier restaurant amounted to £1.3m;
- £0.5m on the redevelopment of play areas and skate parks; and
- The remainder has been spent on a number of smaller projects.

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

- £3.4m grants from external bodies including SEEDA, HCA and other government departments;
- £3.6m Major Repairs Allowance grant from the Government; and
- £2m capital receipts.

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

Treasury Management

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

At 31 March 2009 the Council had over £15m managed by the Council's fund manager, Investec. In addition the Council has investment balances and day-to-day cash balances that it manages in-house, and these averaged over £14m in 2008/09. The Council also has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank.

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

The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover 90% to 100% of its investment. The accounts include an impairment reflecting the potential loss of capital and interest. See note 46 for further details.

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	2008 £000s	2009 £000s
Value of land, property and other assets	331,136	307,361
Investments held and cash at bank	29,098	25,498
Money owed to DDC for goods and services	5,703	8,451
Loans owed to DDC (short and long-term)	499	1,181
Money owed by DDC for goods and services	(10,325)	(12,354)
Loans owed by DDC (short and long-term)	(9,235)	(10,731)
Grants for assets received but not yet used	(17,811)	(17,817)
Share of pension scheme liabilities owed by DDC	(39,900)	(48,620)
Total Assets less Total Liabilities	289,165	252,969
Financed by:		
Distributable reserves ¹	(17,402)	(15,212)
Non-distributable reserves ²	(271,763)	(237,757)
Net Worth of Council	(289,165)	(252,969)

¹Distributable reserves are made up of:

Capital receipts	(2,610)	(939)
Revenue balances	(9,520)	(9,958)
Other earmarked reserves	(5,272)	(4,315)
	(17,402)	(15,212)

²Non-distributable reserves mainly comprise upwards revaluations of assets from their original purchase value.

Use of Resources

The Council's auditor publishes an annual assessment on the Council's use of resources. The 2008 judgement concluded that the Council was performing at level 3 out of 4, which is defined as 'Consistently above minimum requirements – performing well'.

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES

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

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

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

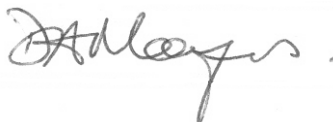
HEAD OF FINANCE AND ICT'S CERTIFICATE

I certify that the accounts, as set out, present fairly the financial position of the Council at 31 March 2009.



Mike Davis CPFA
Head of Finance and ICT
24 June 2009

Acceptance of Accounts
By Chairman of the Governance Committee



Councillor David Mayes
24 June 2009

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

Opinion on the Financial Statements

INTENTIONALLY

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STATEMENT OF ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2008/2009

GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2009. The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (The SORP). The Code is based on approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS's) approved by the Accounting Standards Board and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is an historical cost basis modified by the revaluation of certain categories of assets.

QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

- **Relevance** - in accordance with FRS 18, Accounting Policies, the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- **Reliability** - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The accounts are unbiased, without material error and have been prepared in a prudent manner.
- **Comparability** - the Statement of Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- **Understandability** - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- **Materiality** - an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the Authority's stewardship and economic decisions.

ACCOUNTING CONCEPTS

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

requirement and an accounting standard, the legal requirement will take precedence.

ACCRUALS OF INCOME AND EXPENDITURE

Debtors and creditors at the year-end are accrued in compliance with FRS 18 ensuring income and expenditure is accounted for in the period to which it relates. The exception to this is car parking penalty charge notices, which are accounted for in the period of receipt. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

VALUE ADDED TAX

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

EXCEPTIONAL ITEMS

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

INTANGIBLE FIXED ASSETS

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

TANGIBLE FIXED ASSETS

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

- Land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value;
- Non-operational assets, including investment properties (properties held by an authority but not directly occupied, used or consumed in

the delivery of services) and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value; and

- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.

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

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in one of two ways:

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

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

Disposals: when an asset is disposed of or de-commissioned, the value of the asset and the income from the sale are both charged to the Income and Expenditure Account which, therefore, bears a net gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts in excess of £10,000 are categorised as capital receipts.

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

cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

DEPRECIATION

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

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

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

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

CHARGES TO REVENUE FOR FIXED ASSETS

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation and so these charges are subsequently removed – see note 1 to the Core Financial Statements.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE (FORMERLY DEFERRED CHARGES)

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants, third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the

grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

SECTION 106 CONTRIBUTIONS

The Council receives funds from property developers to provide community and infrastructure assets as part of the development. These funds are held for periods of time as specified within the planning consent and used to provide and or maintain those assets. See note 19 for further details

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies in these accounts.

LEASES

Operating Leases

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

Finance Leases

The Council has no finance leases.

OVERHEADS AND SUPPORT SERVICES

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

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

PENSION COSTS

Retirement Benefits

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

Change of accounting policy

The 2008 SORP has adopted the amendment to FRS 17. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% based on the indicative rate of return on high quality corporate bond (gross redemption yield on the iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – average of the bid and offer rates; and
 - Property – market value.
- The change in the net pensions liability is analysed into seven components:
 - **Current service cost** – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
 - **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account;
 - **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
 - **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an

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

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

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

See note 62 for further details of pensions.

FINANCIAL INSTRUMENTS

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

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

Investments are broken down in two ways by maturity:

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

Investments are also broken down by:

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

measured and carried on the balance sheet at amortised cost using determinations from our fund manager.

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

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

The SORP requires authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in note 45 to the Core Financial Statements.

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 45 includes an age analysis of overdue debtors at the Balance Sheet date. In addition to this a provision for bad debts is also included – see note 31.

PROVISIONS

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

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

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

STOCKS

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

SINGLE EUROPEAN CURRENCY (THE EURO)

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

CONTINGENT LIABILITIES/ASSETS

Contingent liabilities/assets are defined as possible obligations/(benefits) that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

GROUP ACCOUNTS

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

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

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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

2007/08 Net Expenditure £000s	2008/09 Gross Expenditure £000s	2008/09 Gross Income £000s	2008/09 Net Expenditure £000s	
1,121	Central services	10,317	(9,022)	1,295
10,265	Cultural, environmental, regulatory and planning services	17,477	(3,755)	13,722
967	Highways and transport services	2,948	(2,676)	272
217	Local Authority Housing (HRA)	16,273	(17,705)	(1,432)
0	Exceptional item – impairment HRA	22,959	0	22,959
1,656	Other Housing	31,749	(30,176)	1,573
(51)	Other services	0	0	0
2,074	Corporate and Democratic Core	2,057	(398)	1,659
360	Non Distributed Costs	700	0	700
16,609	Net Cost of Services	104,480	(63,732)	40,748
0	(Gain) or loss on the disposal of fixed assets			(13)
0	Investment losses (note 46)			207
	Amounts due to precepting authorities:			
1,486	Town and parish councils (page 80)			1,676
49	River Stour Drainage Board (note 4)			50
515	Interest payable and similar charges (note 42)			426
1,656	Amounts payable to Housing Capital Receipts Pool (note 38)			299
(1,714)	Interest and investment income			(1,417)
1,330	Pensions interest cost and expected return on assets (note 39)			2,630
(21)	Exceptional item (note 5)			(23)
19,910	Net Operating Expenditure			44,583
	Demand on the Collection Fund:			
(7,045)	Council tax income (page 79)			(7,557)
(46)	Collection Fund surplus (page 79)			(50)
(1,431)	General government grants (note 48)			(1,365)
(8,526)	Non-domestic rates redistribution (note 48)			(8,877)
2,862	Total Deficit for the Year			26,734

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2007/08		2008/09
£000s		£000s
2,862	Deficit for the year on the Income and Expenditure Account	26,734
(3,013)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (note 1)	(26,398)
(151)	(Increase)/decrease in General Fund Balance for the year	336
<u>(2,545)</u>	General Fund Balance brought forward	<u>(2,696)</u>
<u>(2,696)</u>	General Fund Balance carried forward	<u>(2,360)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

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

2007/08 £000s		2008/09 £000s
2,862	(Surplus)/deficit on the Income and Expenditure Account for the year	26,734
(10,716)	(Surplus)/deficit arising on revaluation of fixed assets	1,578
0	(Surplus)/deficit arising on revaluation of available for sale financial assets	(193)
(5,110)	Actuarial (gains)/losses on pension fund assets and liabilities	7,990
56	Collection Fund deficit – element relating to authority	23
176	Any other gains and losses required to be included in the STRGL	64
(12,732)	Total Recognised (Gains)/Losses for the Year	36,196

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

As at 31 March 2008 £000s		Note	As at 31 March 2009 £000s £000s	
57	Intangible fixed assets	21		62
	Tangible fixed assets	22-24		
	Operational assets:			
262,236	Council dwellings		235,407	
43,967	Other land and buildings		49,183	
826	Vehicles, plant and equipment		1,194	
8,397	Infrastructure assets		8,118	
566	Community assets		447	
				294,349
	Non-operational assets			
10,262	- Land and buildings		9,540	
4,703	- Assets under construction		2,916	
120	- Other assets		494	
				12,950
331,134	Total fixed assets			307,361
4	Long-term investments	41		1,600
298	Soft loans	44		999
710	Long-term debtors	29		721
332,146	Total long-term assets			310,681
	Current assets:			
126	Stock and work in progress	30	155	
8,380	Debtors	31	11,202	
(3,312)	Provision for bad and doubtful debts	31	(3,445)	
28,677	Investments	41	23,535	
418	Cash at bank	58	363	
				31,810
	Current liabilities:			
(5,147)	Short-term borrowing	41	(3,626)	
(9,453)	Creditors	32	(10,526)	
(872)	Receipts in advance		(1,828)	
0	Bank overdraft		0	
				(15,980)
350,963	Total assets less current liabilities			326,511
(4,087)	Long-term borrowing	41	(7,105)	
(17,811)	Capital contributions deferred	28	(17,817)	
0	Provisions	34	0	
(39,900)	Liability related to defined benefit pension scheme	62	(48,620)	
				(73,542)
289,165	Total assets less liabilities			252,969

As at 31 March 2008 £000s		Note	As at 31 March 2009	
			£000s	£000s
	Financed by:			
(302,243)	Capital adjustment account	37		(278,904)
(9,589)	Revaluation reserve	36		(7,761)
0	Available for sale reserve	42		(193)
174	Financial instruments adjustment account	42		484
(5)	Deferred capital receipts	33		(3)
39,900	Pensions reserve	62		48,620
(784)	Major repairs reserve	47		(340)
(2,610)	Usable capital receipts reserve	38		(939)
(4,488)	Earmarked reserves	47		(3,975)
	Revenue balances	49		
(2,696)	- General Fund		(2,360)	
(6,649)	- Housing Revenue Account		(7,446)	
(175)	- Collection Fund		(152)	
			<u> </u>	(9,958)
<u>(289,165)</u>	Total Equity			<u>(252,969)</u>

CASH FLOW STATEMENT

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

2007/08 £000s		2008/09 £000s	2008/09 £000s
REVENUE ACTIVITIES			
Cash outflows:			
15,315	Cash paid to and on behalf of employees	16,044	
22,562	Other operating cash payments	23,626	
15,799	Housing benefit paid out	17,365	
29,799	Non-domestic rate payments to national pool	31,698	
47,161	Precepts paid	51,292	
1,656	Payments to the Capital Receipts Pool	299	
132,292			140,324
Cash inflows:			
(6,223)	Rents (after rebates)	(6,903)	
(45,343)	Council tax receipts	(47,400)	
(8,526)	Non-domestic rates received from national pool	(8,877)	
(29,359)	Non-domestic rate receipts	(32,381)	
(1,431)	Revenue Support Grant	(1,236)	
(15,823)	DWP grants for housing benefits	(16,422)	
(18,915)	Other Government grants (note 57)	(18,949)	
(7,986)	Cash received for goods and services	(7,591)	
(1,385)	Other operating cash receipts	(768)	
(134,991)			(140,527)
(2,699)	Revenue Activities Net Cash Flow		(203)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash outflows:			
409	Interest paid	427	
Cash inflows:			
(1,781)	Interest received	(1,303)	
(1,372)			(876)
CAPITAL ACTIVITIES			
Cash outflows:			
8,350	Purchase of fixed assets	6,879	
0	Purchase of long-term investments	0	
1,008	Other capital cash payments	636	
Cash inflows:			
(2,529)	Sale of fixed assets	(629)	
(4,653)	Capital grants received	(1,335)	
0	Other capital cash receipts	0	
(1,895)	Net cash (inflow)/outflow before financing		5,551
MANAGEMENT OF LIQUID RESOURCES (note 60)			
3,293	Net increase/(decrease) in short-term term deposits	(5,415)	
262	Net increase/(decrease) in other liquid resources	2,494	
			(2,921)
FINANCING			
Cash outflows			
0	Repayments of amounts borrowed	(3,017)	
Cash inflows			
0	New loans raised	0	
(1,997)	New short-term loans	1,521	
			(1,496)
(337)	Net (Increase)/Decrease in Cash		55

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2007/08 £000s	Note	2008/09 £000s	2008/09 £000s
2,862			26,734
(Surplus) or deficit for year in the Income and Expenditure Account			
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
(12)	Amortisation of intangible fixed assets	21	(26)
(2,217)	Depreciation and impairment of fixed assets	24	(26,569)
(169)	Excess depreciation charged to the HRA over Major Repairs Allowance	Page 74	775
551	Capital Contributions Deferred and amortisation	28	253
(336)	Revenue Expenditure Funded from Capital under Statute	35	(280)
0	Net (gain) or loss on sale of fixed assets		13
(174)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		(310)
(3,260)	Net charges made for retirement benefits in accordance with FRS 17	39	(4,490)
(5,617)			(30,634)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
37	Capital expenditure charged in-year	24	289
(1,656)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	38	(299)
3,290	Employer's contributions payable to the pension fund and retirement benefits direct to pensioners	39	3,760
1,671			3,750
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year			
913	Statutory transfer of HRA balance	Page 73	797
Net transfer to or from earmarked reserves:			
250	From Local Development Framework Reserve	47	(149)
(606)	From Special Projects Reserve	47	(314)
(383)	From housing and Planning Delivery Grant Reserve	47	(194)
759	Other transfers to earmarked reserves	47	343
933			483
(3,013)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		(26,398)
(151)	Increase in General Fund Balance for the year		336
(2,545)	General Fund Balance brought forward		(2,696)
(2,696)	General Fund Balance carried forward		(2,360)

2. ACQUIRED OR DISCONTINUED OPERATIONS

The provision of the White Cliffs Careline Service transferred to Shepway District Council on 1 April 2009. Existing Dover District Council customers will not notice any significant change in service provision. This is a profit-sharing agreement that will last 5 years, at which point the service will transfer 100% to Shepway.

The agreement is designed so that any financial loss suffered by the service will be borne entirely by Shepway, however any overall income to the service will be shared. The change in net costs is not material to the accounts and so has not been shown separately on the Income and Expenditure Account.

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

This is detailed in the explanatory foreword of this Statement.

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

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

4. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY

In accordance with the Internal Drainage Boards (Finance) Regulations 1992 the River Stour (Kent) Internal Drainage Board is empowered to make a special levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage district. Authorities are required under the Local Government Finance Act 1988 to provide the revenue from the non-agricultural sector in place of drainage rates levied on that sector prior to 1 April 1990. The levy for 2008/09 was £50k (£49k in 2007/08).

5. EXCEPTIONAL ITEM (BCCI)

In 2008/09 the Council received a dividend payment from the Board of Liquidators for the Bank of Credit and Commerce International (BCCI) of £23k (£21k in 2007/08).

6. SIGNIFICANT TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Accordingly, the trading operations listed below all form an integral part of the total cost of particular services and are included within the Net Cost of Services, rather than being shown

separately on the Income and Expenditure Account as trading undertakings. Details of operations with a turnover of expenditure greater than £300k and/or surplus (or deficit) greater than £30k are as follows:

2007/08 Surplus/ (deficit) £000s	Trading Service	Note	Expenditure £000s	2008/09 Income £000s	Surplus/(deficit) £000s
908	Car parks – surface paying	(a)	560	1,510	950
(39)	White Cliffs Careline	(b)	340	223	(117)
(27)	Miscellaneous properties	(c)	272	204	(68)

- (a) The Council operates 39 off-street car parks in the towns and villages of the District (of these, 16 are free car parks, the costs of which are excluded from the above data). Included in these 39 car parks is the closed multi-storey car park plus one other which is managed on behalf of a third party. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (b) The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and back up to people in need. This was transferred to Shepway District Council on 1 April 2009 as detailed in note 2.
- (c) The Council owns a range of properties and land that are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector must be priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so the recharges that have been made result in a surplus to the accounts. As a result, the accounts for miscellaneous properties show a deficit of £68k that would be increased to £87k if the cost of capital charges had been made.

7. S137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend on services for which it has no specific powers, but which benefits some or all of the Authority's taxpayers.

A review of this expenditure has been carried out this year and it has found that the Council has incurred no expenditure within this area this year.

8. PUBLICITY EXPENDITURE

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

	2007/08 £000s	2008/09 £000s
General publicity	168	210
Tourism initiatives	48	69
Tourist information centres	109	110
Recruitment advertising	81	58
Total	406	447

9. LEASES PAYABLE

The Council uses IT equipment, car parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £66k (£56k in 2007/08).

Leasing

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

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

Operating Leases

As at 31 March 2009 the Council was committed to making payments of £155k under operating leases in future financial years:

	Vehicles, Plant and Equipment £000s
Leases expiring in 2008/09	0
Leases expiring between 2009/10 and 2013/14	155
Leases expiring after 2013/14	0
	155

In 2009/10 it is expected that the Council will enter into leases for fitness equipment and IT equipment.

10. OFFICERS' REMUNERATION £50K+

The table below shows the number of Council officers whose remuneration exceeds £50,000 grouped into £10,000 bands. Remuneration is defined as 'the amount paid to or receivable by an employee, and includes gross pay (i.e. before deduction of employees'

pension contributions), sums due by way of expenses, allowances and the estimated monetary value of benefits such as a leased car and other non-cash items'. Pension contributions made by the Authority are not included.

Remuneration Band	Number of Employees	
	2007/08	2008/09
£50,000-£59,999	3	11
£60,000-£69,999	3	3
£70,000-£79,999	6	6
£80,000-£89,999	0	0
£90,000-£99,999	0	0
£100,000-£109,999	1	0
£110,000 and over	1	1
	14	21

11. ACCRUAL FOR OFFICERS' ANNUAL LEAVE

Under International Financial Reporting Standards there will be a requirement in future years for authorities to calculate and accrue for the value of all council officers' annual leave which was carried forward at the end of the financial year. For information purposes the value for officers' annual leave carried forward was £73k as at 31 March 2009 (£75k as at 31 March 2008).

12. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

Many authorities are experiencing claims for back pay from appeals about unequal pay arising from the implementation of the single status agreement. At present Dover District Council does not have any equal pay claims. The Council is currently undertaking a job evaluation process and whilst we do not envisage any potential claims, we cannot guarantee that claims may not be submitted from individual members of staff or via the trade unions.

13. AUDIT COMMISSION FEES

The fees incurred relating to external audit were:

	2007/08 £000s	2008/09 £000s
Audit and inspection	138	134
Certification of grant claims and returns	26	31
Total	164	165

14. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. No works of a material value have been carried out in 2008/09.

15. MEMBERS' ALLOWANCES

Totals of allowances paid to Council members during 2008/09, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, are as follows:

	2007/08 £000s	2008/09 £000s
Basic allowance	167	190
Special responsibility allowance	108	119
Travel and subsistence	14	14
	289	323

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

16. RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties and provides the majority of its funding in the form of grants. Details of grants received from Government departments are set out in note 57.

Declarations have been received from all officers and councillors. During the year, transactions with related parties that have not been included separately elsewhere within the Statement of Accounts arose as follows:

	Receipts £000s	Payments £000s
Kent County Council	1,608	2,105
Kent Police	0	76
Parish and town councils	70	61
Dover, Deal and District Citizens Advice Bureau	20	122
One member of the District Council was a trustee during 2008/09, and two others were appointed by the Council to be its representative during 2008/09		
Dover Neighbourhood Forum	0	45

Five members of the District Council were appointed by the Council to be its representatives on the various forums during 2008/09

Dover District Chamber of Commerce One member of the District Council was a member during 2008/09	0	2
Dover and District Carers Support One member of the District Council was a trustee during 2008/09	0	9
Bronze Age Boat Trust One member of the District Council was appointed by the Council to be its representative during 2008/09	0	1
Gazen Salts Nature Reserve Two members of the District Council were appointed by the Sandwich Town Council to be its representatives during 2008/09	0	8
Canterbury Archaeological Trust One member of the District Council was an employee during 2008/09	0	6
5th Deal Scout Group One member of the District Council was the treasurer during 2008/09	0	9
	1,698	2,444

17. BUILDING CONTROL ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control section cannot be charged for, such as the provision of general advice, dealing with dangerous structures and other local authority initiatives. The following statement shows the income and expenditure of the building control functions, divided between chargeable and non-chargeable activities:

	Chargeable Activities 2008/09 £000s	Non-Chargeable Activities 2008/09 £000s	Total 2008/09 £000s
Expenditure			
Employee expenses	285	90	375
Transport	12	4	16
Supplies and services	15	5	20
Central and support services	2	95	97
Total Expenditure	314	194	508
Income			
Building regulation charges	(275)	(1)	(276)
Total Income	(275)	(1)	(276)
Net Deficit for Year	39	193	232

Comparatives for 2007/08

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

Comparatives for 2006/07

	Chargeable Activities 2006/07 £000s	Non-Chargeable Activities 2006/07 £000s	Total 2006/07 £000s
Expenditure	337	169	506
Income	(336)	(3)	(339)
Net Deficit for Year	1	166	167

18. LOCAL NEIGHBOURHOOD BOARDS

In 2008/09 the Council contributed £45k to Kent County Council for Neighbourhood Forum grants to organisations. The scheme was established in December 2006 and is funded by Dover District Council and Kent County Council.

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

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

19. S106 RECEIPTS

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

	1 April 2008	Income	Expenditure	31 March 2009
	£000s	£000s	£000s	£000s
By Development:				
Land north of Melbourne Ave, Whitfield	5	373	0	378
Old Park Barracks, Whitfield	222	0	0	222
Extension to Tesco Retail Store, Whitfield	155	0	0	155
Miscellaneous developments	11	64	(64)	11
	393	437	(64)	766

	1 April 2008	Income	Expenditure	31 March 2009
	£000s	£000s	£000s	£000s
By Permissible Use:				
Transport /adult education/ play areas	222	0	0	222
Transport improvements	171	375	0	546
Youth and community	0	19	(60)	(41)
Adult social services and education	0	23	(4)	19
Open spaces	0	17	0	17
Miscellaneous community	0	3	0	3
	393	437	(64)	766

20. ON-STREET PARKING SURPLUS

At 31 March 2009, the on-street parking section had a surplus of £45k. In prior years this surplus has been used in the year in which it was generated, to fund transport, highway and environmental works within the area. In order to aid transparency, a separate reserve has now been set up, which will be reported on annually.

21. VALUATION OF INTANGIBLE FIXED ASSETS

The Council incurred costs of £31k for the purchase of software systems during 2008/09. This is included as an intangible fixed asset in the Balance Sheet. The net book value of all intangible assets after amortisation of £26k is £62k.

22. TANGIBLE FIXED ASSETS HELD

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

	Number as at 31.03.08	Net Book Value as at 31.03.08 £000s	Number as at 31.03.09	Net Book Value as at 31.03.09 £000s
COUNCIL DWELLINGS				
Flats/houses	4,644	262,236	4640	235,407
Council garages	953	2,281	953	2,250
OPERATIONAL LAND AND BUILDINGS				
Offices:				
Whitfield complex	1	3,719	1	3,687
Others	3	453	3	452
	4	4,172	4	4,139
Leisure centres and pools:				
Dover Leisure Centre	1	5,578	1	5,522
Deal Leisure Centre	1	6,670	1	6,505
Deal Tennis Centre	1	143	1	142
	3	12,391	3	12,169
Other:				
Dover Museum	1	5,267	1	5,214
Depots and workshops	15	649	15	634
Cemeteries (sites)	7	47	8	46
Car parks	39	3,605	39	3,605
Public conveniences	25	1,699	25	1,682
	87	11,267	88	11,181
Sea defences (kilometres)	7	7,605	7	7,356
Parks and open spaces	29	487	28	368
Deal Pier	1	353	1	5,966
Historic buildings:				
Timeball Tower, Deal	1	176	1	176
Grand Shaft, Dover	1	17	1	16
St Martin's Battery	1	0	1	0
Town Clock, St Peter's Church, Sandwich	1	0	1	0
	4	193	4	192

23. VALUATION OF TANGIBLE FIXED ASSETS

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

and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their market value.

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors) on 1 April 2008. Housing Revenue Account dwellings and garages were valued on 31 March 2009.

24. MOVEMENT OF FIXED ASSETS 2008/09

	TANGIBLE FIXED ASSETS OPERATIONAL						Total £000s
	Council Dwellings £000s	Garages £000s	Other Land and Buildings £000s	Equip- ment £000s	Infra- structure £000s	Commnty Assets £000s	
Gross Book Value							
At 1 April 2008	262,236	2,281	42,655	2,500	12,925	848	323,445
Reclassification of assets	(1,364)	0	1	92	0	(92)	(1,363)
Capital expenditure completed in year	4,055	0	3,713	595	0	0	8,363
Transfer from assets under construction	0	0	0	0	0	0	0
Disposals	(310)	(5)	(176)	0	0	0	(491)
Impairments	(22,055)	0	(1,133)	0	0	0	(23,188)
Revaluations	84	36	3,286	0	0	0	3,406
Revaluation Reserve	(7,233)	(62)	0	0	0	0	(7,295)
At 31 March 2009	235,413	2,250	48,346	3,187	12,925	756	302,877
Depreciation							
At 1 April 2007	0	0	(969)	(1,672)	(4,528)	(283)	(7,452)
Reclassified asset	0	0	0	(10)	0	10	0
Current year	(2,213)	(61)	(489)	(311)	(279)	(36)	(3,389)
Restatements	2,207	61	45	0	0	0	2,313
At 1 April 2009	235,407	2,250	46,933	1,194	8,118	447	294,349

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

The Council dwellings are valued in accordance with stock valuation guidelines for resource accounting for the Housing Revenue Account issued by the former Department of the Environment, Transport and the Regions. Depreciation has been charged to the Housing Revenue Account for council dwellings and other housing reserve account assets in

order to meet Resource Accounting requirements. Details of the Council's non-operational assets are shown below:

TANGIBLE FIXED ASSETS NON-OPERATIONAL

	Investment Property £000s	Surplus Assets £000s	Assets under Construction £000s	Total £000s
Gross Book Value				
At 1 April 2008	10,262	128	4,704	15,094
Capital expenditure completed in year	763	0	0	763
Work in progress	0	0	805	805
Work in progress completed in year	0	0	(2,593)	(2,593)
Disposals	(21)	(96)	0	(117)
Reclassification of asset	(1)	1,364	0	1,363
Impairments	(1,464)	(896)	0	(2,360)
Revaluation	1	0	0	1
At 31 March 2009	9,540	500	2,916	12,956
Depreciation				
At 1 April 2008	0	(8)	0	(8)
Reclassified asset	0	0	0	0
Current year	0	(2)	0	(2)
Restatement	0	4	0	4
At 31 March 2009	9,540	494	2,916	12,950

See note 21 for details of movement on intangible fixed assets.

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

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

	£000s
Housing Revenue Account	239,205
General Fund	55,144
Total	294,349

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

	£000s
Depreciation:	
General Fund	1,021
Impairment:	
Housing Revenue Account stock	22,055
Operational land and buildings	1,133
Non-operational land and buildings	1,464
Surplus assets	896
Total	26,569

Fixed Assets	2008/09 £000s
Intangible Fixed Assets	0
Tangible Fixed Assets:	
Council dwellings	4,055
Piers	1,279
Operational equipment and vehicles	560
Land awaiting development	682
Investment properties	763
Community assets	31
Total Spending on Fixed Assets	<u>7,370</u>
Capital Expenditure not resulting in Fixed Assets:	
Revenue expenditure funded by capital	1,424
Private sector housing loans	891
Total Capital Expenditure to be financed	<u><u>9,685</u></u>
Financed by:	
Government supported borrowing	249
Capital receipts	2,000
Direct revenue financing	289
Capital grants	3,438
Major Repairs Reserve	3,579
Special Projects Reserve	130
Total Financing	<u><u>9,685</u></u>

Impairments – General Fund

Due to the specific ways in which local authorities need to value assets the restaurant at Deal Pier has been re-valued to £160k, a total impairment of £1,118k due to capital works carried out to the value of £1,278k. Investment property purchased as part of the Dover Town Investment Zone has been re-valued resulting in an impairment of £1,463k.

25. EXCEPTIONAL ITEM – IMPAIRMENTS HRA

Due to the change in the economic climate the revaluation of the Council's housing stock and garages has resulted in an impairment of £29m (£22m written off to the Income and Expenditure Account).

Bede and Dunstan House, College Road, Deal, has been re-valued from £1,364k to £469k to reflect that it is no longer used for sheltered housing, a total impairment of £895k.

26. CAPITAL FINANCING REQUIREMENT

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

	2007/08 £000s	2008/09 £000s
Opening Capital Financing Requirement	6,391	6,796
Capital Investment:		
Intangible fixed assets	41	0
Operational assets	4,079	5,894
Non-operational assets	3,817	1,475
Revenue exp funded by capital and loans	1,113	2,316
Sources of Finance:		
Capital receipts	(1,370)	(2,000)
Government grants	(4,295)	(3,438)
Major repairs reserve	(2,943)	(3,579)
Direct revenue financing	(37)	(289)
Special projects reserve	0	(130)
Closing Capital Financing Requirement	6,796	7,045

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

	2007/08 £000s	2008/09 £000s
Fixed assets	331,134	307,360
Long-term debtors	112	110
Private Sector Housing loans	298	999
Capital contributions deferred	(17,811)	(17,817)
Less: receipts in advance	4,903	3,716
Capital adjustments account	(302,234)	(278,904)
Revaluation reserve	(9,589)	(7,761)
Grants relating to long-term debtors	(84)	(916)
Financial adjustments (soft loans)	67	258
	6,796	7,045

27. COMMITTED CONTRACTS

As at 31 March 2009 the Council was contractually committed to capital expenditure amounting to £210k in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Income receipting and management system	27	Nov 09
Walmer to Kingsdown/Oldstairs Bay coastal defences	52	Jul/Aug 09
Dover Sea Sports Centre	60	Jul 09
Dover Priory Rail Station	50	Jul 09
Other capital projects	21	-
	210	

As at 31 March 2009 the Council was contractually committed to revenue contracts in respect of the following:

	Approximate Annual Value £000s	Estimated Completion Date
Cleaning of public conveniences	178	Mar 14
Landscape maintenance	1,008	Mar 16
Cleaning Whitfield offices (excludes RPI)	75	2013
Pest control services	40	Jul 09
Recycling	1,173	Sep 10
Refuse collection	1,304	Sep 10
Street sweeping	1,198	Sep 10
	<u>4,976</u>	

28. CAPITAL CONTRIBUTIONS DEFERRED

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

	2007/08 £000s	2008/09 £000s
Balance as at 1 April	14,160	17,811
Grants and contributions received	4,202	259
Grants amortised to services via Income and Expenditure Account	(551)	(253)
	<u>17,811</u>	<u>17,817</u>

During 2008/09 grants for Private Sector Housing were received amounting to £1.1m (£1.5m during 2007/08). £900k has been used for Private Sector loans. Unapplied grant as at 31 March 2009 was £3.7m as detailed below:

	As at 31 March 2009 £000s
Dover Town Investment Zone	927
Private Sector Housing	2,683
Performance Award Grant	105
	<u>3715</u>

29. LONG-TERM DEBTORS

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

	Outstanding 31.03.08	Movement in year	Outstanding 31.03.09
	£000s	£000s	£000s
Mortgages to:			
Housing associations	58	0	58
Right to buy mortgages	5	(2)	3
Loans to:			
Leaseholders ¹	77	(7)	70
Local organisations	54	(5)	49
Assisted car purchase advances	7	(6)	1
Other:			
Housing benefit debtors ²	509	31	540
Total	710	11	721

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

² **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over several years. This debtor represents the value of housing benefit outstanding at 31 March 2009 which is expected to be recovered after one year.

30. STOCKS AND WIP

	As at 31.03.08 £000s	As at 31.03.09 £000s
Stocks:		
Housing Revenue Account	8	0
General Fund	69	67
Work in Progress:		
Rechargeable works:		
Housing Revenue Account	35	83
General Fund	14	5
Total	126	155

31. DEBTORS AND PROVISION FOR BAD DEBTS

	Restated 31 March 2008 £000s	As at 31 March 2009 £000s
Dover District Council Debtors:		
Amounts falling due in one year:		
Housing rents and charges	578	544
Government departments and Inland Revenue	378	1,738
Other local authorities	288	441
Sundry debtors	2,821	2,529
Prepayments	377	388
	<hr/> 4,442	<hr/> 5,640
Less provision for bad debts	(1,863)	(1,734)
	<hr/> 2,579	<hr/> 3,906
Collection Fund Debtors:		
Amounts falling due in one year:		
Local taxpayers	3,752	5,562
Government departments	186	0
Less provision for bad debts	(1,449)	(1,711)
	<hr/> 2,489	<hr/> 3,851
	<hr/> <hr/> 5,068	<hr/> <hr/> 7,757

2007/08 debtors have been restated following a review of the allocation of the debts between central Government, local authorities and other debtors. The total balance of reported debtors has not changed as a result of this exercise.

Provision for Bad and Doubtful Debts

The following provisions have been made against possible non-collection of debt. Separate provisions are maintained for non-collection of business rates and council tax:

	General Fund £000s	Housing Revenue Account £000s	Total £000s
Balance brought forward 01.04.08	1,391	472	1,863
Provision made in year	152	169	321
Less amounts written off	(197)	(253)	(450)
Balance carried forward 31.03.09	<hr/> 1,346	<hr/> 388	<hr/> 1,734

32. CREDITORS

	Restated 31 March 2008	As at 31 March 2009
	£000s	£000s
Dover District Council Creditors:		
Government departments	(2,085)	(1,342)
Other local authorities	(377)	(512)
Housing rents	(141)	(139)
Sundry creditors – revenue	(4,254)	(3,784)
Sundry creditors – capital	(297)	(787)
	(7,154)	(6,564)
Collection Fund Creditors:		
Amounts falling due in one year:		
Local taxpayers	(1,173)	(1,479)
Government departments	0	(1,529)
Other local authorities	(1,126)	(954)
	(2,299)	(3,962)
Total all Creditors	(9,453)	(10,526)

2007/08 creditors have been restated following a review of the allocation of the debts between central Government, local authorities and other creditors. The total balance of reported creditors has not changed as a result of this exercise.

33. DEFERRED CAPITAL RECEIPTS

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

	£000s
Balance brought forward as at 1 April 2008	5
Less: principal repayments	(2)
Balance carried forward as at 31 March 2009	3

34. PROVISIONS

A review of potential provisions has taken place in 2008/09 and it has been concluded that none are required at this stage.

35. REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (FORMERLY DEFERRED CHARGES)

Certain types of expenditure incurred by the Council do not fall within the Code of Practice's definition of fixed assets, but are classified as expenditure for capital purposes with respect to capital controls. Such expenditure includes home improvement grants and similar advances to finance capital investment by other parties. These are categorised as 'Revenue Expenditure Funded by Capital under Statute'. As this expenditure does not represent an asset to the Council the Revenue Expenditure Funded by Capital under Statute balance has been written out of the Balance Sheet by charging it to the service revenue accounts on the basis that the 'asset' has no continued value to the Council. As these assets have already been financed under capital control arrangements a corresponding credit is required in the Statement of Movement on the General Fund balances to negate the impact on the Income and Expenditure Account.

	2007/08 £000s	2008/09 £000s
Capital Expenditure		
Home improvement grants	622	1,033
Land contamination testing	0	65
Grants/contributions to organisations	225	326
	<hr/> 847	<hr/> 1,424
Grants/contributions received	(511)	(1,144)
Total net spend	<hr/> 336	<hr/> 280
Written off to revenue in year	(336)	(280)
Net book value of assets at 31 March	<hr/> 0	<hr/> 0

36. REVALUATION RESERVE

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

Movements on the account during 2008/09 are detailed below:

	£000s
Balance as at 1 April 2008	9,589
Revaluation gains and restatements	3,449
Revaluation losses	(5,027)
Written out gains on disposal of fixed assets	(215)
Depreciation adjustment historic cost	(35)
Balance carried forward as at 31 March 2009	<hr/> 7,761

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

37. CAPITAL ADJUSTMENTS ACCOUNT

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

	£000s
Balance brought forward as at 1 April 2008	302,243
Add:	
Capital financing:	
Reserves applied	3,709
Revenue applied	289
Capital receipts applied	2,000
Disposal adjustments	217
Allocation of grant from Capital Contributions Deferred Account	253
Depreciation adjustment for Revaluation Reserve	35
	<hr/> 308,746
Less:	
Carrying amount of assets disposed	(603)
General Fund depreciation	(1,021)
General Fund amortisation	(26)
Impairment of fixed assets	(25,547)
Long-term debtors	(5)
Write down of deferred charges	(280)
HRA depreciation	(2,360)
	<hr/> 278,904

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

38. USABLE CAPITAL RECEIPTS RESERVE

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

	£000s	£000s
Balance brought forward as at 1 April 2008		2,610
Add:		
Receipts in year:		
Sales – General Fund	87	
Dwelling sales - Housing Revenue Account	385	
Other sales - Housing Revenue Account	151	
Mortgage and loan repayments	5	
	<hr/> 628	
Less:		
Amounts pooled by central Government	(299)	
Receipts used to finance capital expenditure	(2,000)	
	<hr/> (2,299)	
Balance as at 31 March 2009		<hr/> 939

39. MOVEMENT ON PENSIONS RESERVE

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

	2007/08 £000s	2008/09 £000s
Income and Expenditure Account		
Pension costs chargeable to council tax	(2,730)	(3,180)
Contributions in respect of unfunded benefits	(560)	(580)
Current service costs	1,920	1,290
Curtailments	10	0
Past service costs	0	570
Included within net cost of services	(1,360)	(1,900)
Interest cost per actuary	5,940	6,790
Expected return on assets per actuary	(4,610)	(4,160)
Pensions interest cost and expected return on assets	1,330	2,630
Statement of Movement on the General Fund Balance		
Current service costs per actuary	(1,920)	(1,290)
Curtailments per actuary	(10)	0
Past service costs per actuary	0	(570)
Interest cost per actuary	(5,940)	(6,790)
Return on assets per actuary	4,610	4,160
Net charges made for retirement benefits in accordance with FRS 17	(3,260)	(4,490)
Contributions in respect of unfunded benefits	560	580
Payments to the pension fund	2,730	3,180
Employer's contributions payable to the Pension Fund	3,290	3,760

See note 62 for further pension information.

40. TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments and borrowing disclosed in the Balance Sheet are made up of the categories of 'financial instruments' shown in note 41.

41. FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31.03.08	31.03.09	31.03.08	31.03.09
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost (2)	4,087	7,105	5,147	3,626
Total borrowings	4,087	7,105	5,147	3,626
Investments				
Loans and receivables	0	0	14,263	9,708
Available for sale financial assets (1)	4	1,589	0	13,827
Fair value through profit and loss	0	0	14,414	0
Equities (Gateway)	0	11	0	0
Cash	0	0	418	363
Total investments	4	1,600	29,095	23,898

Notes:

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

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

42. FINANCIAL INSTRUMENTS GAINS/LOSSES

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

	2008/09
	Financial Liabilities
	Measured at amortised cost
	£000s
Interest expense	
Public Works Loans Board	(262)
LOBO (Dresdner Bank)	(142)
Temporary borrowing (markets)	(23)
LOBO adjustment	1
Net loss for the year	(426)

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

2008/09			
Financial Assets			
	Loans and Receivables £000s	Available for Sale £000s	Total £000s
Interest income	764	820	1,584
Gains on de-recognition	0	27	27
Losses on de-recognition	0	(6)	(6)
Interest and investment income	764	841	1,605
Losses on valuation (soft loans)	(249)	0	(249)
Gains on revaluation	59	0	59
Net gain for the year	574	841	1,415

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

THE FINANCIAL ADJUSTMENT ACCOUNT

	£000s	£000s
Opening balance		
LOBO (Dresdner Bank)	106	
Soft loans	68	
	<hr/>	174
Movement during the year		
LOBO (Dresdner Bank)	(4)	
Soft loans	190	
Impairment (Landsbanki)	124	
	<hr/>	310
Balance as at 31 March 2009		<hr/> <hr/> 484

AVAILABLE FOR SALE RESERVE

	£000s
Opening balance	0
Unrealised profit:	
Certificate of deposits	184
Fixed securities	9
Closing balance	<hr/> <hr/> 193

43. FAIR VALUE FOR ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2009.

The calculations are made with the following assumptions:

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

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 08		31 March 09	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
PWLB - maturity	4,084	5,726	4,084	5,688
PWLB - EIP	4	4	3	3
LOBOs	3,146	3,000	3,144	3,319
Market loans	2,000	2,002	3,500	3,500
Financial Liabilities	9,234	10,732	10,731	12,510

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

2007/08 balances have been revised to include assumed interest as at 31 March 2008.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 08		31 March 09	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash and liquid assets	3,530	3,530	2,855	2,855
Deposits with banks and building societies	11,146	11,143	7,216	7,216
Other	14,414	14,414	15,416	15,416
Financial assets	29,090	29,087	25,487	25,487

44. SOFT LOANS

The Council has made a number of renovation loans to homeowners and landlords at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of the amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement in the General Fund Balance.

	2007/08 £000s	2008/09 £000s
Opening balance of soft loans	0	298
Loans advanced	366	892
Present value of interest forgone	(68)	(191)
Closing balance of soft loans	298	999

45. RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits

only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £5m (£3m fixed term deposit) and a limit on the maximum size of one transaction in placing a deposit of £3m. The limit for the RBS group is £5m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. Credit limits were exceeded during the financial year for a short time; however, these investments have now been repaid. The Council expects full repayment on the due date of deposits placed with its counterparties:

CREDIT RISK (A)

	Amounts as at 31.03.09	Historical experience of default	Historical experience adjusted for market conditions as at 31.03.09	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	10,071	1.40	0.00	0
Bonds and other securities	15,416	0.00	0.00	0
Total	<u>25,487</u>			<u>0</u>

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

Debtors

The Council does not generally allow credit for customers. However, £9.367m of the Council's debt is overdue for payment. The risk that these debts will not be paid is mitigated by a provision for bad and doubtful debts of £3.445m (of which £1.711m relates to the Collection Fund), which is calculated in accordance with the Council's accounting policies. In addition, the risk in relation to council tax and NDR debtors is shared with the preceptors on the Collection Fund and the national NDR pool. The past due amount can be analysed by age as follows:

	31.03.09
General Fund/HRA:	£000s
Less than three months	953
Three to six months	249
Six months to one year	307
More than one year	<u>1,704</u>
Total	<u>3,213</u>
Collection Fund:	
Less than one year	3,748
More than one year	<u>2,406</u>
Total	<u>6,154</u>

2. Liquidity Risk

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

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

LIQUIDITY RISK

On 31.03.08 £000s	Loans outstanding	On 31.03.09 £000s
4,004	Public Works Loans Board	4,003
2,000	Market debt	3,500
3,000	LOBO	<u>3,000</u>
<u>9,004</u>	Total	<u>10,503</u>
5,000	Less than 1 year	3,501
1	Between 1 and 2 years	1
2	Between 2 and 5 years	1
0	Between 5 and 10 years	0
4,001	More than 10 years	<u>7,000</u>
<u>9,004</u>	Total	<u>10,503</u>

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

3. Market Risk

Interest Rate Risk

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

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

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

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

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

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

INTEREST RATE RISK

	£000s
Decrease in interest payable on variable rate borrowings	(35)
Decrease in interest receivable on variable rate investments	352
Impact on Income and Expenditure Account	317
Share of Overall Impact Debited to the HRA	158

The impact of a 1% fall in interest rates would reverse the interest receivable on variable rate investments, resulting in a net reduction in interest of £317k.

Price Risk

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

Foreign Exchange Risk

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

46. ICELANDIC INVESTMENT

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

All monies within these institutions are currently subject to the respective administration and receivership processes. The administrators/receivers will determine the amounts and timing of payments to depositors.

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

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a Resolution Committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100 % could be achieved, and the Authority has taken a mid-point position and assumed recovery at 95% by 2012. The Authority has therefore decided to recognise an impairment based on it recovering 95p in the pound.

Recovery is subject to the following uncertainties and risks:

- Confirmation that Dover's deposits enjoy preferential creditor status that is likely to be tested through the Icelandic courts;
- The impact of exchange rate fluctuations on the value of assets recovered by the Resolution Committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling;
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbank; and.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the Bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if preferential creditor

status is not achieved the recoverable amount may only be 33p in the pound.

The Resolution Committee has provided no information about the timing of payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the Authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the Authority's claim in the administration, which it is expected may validly include interest accrued. The impairment loss recognised in the Income and Expenditure Account in 2008/09 of £207k has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Authority until monies are recovered.

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

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £124k has been transferred to the Financial Instruments Adjustment Account. The balance of £83k relates to loss of interest that has been borne in full by the General Fund.

47. MOVEMENTS ON RESERVES

EARMARKED RESERVES

	Balance as at 01.04.08 £000s	Receipts in year £000s	Applied in year £000s	Balance as at 31.03.09 £000s
General Fund:				
Special projects	2,392	35	(480)	1,947
Investment income	100	0	0	100
Equalisation				
Leisure centres equipment	4	0	(4)	0
Local Development Framework	561	0	(149)	412
Housing and planning Delivery Grant	474	83	(277)	280
Major events	200	20	(21)	199
Cluster preparation	150	86	(19)	217
Corporate review	37	0	(6)	31
Invest to Save	400	0	(42)	358
Benefits overpayments	170	240	(151)	259
On-street parking	0	45	0	45
Members' ICT	0	7	0	7
Concessionary fares	0	250	(178)	72
Elections	0	48	0	48
Total	4,488	814	(1,327)	3,975

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2008/09 totalled £480k of which £130k was for capital projects and £350k was for revenue projects. £31k was contributed to the reserve from the General Fund and a sum of £4k was transferred to the reserve from Leisure Centres Equipment Reserve.

Investment Income Equalisation Reserve – this reserve has been set up to mitigate the impact of any future shortfall in returns.

Leisure Centres Equipment – this reserve was established in order to assist with the replacement of equipment within the Council's leisure centres. The balance on this reserve has been transferred to the Special Projects Reserve and the reserve will be closed.

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

Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2009 represents the unspent grant that will be utilised in future years.

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

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

Corporate Review Reserve – the Council is currently undertaking a job evaluation process. The balance on this reserve is to fund the additional costs of the process in 2009/10.

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

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

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

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

Concessionary Fares – the additional grant received in 2008/09 has been set aside to even out pressures in the scheme costs. The reserve is being applied to offset the costs of an appeal by Stagecoach.

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

Housing Revenue Account:

	Balance as at 01.04.08	Receipts in year	Applied in year	Balance as at 31.03.09
	£000s	£000s	£000s	£000s
Major Repairs Reserve	(783)	(3,136)	3,579	(340)

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

48. GENERAL GOVERNMENT GRANTS

	2007/08 £000s	2008/09 £000s
Non-domestic rates	8,526	8,877
Revenue Support Grant	1,431	1,236
Area Based Grant	0	129
Total	9,957	10,242

49. REVENUE BALANCES

	Balance as at 01.04.08	Net Movement in year	Balance as at 31.03.09
	£000s	£000s	£000s
General Fund	2,696	(336)	2,360
Housing Revenue Account	6,649	797	7,446
Collection Fund (DDC proportion)	175	(23)	152
Total	9,520	438	9,958

50. LOCAL AREA AGREEMENTS

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

The purpose of the LAA is:

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

The LAA partners are:

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

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

51. PERFORMANCE REWARD GRANT

The Council received confirmation of the Performance Reward Grant under the Public Service Agreement 1 (PSA1). The total amount received in 2008/09 for DDC and partners in the Agreement was £196k, split £42k for DDC, £56k for Eastern and Coastal Kent PCT, £42k for KCC Education and £56k for Kent Police.

PSA1 was a district-wide agreement between KCC and four partners (DDC, Kent Police, Eastern and Coastal Primary Care Trust and KCC Education), running from April 2004 to March 2007. Under the agreement, reward monies would be given by KCC up to a maximum of £280k (being approximately 2% of DDC's 2002/03 budget) for 100% achievement of targets set within five distinct areas.

PSA2, which is also known as Kent Agreement 1 (KA1), was a Kent-wide agreement between KCC and the 11 Kent local authorities (on behalf of the Local Strategic Partnerships, each comprising a local authority and its

partners), running from April 2005 to March 2008. Under the agreement, reward monies would be given by KCC up to a maximum of £500k per district council/Local Strategic Partnership for 100% achievement of targets. Targets were achieved in some areas and as a result, in 2008/09, DDC was awarded £210k (of which £19k was paid direct to Thanet towards the EKLSP). Spend and allocation of the grant is subject to agreement by East Kent chief executives.

52. MINIMUM REVENUE PROVISION

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

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

53. OUTSTANDING UNDISCHARGED OBLIGATIONS FROM LONG-TERM CONTRACTS (PRIVATE FINANCE INITIATIVES)

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

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

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail, older people. It is anticipated that there will be 47 units in the Dover District Council area, 40 for the elderly, frail and vulnerable and 7 for residents with learning difficulties.

Dover District Council's main contribution towards the scheme is through the provision of the Roly Eckhoff House site and adjoining land, which has been leased to KCC for 99 years for a nominal annual rent. In exchange, and in consideration of the acceptance of a fixed proportion of the risks inherent in the Better Homes Active Lives PFI, Dover District Council will receive nomination rights over the new units to be built on the site. The nomination rights will be for the first thirty years of the project, with an entitlement to extend these rights for a further five years and, by agreement with Kent Community Partnership Limited, for a further period of five years thereafter. From the time that these nomination rights expire

until the end of the 99-year term of the lease, the properties will be used for social housing. The site (valued in 2007 at £480k) has been removed from the Council's accounts.

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

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

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

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

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

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

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

54. CONTINGENT ASSETS

A number of councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. Dover District Council has submitted claims for VAT on off-street parking income totalling £1,484k covering the period February 1998 to March 2007. The case is currently subject to legal review.

A further protective claim will be submitted for the period April 2007 to March 2009 towards the end of 2009 subject to the legal review. An approximate estimate of this claim is circa £400k.

Following the decision in 'Fleming/Conde Nast' and a related case, 'Scottish Equitable' (that has yet to be decided by the courts), a further protective claim for the period 1974 to January 1998 was submitted in the sum of £2,242k. The success of this claim is dependent on the main claim advised above.

Following the decision in 'Fleming/Conde Nast' claims totalling £633k in respect of various previously 'time barred' VAT rulings have been submitted to HMRC. If these claims are successful a significant additional sum in respect of interest will be payable by HMRC.

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

2007/08 £000s Restated		2008/09 £000s
2,862	Deficit on Income & Expenditure Account	26,734
426	Collection Fund	195
3,288	Net surplus	26,929
	Non-cash transactions:	
(4,388)	Depreciation (including HRA)	(3,417)
0	Gains on disposal of fixed assets	13
(1,180)	Impairment of assets	(25,547)
(174)	Financial instrument adjustments	(107)
30	FRS 17 pension cost adjustment	(730)
550	Government grants deferred	254
0	Revenue contribution to Government grants deferred	(51)
32	Housing administration fees	12
(624)	Collection Fund provision for bad debt	(154)
	Items on an accruals basis:	
(136)	Increase/(decrease) in stock and work in progress	29
(162)	Increase/(decrease) in debtors	2,695
(191)	(Increase)/decrease in creditors	41
(621)	(Increase)/decrease in receipts in advance	(956)
	Items classified elsewhere in the cash flow:	
(408)	Interest paid	(427)
1,782	Interest received	1,524
(1,008)	Other capital cash payments	(1,424)
511	Capital grants received	1,145
0	Loss on financial assets	(207)
(2,699)	Net Cash Outflow from Revenue Activities	(378)

2007/08 has been restated following a review of this reconciliation in 2008/09. The total balance of net cash outflow has not changed as a result of this exercise.

56. RECONCILIATION OF LIQUID RESOURCES

	As at 31.03.08 £000s	Net Movement £000s	As at 31.03.09 £000s
Investec Asset Management	14,421	812	15,233
Banks and building societies	13,398	(4,867)	8,531
Global Treasury Fund	857	304	1,161
Long-term debtors	710	11	721
Soft loans	366	892	1,258
Net Cash (Inflow)/Outflow	29,752	(2,848)	26,904

57. ANALYSIS OF GOVERNMENT GRANTS

Restated 2007/08 £000s		2008/09 £000s
1,265	Revenue Support Grant	1,236
	DSS Grants for Rebates	
15,823	Rent allowances	15,110
9,324	Rent rebates	10,192
7,298	Council tax benefits	7,512
484	Council homeless rent rebates	445
51	Discretionary payments	63
983	Administration	969
		34,291
153	Non-domestic rate collection	159
0	Area Based Grant	129
78	Additional concessionary fares grant	333
221	Planning Delivery Grant	83
0	Growth Point – CIF bid	100
107	Homelessness grant	98
216	Other	97
		999
36,003	Total Government Grants	36,526

58. ANALYSIS OF BALANCE OF CASH

	As at 31.03.08 £000s	Net Movement £000s	As at 31.03.09 £000s
Bank (Overdraft)/Balance	418	(55)	363

59. ANALYSIS OF CHANGES IN FINANCING

	As at 31.03.08 £000s	Net Movement £000s	As at 31.03.09 £000s
Short-term borrowing	5,147	(1,646)	3,501
Public Works Loan Board	4,087	3,143	7,230
Net Cash (Inflow)/ Outflow	9,234	1,497	10,731

60. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	As at 1.04.08 £000s	Net Movement £000s	As at 31.03.09 £000s
Cash in hand	418	(55)	363
Short-term investments	28,676	(5,334)	23,342
Short-term borrowing	(5,000)	1,499	(3,501)
Long-term investments	4	1,596	1,600
Long-term borrowing	(4,004)	(3,226)	(7,230)
Long-term debtors	710	11	721
Soft loans	366	892	1,258
	21,170	(4,387)	16,553

Reconciliation of Net Debt

	£000s
Opening net debt at 1 April	(20,940)
Decrease in cash balance	55
Decrease in short-term investments	5,334
Decrease in short-term borrowing	(1,646)
Increase in long-term investments	(1,596)
Increase in long-term borrowing	3,143
Long-term debtors	(11)
Soft loans	(892)
	(16,553)

61. DATE STATEMENT OF ACCOUNTS AUTHORISED FOR ISSUE

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

62. PENSION ARRANGEMENTS

Participation in Pension Schemes

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

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

Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, *Retirement Benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £59.48m to £59.21m, a decrease of £270k, resulting in an increase of the pension deficit of £270k.

Transactions Relating to Retirement Benefits

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

	2007/08 restated £000s	2008/09 £000s
Income and Expenditure Account		
Net Cost of Services:		
Current service costs	1,920	1,290
Losses/(gains) on curtailments	10	-
Past service costs	-	570
Net Operating Expenditure:		
Interest cost	5,940	6,790
Expected return on scheme assets	(4,610)	(4,160)
Net Charge to the Income and Expenditure Account	3,260	4,490

Statement of Movement on the General Fund Balance	2007/08 as restated £000s	2008/09 £000s
Reversal of Net Charges made for Retirements in Accordance with FRS 17	(3,260)	(4,490)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's contributions payable to scheme	2,730	3,180
Retirement benefits payable to pensioners	560	580
	30	(730)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £7.72m were included in the Statement of Total Recognised Gains and Losses (£5.13m gain 2007/08 as restated). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses (STRGL) is £19,423k.

The total movement recognised in the STRGL is:

Statement of Total Recognised Gains & Losses (STRGL)	2007/08 £000s	2008/09 £000s
Actuarial (gains)/losses on pension fund assets and liabilities	(5,110)	7,720
Value of scheme assets restated at bid price	0	270
(Gain)/Loss recognised in STRGL	(5,110)	7,990

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2007/08 £000s	2008/09 £000s
1 April	110,960	99,380
Current service cost	1,920	1,290
Interest cost	5,940	6,790
Contributions by scheme participants	600	660
Actuarial gains and losses	(15,450)	(7,990)
Benefits paid	(4,600)	(4,540)
Past service costs	-	570
Losses/(gains) on curtailments	10	-
31 March	99,380	96,160

Reconciliation of scheme assets:

	2007/08 restated £000s	2008/09 £000s
1 April	65,630	59,210
Expected rate of return	4,610	4,160
Actuarial gains/(losses)	(10,320)	(15,710)
Employer contributions	3,290	3,760
Contributions by scheme participants	600	660
Benefits paid	(4,600)	(4,540)
31 March	59,210	47,540

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £11.61m (£3.5m in 2007/08).

Scheme History

	2004/05 restated £000s	2005/06 restated £000s	2006/07 restated £000s	2007/08 restated £000s	2008/09 £000s
Present value of liabilities	(97,124)	(113,220)	(110,960)	(99,380)	(96,160)
Fair value of assets	49,379	62,240	65,630	59,210	47,540
Surplus/(deficit) in the scheme	(47,745)	(50,980)	(45,330)	(40,170)	(48,620)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £48.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The statutory arrangements for funding are that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2010 is £3.25m.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	2007/08	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men		21.5 years
Women		24.4 years
Longevity at 65 for future pensioners:		
Men		22.6 years
Women		25.5 years
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The scheme's assets consist of the following categories, by proportion of the total assets held:

	2007/08	2008/09
	%	%
Equity investments	69	66
Bonds	14	17
Other assets	17	17
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
	restated	restated	restated	restated	
	%	%	%	%	%
Differences between the expected and actual return on assets	3.96	15.77	(0.64)	(17.43)	(33.05)
Experience gains and (losses) on liabilities	(8.18)	(0.59)	0.55	0.62	0.05

63. CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2007/08	2008/09
	£s	£s
Income	3,717	2,755
Expenditure	0	0
Surplus	3,717	2,755
Fund balance 1 April	67,625	71,342
Fund balance 31 March	71,342	74,097
Represented by:		
Investments	69,178	71,933
Bank	2,164	2,164
	71,342	74,097

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:

	2007/08	2008/09
	£	£
Income	213	0
Expenditure	(2,703)	(3,358)
Deficit for year	(2,490)	(3,358)
Fund balance 1 April	230,559	361,783
Revaluation	133,714	0
Fund balance 31 March	361,783	358,425
Represented by:		
Dwellings	190,000	190,000
Land and other buildings	174,273	174,273
Creditor	(2,490)	(5,848)
	361,783	358,425

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

THE SALTER COLLECTION CHARITY

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

	2007/08	2008/09
	£s	£s
Income	0	0
Expenditure	(1,327)	(1,230)
Deficit for year	(1,327)	(1,230)
Fund balance 1 April	297,038	295,711
Revaluation	0	0
Fund balance 31 March	295,711	294,481
Represented by:		
Dwellings	120,000	120,000
Collection	180,000	180,000
Creditor	(4,289)	(5,519)
	295,711	294,481

HOUSING REVENUE ACCOUNT

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

HRA INCOME AND EXPENDITURE ACCOUNT

2007/08 £000s	Income	Note	2008/09 £000s
(15,422)	Dwellings rents	8	(16,151)
(338)	Non-dwelling rents		(345)
(661)	Charges for services and facilities		(493)
(169)	Contributions towards expenditure - Supporting People		(218)
(213)	Contributions towards expenditure - leaseholders		(108)
(16,803)	Total Income		(17,315)
	Expenditure		
4,880	Repairs and maintenance		4,054
3,458	Supervision and management		3,432
72	Rent, rates, taxes and other charges		73
4,602	Negative subsidy entitlement (including MRA)	9	5,336
3,829	Depreciation	3	2,370
0	Exceptional item - impairment	7	22,959
0	Debt management expenses		14
48	Increased provision for bad debts	11	169
16,889	Total Expenditure		38,407
86	Net Cost of HRA Services per Authority Income and Expenditure Account		21,092
113	HRA share of Corporate and Democratic Core		337
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		98
199	Net Cost of HRA Services		21,527
0	(Gain)/loss on sales of HRA fixed assets		(19)
(728)	Interest and investment income		(731)
235	Pension interest costs and expected return on pensions assets		451
(294)	(Surplus)/deficit for the year on HRA Services		21,228

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £000s		2008/09 £000s
	(294) (Surplus)/deficit for the year on the HRA Income and Expenditure Account	21,228
(831)	Amount required by statute to be credited to the HRA balance for the year	(23,562)
212	Net additional amount required by statute to be debited to the HRA balance for the year	1537
(913)	(Increase)/decrease in the HRA balance	(797)
(5,735)	HRA surplus brought forward	(6,649)
(6,649)	HRA surplus carried forward	(7,446)

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

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

2007/08 £000s		Note	2008/09 £000s
(489)	Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	7	(22,941)
(342)	Net charges made for retirement benefits in accordance with FRS 17	12	(621)
(831)			(23,562)
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year		
(169)	Transfer to/(from) the Major Repairs Reserve	3	775
381	Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners	12	473
0	Capital expenditure funded by the HRA	6	289
212			1,537
(619)	Net additional amount required by statute to be debited/(credited) to HRA Balance for the year		22,025

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2008/09

	Stock at 01.04.08	Sales	Transfers/ Disposals	Additions/ Transfers	Stock at 31.03.09
Houses/bungalows	2,865	3	0	0	2,862
Flats	1,779	1	0	0	1,778
Total	4,644	4	0	0	4,640

Total Value of Assets

	01.04.08 £000s	31.03.09 £000s
Operational assets:		
- Dwellings	262,237	235,407
- Garages	2,282	2,250
- Other land and buildings	144	68
- Equipment	285	190
Non-operational assets	835	1,290
	265,783	239,205

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2008 was £583m. The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost of providing social housing.

Following the revaluations in 2007/08 the remaining lives of the housing and garage stock were extended based on the current condition of the stock. This has resulted in a reduction in depreciation in 2008/09.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years as at 31 March 2009 is £340k (31 March 2008 £783k).

Major Repairs Reserve

	2007/08 £000s	2008/09 £000s
Balance as at 1 April	(548)	(783)
Major Repairs Allowance:		
Depreciation	(3,347)	(2,361)
Transfer to/from Major Repairs Reserve	169	(775)
Transfer from reserve for capital expenditure	2,943	3,579
Balance as at 31 March	(783)	(340)

4. SUMMARY OF CAPITAL EXPENDITURE

	2007/08 £000s	2008/09 £000s
Capital expenditure:		
Dwellings	3,362	4,055
Total	3,362	4,055
Financed by:		
Capital receipts	232	0
Direct revenue financing	0	289
Major Repairs Reserve	2,943	3,579
Government supported borrowing	187	187
	3,362	4,055

5. SUMMARY OF CAPITAL RECEIPTS

	2007/08 £000s	2008/09 £000s
Receipts from sales during the year:		
Dwelling sales	2,477	406
Other HRA sales	16	141
Sub total	2,493	547
Amount pooled to Government *	(1,656)	(299)
	837	248

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

6. CAPITAL EXPENDITURE FUNDED BY THE HRA

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

7. IMPAIRMENT OF FIXED ASSETS

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

- £29m global revaluation of the housing stock to reflect the current economic climate (of which £22.05m has been written off to the Income and Expenditure Account);
- £896k in respect of Bede and Dunstan, College Road, Deal (a sheltered housing scheme), which has been re-valued from £1,364k to £468k. This site has been vacant for a couple of years and is likely to be redeveloped. The property was valued by an external valuer and the impairment reflects the market value of a site such as this; and
- Other minor impairments totalling £13k.

8. RENT OF DWELLINGS

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

The average weekly rent at 31 March 2009 was £68.08, compared with £65.59 at 31 March 2008.

9. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than its notional expenditure, resulting in a payment of subsidy to the Government of £5.336m in 2008/09 (£4.602m in 2007/08). Details are shown below:

	2007/08 £000s	2008/09 £000s
Rents	(14,505)	(15,085)
Interest on receipts	(9)	(0)
	<u>(14,514)</u>	<u>(15,085)</u>
Less:		
Management allowance	1,996	2,076
Maintenance allowance	4,628	4,600
Major repairs allowance	3,169	3,144
Debt management expenses	0	37
Prior year adjustment	119	(108)
	<u>9,912</u>	<u>9,749</u>
Subsidy Paid	<u>(4,602)</u>	<u>(5,336)</u>

10. RENT ARREARS

The position for rent arrears is shown below:

31 March 2008				31 March 2009			
Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s	Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s
211	384	206	801	133	377	176	686

11. PROVISION FOR BAD DEBTS

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

	2007/08 £000s	2008/09 £000s
Balance brought forward as at 1 April	487	472
Provision made in the year	48	169
Less amounts written off	(63)	(253)
Balance carried forward as at 31 March	<u>472</u>	<u>388</u>

12. FRS 17 (RETIREMENT BENEFITS) AND THE HOUSING REVENUE ACCOUNT

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

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

The following adjustments have been made:

	2007/08	2008/09
	£000s	£000s
Income and Expenditure Account		
Reverse actual contributions	(350)	(82)
Reverse unfunded benefits	(31)	(100)
Reverse back funding	0	(291)
Current service costs	105	72
Curtailments	2	0
Past service costs	0	98
Included within Net Cost of Services	(274)	(303)
Interest cost per actuary	1,050	1,165
Expected return on assets per actuary	(815)	(714)
Pensions Interest Cost and Expected Return on Assets	235	451
Statement of Movement on the HRA Balance		
Current service costs per actuary	(105)	(72)
Curtailments per actuary	(2)	0
Past service costs per actuary	0	(98)
Interest cost per actuary	(1,050)	(1,165)
Return on assets per actuary	815	714
Net Charges Made for Retirement Benefits in Accordance with FRS 17	(342)	(621)
Contributions in respect of unfunded benefits	31	99
Payments to the pension fund	350	374
Employer's Contribution Payable to the Pension Fund	381	473

13. BACKLOG MAINTENANCE

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

Five sheltered accommodation sites required significant investment, so the Council took the decision to close these schemes. Bede and Dunstan and William Muge are empty, whilst Manley House is being fully vacated in June 2009 and St Nicholas House to follow soon after. The remaining property, Snelgrove House is scheduled for closure in autumn 2009.

14. COMMITTED CONTRACTS

As at 31 March 2009 the Council was contractually committed to HRA repairs and maintenance works in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Kitchen improvements	1,000	Jun 09
Rewiring	500	Sep 09
Decorations and associated repairs	500	Mar 10
Heating services	680	Mar10
Re-roofing	200	Jun 10
Structural repairs	200	Jul 10
Heating installations	800	Oct 10
Kitchen improvements	1,000	Jun 11
Communal cleaning	140	Mar 13
Corporate response properties	400	Mar 14
Maintenance of UPVC windows and doors	190	Mar 14
Public convenience cleaning	886	Apr 14
Housing response maintenance and voids	2,100	Mar 15
Grounds maintenance	1,117	Mar 16
	<hr/> 9,713	

THE COLLECTION FUND

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

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2008/09

2007/08 £000s		Note		2008/09 £000s
INCOME				
(45,846)	Council tax	1		(47,764)
(29,697)	Non-domestic rates	2		(33,227)
(7,070)	Transfers from General Fund	3		(7,637)
(82,613)				(88,628)
EXPENDITURE				
Precepts and demands:				
38,070	Kent County Council		39,867	
2,434	Kent and Medway Fire Authority		2,539	
7,045	Dover District Council		7,557	
4,824	Kent Police Authority		5,104	
Collection Fund surplus paid out:				
46	Dover District Council		50	
251	Kent County Council		272	
16	Kent and Medway Fire Authority		17	
32	Kent Police Authority		35	55,441
Non-domestic rates:				
29,544	Payment to national pool	2	33,073	
153	Cost of collection allowance	2	154	33,227
624	Provision for non-payment of council tax	4		154
83,039				88,822
426	(Surplus)/deficit for the year			194
(1,726)	Surplus as at 1 April 2008			(1,300)
(1,300)	Surplus as at 31 March 2009			(1,106)

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

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

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

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

Band	Estimated number of taxable properties after discount	Proportion of Band D charge	Band D equivalent dwellings
Dis A	8.75	5/9	4.86
A	5,278.35	6/9	3,518.90
B	13,890.20	7/9	10,803.49
C	11,821.80	8/9	10,508.27
D	5,952.90	1	5,952.90
E	3,698.60	11/9	4,520.51
F	2,035.10	13/9	2,939.59
G	1,284.40	15/9	2,140.67
H	47.35	2	94.70
			40,483.89
Less adjustment for collection rates			98.30%
Council tax base 2008/09 *			39,795.66

*Tax base 2007/08 was 39,483.82

Estimated income from this tax base was £55.067m including town and parish council precepts of £1.676m. Actual income was £55.401m, an increase of £0.334m.

The actual income of £55.401m comprised £47.764m council tax recoverable directly from taxpayers and £7.637m transferred from the General Fund in respect of those on benefits.

2. NON-DOMESTIC RATES (NDR)

Under arrangements for uniform business rates the Council collects non-domestic rates for its district based on rateable values multiplied by a uniform rate in the pound as determined by the Government. The non-domestic rate multiplier for 2008/09 was 45.8p for qualifying properties of less than £15k rateable value and 46.2p for all others (2007/08 44.1p and 44.4p respectively). The aggregate rateable value for the Council's district as at 31 March 2009 was £76.446m (£76.238m as at 31 March 2008).

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

The contribution for the pool was calculated as follows:

	2007/08 £000s	2008/09 £000s
Gross Amount	30,004	33,343
Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief		
Less: Discretionary Relief	(101)	(100)
Reductions for charitable occupation, non-profit making bodies and hardship		
Losses in Collection: Bad and doubtful debts	(186)	(1)
Overpayments: Interest on repayments	(20)	(15)
NDR Income	29,697	33,227
Costs of Collection: Allowance for collecting rates	(153)	(154)
Net Contribution to NDR Pool	29,544	33,073

3. TRANSFERS FROM THE GENERAL FUND

Where council tax benefit has been granted, an amount equal to the benefit subsidy payable to the Authority's General Fund, plus the proportion that is not subsidised, is transferred into the Collection Fund from the Authority's General Fund. The transfer from the General Fund in 2008/09 was £7.637m (£7.070m in 2007/08).

4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt relating to the Collection Fund:

	NDR £000s	Community Charge £000s	Council Tax £000s	Total Tax £000s
Brought forward 01.04.08	211	0	1,238	1,449
Add: provision made in year	1	0	154	155
Less: amounts written back/(written off)	(49)	0	157	108
Provision 31.03.09	163	0	1,549	1,712

During the year, the credit balances on council tax payers' accounts were investigated in detail and offset against debtor balances or refunded where possible; however, approximately £222k of credit balances were written back, leading to a net write-back of £157k after debt write-offs.

Annual Governance Statement

FOR THE PERIOD 1 APRIL 2008 TO 31 MARCH 2009

1.1 SCOPE OF RESPONSIBILITY

- 1.1.1 Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Dover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.1.2 In discharging this overall accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.dover.gov.uk or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.
- 1.1.4 This Statement explains how Dover District Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.
- 1.1.5 Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:
- Overseeing the implementation and monitoring the operation of the Local Code;
 - Reviewing the operation of the Local Code in practice; and
 - Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.
- 1.1.6 In addition, Dover District Council's Head of Governance has been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.
- 1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of Dover District Council's functions, and includes arrangements for the management of risk.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 1.2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dover District Council's policies and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.2.3 The governance framework has been in place at Dover District Council for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Performance Plan and Statement of Accounts.

1.3 THE GOVERNANCE FRAMEWORK

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

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

A Corporate Plan was in existence throughout the year, with Members agreeing the current version on 5 March 2008. The Corporate Plan is available on the Council's website. This document sets out the Council's long-term vision for the district and objectives for the period 2008 to 2020.

1.3.3 Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives is monitored through the Performance Management Framework, the Performance Report, the Major Projects Board and through other internal review mechanisms.

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

The Council's Communication and Consultation Strategy was revised by Cabinet on 6 October 2008. Together with our Equality and Diversity Strategy, this helps to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

1.3.5 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures

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

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

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

- Members' revised code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A fraud and corruption policy
- Member/officer protocols
- A Standards Committee with five independent members

Details of the complaints procedures are available on the intranet and in public offices for members of the public to refer to.

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

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

The Council has an effective formal and informal complaints procedure. Should a complainant remain dissatisfied, they may refer to the Local Government Ombudsman. In the year under review no complaints against Dover District Council were upheld by the Local Government Ombudsman.

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

The Head of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last major review was adopted by Council on 9 July 2008. The significant changes were:

- Revisions to delegations;
- Changes to the Council Procedure Rules to aid the efficient running of the business;
- Changes due to the adoption of the Kent Contract Standing Orders; and

- Minor housekeeping changes (job titles etc).

Arrangements were put in place promptly following statutory guidance in May 2008 to deal with the Local Filter Arrangements for the review of Members' behaviour under the revised national Members Code of Conduct.

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

Dover District Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

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

In 2002 as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This document shows the role both members and officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to a regular review. This strategy was last reviewed as part of the 2008 update.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance. Any areas identified in need of review have been included in the Action Plan for 2009/10.

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

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

Dover District Council through its budgetary monitoring and control processes ensures that financial resources are being used to their best advantage. Monthly financial management reporting is made to the Corporate Management Team and members.

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

financial years. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements in services are in line with corporate objectives.

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

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

1.3.11 Financial management

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

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

In particular, the process in 2008/09 included:

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

The Council had funds invested with an Icelandic bank at the time of its collapse. Disclosure of this was made at the time, and reports made to members detailing how this would impact on the delivery of services.

1.3.12 Effectiveness of Internal Audit

The Internal Audit function is provided by the East Kent Audit Partnership (EKAP), which reports primarily to the Head of Governance and to the Section 151 Officer where appropriate. The EKAP operates under a Charter, which defines its relationship with the Council's officers, and the Governance Committee. The main responsibility of EKAP is to provide assurance and advice on the internal control system of the Council to the Corporate Management Team and Members. EKAP reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and

recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

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

As part of the wider annual review of the governance arrangements and in particular the system of internal control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review was undertaken by the Head of Governance (Monitoring Officer) and Head of Finance and ICT (Section 151 Officer). The review concluded that an effective system of internal audit is provided through the East Kent Audit Partnership and the opinion of the Head of the Audit Partnership in her annual report can be relied upon. The full details of the review will be reported to the Governance (Audit) Committee, alongside this document as it is a key element of the review of the system of internal control and governance framework.

1.3.13 A Governance (Audit) Committee

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal and External Audit and to ensure that any actions agreed are implemented. It has previously assessed its value against CIPFA guidance, and this year the Governance Committee assessed itself against a detailed checklist promoted by the National Audit Office to provide assurance that it operated effectively as an Audit Committee. An Annual Report summarising its work during 2008/09 was agreed by the Governance Committee at its March 2009 meeting for submission to full Council.

1.3.14 Performance and Risk Management

Dover District Council produces a quarterly Performance Report which reports on all the Best Value Performance Indicators and all local performance indicators. Additionally, it provides key information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Corporate Management Team and by members. All members receive a copy of the report, and it is placed on the Council's intranet.

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

1.3.15 ICT

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

- Stakeholder engagement and representation;
- Strategic planning for information and technology investment, procurement and deployment;
- Policy development and agreement;
- High level monitoring of programme delivery;

- 'Business as usual' performance monitoring;
- Standards selection and implementation;
- Risk management; and
- Policing policy, standards, conformance with legislation, and proper use.

Examples of risks mitigated in 2008/09 include:

- Conformance to Code of Connection to ensure continued access to DWP information by Revenues staff;
- Implementation of server virtualisation pilot to improve resilience;
- Upgrade of aging Computer Room air conditioning to ensure continuation of service;
- Transfer of card payment system to a new provider, reducing poor performance and unreliability associated with previous system; and
- Testing the ICT Disaster Recovery Plan, and developing stronger links to the wider Business Continuity Plan for the whole organisation.

1.3.16 The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A fully resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

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

A partnership evaluation criterion has been established to help ensure that all key governance criteria are incorporated into new and existing partnerships. This was reviewed during 2008/09 to ensure continuing relevance of arrangements.

1.3.18 The ethical conduct of members and officers of this Council

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

1.4 **REVIEW OF EFFECTIVENESS**

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

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

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

1.4.3 Council

At a corporate level the Corporate Plan for the period 2008-2020 was agreed in March 2008. Service Plans and the Constitution have all been subject to review in year. The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year. The Council has previously adopted the national model code of conduct for members.

1.4.4 Cabinet and Scrutiny (Policy and Performance) Committee

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

1.4.5 Governance Committee

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

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

1.4.6 Standards Committee

The Standards Committee receives a quarterly report on progress of formal complaints against the Council. During 2008/2009, it also introduced processes to review complaints under the Local Filter arrangements. It has considered 14 alleged breaches of the code of conduct by members of Dover District Council and Town and Parish Councils. An Annual Report of the work of the Standards Committee was presented to the Annual Council Meeting in May 2009. It gave a positive opinion on the ethical conduct of the members of this Council.

1.4.7 Internal Audit

Based on the work undertaken by them during the year, the Head of EKAP considered that appropriate steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to reasonable or substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments the Head of EKAP places a reasonable assurance on the systems of internal control in place (definitions of assurance levels follow the signatures at the end of this Statement).

1.4.8 External Agencies and Commissioned Reviews

Within the year the Audit Commission undertook two reviews. The Council's regeneration work was given a good rating, with promising prospects for improvement. Our strategic housing services were rated as a fair service with uncertain prospects.

The Council also achieved Level 3 in respect of the IDEA Equalities Assessment.

1.5 **IMPROVEMENTS DURING THE YEAR**

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

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

Action has been taken to review service areas previously identified as potentially failing to meet customer expectations. However, limited resources continue to constrain some services. Implementation of improvement action plans continues as resource allows.

Plans for partnership working with our neighbouring East Kent Authorities to deliver some key services and make efficiency gains in the provision of Human Resources, Building Control and Strategic Housing are advancing.

The Partnerships' toolkit was revised in-year, and the Audit Commission has acknowledged its benefits in ensuring that it effectively supports decisions to enter into/continue beneficial relationships to support the Corporate aims.

We adopted Kent-wide Contract Standing Orders, which facilitate joint working with other Kent authorities, whilst assuring sound practices exist over the awarding of work.

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

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

A job evaluation process for officers was performed throughout 2008/09 to ensure that the staffing structure and terms and conditions are robust and fair to promote a healthy working environment.

Governance arrangements relating to the East Kent Local Strategic Partnership have been agreed.

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

New sickness monitoring processes have been introduced, and subject to continual assessment to ensure a positive impact. Although sickness levels are higher than the target for the year, there has been a reduction in the number of days' sickness per employee per year.

The Kent-wide Contract Standing Orders have been agreed and adopted.

The Dover Compact sets out key shared principles for public sector/voluntary sector working. The Compact has been promoted through the Council's partnership working.

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

Whilst the Council has a robust risk management strategy, it had been identified that managers needed additional support in identifying risk – particularly in relation to the performance of Health and Safety risk assessments. Training in this subject was provided.

- 1.5.6 Developing the capacity and capability of members and officers to be effective.

Improvements were made to the Councils budget monitoring process resulting in improved budgetary control.

A new style induction training has been implemented to ensure that all new officers receive the same information relating to the Council.

Member training has been poorly attended in the past. Consultation takes place with members to devise future training to meet their needs. Additionally, a survey was undertaken with a group of members to identify training need.

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

The Council's Communications and Consultation Policy has been revised, adopted and implemented. The policy addresses areas we have not previously completed well, such as how to publicise the feedback received as part of any consultation exercise.

1.6 **SIGNIFICANT GOVERNANCE ISSUES**

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

- 1.6.2 Tasks requiring further development:

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

The Council's Major Regeneration Projects and East Kent Shared Services Projects continue to require significant governance and legal input. This requirement forms part of the Governance Division Team's service plans and is carefully monitored and managed.

Items identified within the Audit Commission Review of the Regeneration Service for which the Action Plan and Route Map is being developed for approval by the end of June 2009.

Following the introduction of new National Indicators, the monitoring of PIs via the Quarterly Performance Report and Service Plans to ensure quality of services provided is on-going.

A new Landlord Services Improvement Plan is being prepared. This should be in place for Summer 2009.

Continued action is required to ensure the Asset Management Plan objectives are met.

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

The Constitution is currently being reviewed to address the new leader models and will be recommended for adoption by the Council in Autumn 2009.

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

Through improving ICT security arrangements, data retention will be improved.

With the increased incidence of joint working between authorities, management needs to be particularly vigilant to ensure that decisions are properly made by those with authority to make them.

Ensure that partners' standards are compatible with those adopted by the Council.

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

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

Ensuring that costs relating to the Public Inquiry in to a proposed Wind Farm at Langdon are met.

The monitoring of risk via the Quarterly Performance Report and Service Plans to ensure quality of services provided is on-going.

- 1.6.7 Developing the capacity and capability of members and officers to be effective.

Ongoing job evaluation process to be concluded during 2009.

Ensuring that the Council has the capacity to adequately resource the Examination into the Core Strategy of the LDF.

Development of a formal workforce planning strategy.

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

Ensuring that both the Council and its partners engage the community throughout major redevelopment projects such as Coombe Valley, Connaught Barracks and Dover Waterfront.

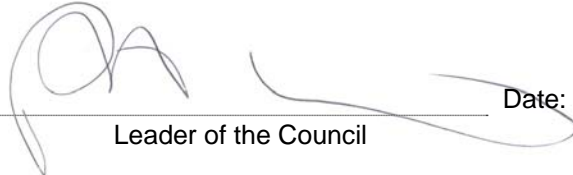
Introduction of public speaking at Scrutiny meetings.

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

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that

these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:



Leader of the Council

Date: 16 June 2009



Chief Executive

Date: 16 June 2009

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

And/or

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

Reasonable Assurance

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

And/or

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

Limited Assurance

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

And/or

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

No Assurance

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

And/or

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

GLOSSARY OF FINANCIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBTORS - amounts due to an authority but unpaid at the Balance Sheet date.

DEFERRED CHARGES – are capital payments that do not give rise to an asset such as house renovation grants.

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

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FIXED ASSETS - tangible assets that yield benefits to a local authority and the services it provides for a period of more than one year. Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the authority. Examples of intangible assets are computer software licences and patents for goods or services.

GENERAL FUND – is the main revenue account of a council from which payments are made to provide services, and into which receipts are paid, including the council's share of council tax.

HOUSING REVENUE ACCOUNT - the statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings, financed by rents, grants and other income.

IMPAIRMENT - a reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

NET BOOK VALUE - the amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT – is an authority's borrowings less cash and liquid resources.

NET SERVICE EXPENDITURE - comprises all expenditure less all income, other than income from council tax and Revenue Support Grant, in respect of a particular service.

NON-DISTRIBUTED COSTS – are overheads that do not benefit specific end-services and therefore cannot be attributed to them. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

NON-DOMESTIC RATES - businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of their business premises. The total business rate collected nationally is re-distributed to district councils based on population.

NON-OPERATIONAL ASSETS - these are fixed assets held by a local authority, but not directly used for the delivery of services. There are three categories of non-operational assets. These are investment properties, assets that are surplus to requirements, pending sale or redevelopment and assets under construction.

OPERATIONAL ASSETS - fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PRECEPT - the demand on the collection fund by one authority (e.g. Kent County Council, Police or Fire Authorities), which is collected from the council tax payer by another (e.g. Dover District Council). Precepts on Dover are also made by town and parish councils in the district. These are charged to the General Fund.

PRIOR YEAR ADJUSTMENTS - these are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

PUBLIC WORKS LOANS BOARD - a government agency that provides longer-term loans to the public sector at interest rates only slightly higher than those at which the Government itself can borrow.

REVENUE EXPENDITURE - the day-to-day running costs of services including salaries, running expenses and capital charges.

REVENUE SUPPORT GRANT - a general grant paid by central Government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Income and Expenditure Account.

REVENUE ACCOUNT – is an account that records the day-to-day expenditure and income of an authority on such items as salaries and wages,

running costs of services, the purchase of consumable materials and equipment, and the financing costs of capital assets.

SUPPORT SERVICES - an allocation of the net cost of the administrative and professional departments that provide support for council services (e.g. Legal Services, Finance, Human Resources), together with the costs of pooled administrative buildings.

TEMPORARY LOANS - money borrowed for an initial period of less than one year.

USABLE CAPITAL RECEIPTS - funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

WORK IN PROGRESS - the cost of work done on an incomplete project at the year-end that had not been recharged at the Balance Sheet date.