



**Statement  
of  
Accounts**

**2003/04**

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## EXPLANATORY FOREWORD

### INTRODUCTION

This foreword has been written to provide a guide to the significant matters reported in these accounts. The Council's accounts for the year ended 31 March 2004 are set out on pages 22 to 66.

The Council's accounts consist of:

- Statement of Responsibilities – (page 8). This outlines the responsibilities of the Authority and the Head of Accountancy with respect to the Statement of Accounts.
- Statement on the System of Internal Financial Control – (page 9). This reviews the effectiveness of the Authority's system of internal financial control.
- Statement of Concepts and Policies – (page 17). This explains the basis of the figures used in the accounts. The accounts can only be properly appreciated 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.
- Consolidated Revenue Account – (page 22). This summarises the costs for the year of all the services for which the Council is responsible, including Council housing. This statement provides details on income and expenditure on services, the use of specific reserves, financing arrangements, and the overall effect on the Council's General Fund.
- Housing Revenue Account – (page 33). The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure – repairs and maintenance, administration, rent rebates and capital financing costs – and how this is financed by rents, subsidies and other income.
- Collection Fund – (page 38). This shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates, and the way in which these have been distributed to precepting authorities.
- Capital Expenditure and Financing – (page 41). This statement shows capital expenditure during the year and how this has been financed.
- Consolidated Balance Sheet – (page 45). 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. It summarises information on fixed assets held. It excludes trust funds held by the Council.
- Statement of Total Movements in Reserves – (page 63). This statement brings together all the recognised gains and losses of the authority during the period and identifies those which have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.
- The Cash Flow Statement – (page 64). This summarises the total movements of the Council's assets and liabilities during the financial year, inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Various Notes to the accounts are included to support these.

## **SUMMARY OF THE 2003/04 FINANCIAL YEAR**

Dover District Council provides a variety of services relating to taxpayers and its rentpayers. Its spending is further split between revenue and capital in accordance with statute and accounting policies. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from the 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.

Paragraphs below outline the spending position for each area.

### **GENERAL FUND OUTTURN**

After a £1.1m transfer to reserves, net expenditure on the General Fund outturn statement (set out on page 6) shows a decrease of £330k against the Council's revised budget. The majority of services showed no material variation from budget except for those items mentioned below. The underspend has been offset by an equivalent extra contribution to the General Fund surplus.

#### **The main variances occurred in respect of the following budgets:**

- Income totalling £140k was received in respect of 2002/03 adjustments for Council Tax subsidy, car parking, depot rents and election reimbursements.
- There has been slippage of expenditure into the 2004/05 financial year totalling £139k. This relates to the public transport initiative; the local development framework; equipment purchases for the legal trading account and for recycling; slippages on the corporate training and Scrutiny support budgets.
- There is a reduction in Council Tax and Housing Benefit cost of £296k. Problems with the Revenues computer software have meant that accurate budget predictions have not been possible. Measures are currently being taken to develop the software so that this area can be monitored more carefully in future. Changes in Government funding will also reduce the level of variances.
- Additional income has been received during the year from the KCC Highways Agency, car parks, NNDR penalties and fines, development and building control fee income and land search fees. The additional income for the year totals £288k.
- Savings in respect of Revenues staff, economic development, works to the public conveniences and the taxi token scheme have been partly offset by additional debt management expenses. The net effect of these variances is £129k.
- Additional severance costs have been incurred that will not be matched by the severance reserve (£36k). These have also been partly offset by other staffing savings (£107k).
- A dividend payment of £122k has been received from the Board of Liquidators for the Bank of Credit and Commerce International. This had not been included within the budget.
- Additional net interest has been received of £84k against the revised budget.
- The accounts include a debtor figure for overpayments of Housing Benefit that have been identified and are now due to be recovered from ongoing benefit payments. Previously this was accounted for as payments were received. In order to reflect the anticipated recovery rate, a sum has been set aside as a provision against bad debts arising from the total outstanding amount. Future years' accounts will include this debtor.
- Minor overspends totalling £19k have also occurred during the year.

The net effect of the above variations were to produce an overall underspend of £330k, as shown on page 6.

### **HOUSING REVENUE ACCOUNT OUTTURN**

It was estimated that a deficit of £400k would be achieved on the Housing Revenue Account for the year. Due to the following variations, the account made a surplus for the year of £665k:

- A contribution of £532k was received from Kent County Council during the year towards the costs of the new Supporting People regime. This contribution was not anticipated at budget time.

- Additional savings were made on supervision and management of £198k, due mainly to reduced heating costs, lower staffing costs and a reduced take-up of the elderly persons incentive scheme.
- Additional contributions from leaseholders of £110k were received during the year.
- Investment income fell for the year by £44k due to lower than anticipated returns.
- Slippages on the housing capital programme have resulted in a reduced revenue contribution to this programme of £350k. These slippages will carry forward into 2004/05.
- Additional rent rebate costs not met by subsidy and an increased provision for bad debts has been partly offset by reduced income from dwellings and service charges. These variances total £81k.

The net effect of the above variations were to produce an overall underspend of £1.065m. The accumulated surplus on the Housing Revenue Account as at 31 March 2004 was £3.643m (budget £2.577m). The additional surplus will be utilised to help the funding of the Decent Homes programme in future years.

#### **INVESTMENT ACTIVITIES DURING THE YEAR**

- In 2003/04 the Council repaid £5m of loans maturing during that year.
- The Council also repaid £1.6m of its remaining debt early, prior to the new capital accounting regulations coming into force on 1 April 2004. This resulted in premia of £565k. These costs have been met from the Provision for Credit Liabilities, which under the new regulations, will be frozen for investment purposes only.

#### **PENSION LIABILITY**

- There is a new requirement under FRS17 to reflect the liability arising from the employer's retirement benefit obligations in the financial statements at fair value and also to recognise the operating and related finance costs of providing retirement benefits to employees in the accounting period in which the benefits are earned by the employees.
- Information received via Kent County Council, Dover District Council's pension administrator, shows a deficit of £26.6m as at 31 March 2004. Under FRS 17, Accounting for Pension Arrangements, this amount now appears as a liability against Dover District Council in the balance sheet as at 31 March 2004. Comparative figures for 2002/03 have been amended to reflect the implementation of FRS17.

#### **FIXED ASSET ACQUISITIONS AND DISPOSALS**

- There were no major fixed asset acquisitions or disposals during the year.
- The main sources of funding the Council's capital programme are the Major Repairs Allowance (for the HRA), capital receipts (from the sale of assets), external grant funding and contributions from revenue accounts.

#### **FUTURE LEGISLATION**

- The introduction of the Local Government Act 2003 in September 2003 will result in changes to the authority's capital accounting arrangements with effect from 1 April 2004. The key features are the end of the capital control regime and the introduction of the Prudential Code. This will result in the introduction of the pooling of housing capital receipts and the abolition of the Provision for Credit Liabilities.

## REVENUE EXPENDITURE IN 2003/04

### General Fund

This is summarised below:

| <b>GENERAL FUND SUMMARY 2003/04</b> |   |  |                                |                            |
|-------------------------------------|---|--|--------------------------------|----------------------------|
| <b>Item No.</b>                     | <b>Portfolio Services</b>   | <b>2003/04<br/>Revised Budget<br/>£000</b> | <b>2003/04 Actual<br/>£000</b> | <b>Difference<br/>£000</b> |
| 1.                                  | Transport, Opportunity and Access                                       | 678  | 336                            | (342)                      |
| 2.                                  | Finance and Scrutiny  | 2,713                                      | 1,476                          | (1,237)                    |
| 3.                                  | Community   | 3,143                                      | 2,956                          | (187)                      |
| 4.                                  | Environment and Public Protection                                       | 4,473                                      | 4,369                          | (104)                      |
| 5.                                  | Planning and Local Agenda 21  | 1,255                                      | 963                            | (292)                      |
| 6.                                  | Regeneration  | 1,766                                      | 1,889                          | 123                        |
| 7.                                  | Policy and Strategy   | 2,732                                      | 3,882                          | 1,150                      |
| 8.                                  | Balances on internal trading<br>accounts                                | 21   | 30                             | 9                          |
|                                     | <b>Portfolio Net Expenditure</b>  | <b>16,781</b>                              | <b>15,901</b>                  | <b>(880)</b>               |
|                                     | <b>Financing Adjustments</b>  |  |                                |                            |
| 9.                                  | Interest Receivable   | (548)                                      | (643)                          | (95)                       |
|                                     | Asset Management Revenue<br>Account:                                    |  |                                |                            |
| 10.                                 | - Depreciation  | 955  | 4,092                          | 3,137                      |
| 11.                                 | - Interest Payable  | 595  | 607                            | 12                         |
| 12.                                 | - Asset Management Credits  | (2,454)                                    | (5,689)                        | (3,235)                    |
| 13.                                 | - Grant Released  | (180)                                      | (247)                          | (67)                       |
|                                     | Appropriation Account:  |  |                                |                            |
| 14.                                 | - Deferred Charges  | (989)                                      | (429)                          | 560                        |
| 15.                                 | - External Loans Adjustment   | (954)                                      | (1,407)                        | (453)                      |
| 16.                                 | - Minimum Revenue Provision   | 141  | 138                            | (3)                        |
| 17.                                 | - Grant Applied   | 180  | 247                            | 67                         |
| 18.                                 | Exceptional Items   | 0  | 443                            | 443                        |
| 19.                                 | Pensions Financing Income   | 0  | 1,550                          | 1,550                      |
|                                     | Contribution to (from) Provisions                                       |  |                                |                            |
| 20.                                 | - Provision for Credit Liabilities                                      | 0  | (565)                          | (565)                      |
|                                     | Contribution to (from) Reserves:  |  |                                |                            |
| 21.                                 | - Capital and Special Projects  | (8)  | (99)                           | (91)                       |
| 22.                                 | - Pensions Reserve  | 0  | (1,674)                        | (1,674)                    |
| 23.                                 | - New Earmarked Reserves  | 0  | 1,100                          | 1,100                      |
| 24.                                 | - Severance Reserve   | 0  | (136)                          | (136)                      |
| 25.                                 | <b>Net Expenditure</b>  | <b>13,519</b>                              | <b>13,189</b>                  | <b>(330)</b>               |
| 26.                                 | Appropriation to/ (from) Balances                                       | 117  | 447                            | 330                        |
| 27.                                 | <b>Budget for 2003/04</b>   | <b>13,636</b>                              | <b>13,636</b>                  | <b>0</b>                   |
| 28.                                 | <b>DDC Precept for Parish Councils</b>                                  | <b>1,111</b>                               | <b>1,111</b>                   | <b>0</b>                   |
| 29.                                 | <b>Amount to be met by<br/>Government Grant and Local<br/>Taxpayers</b> | <b>14,747</b>                              | <b>14,747</b>                  | <b>0</b>                   |

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account covers Council Housing. The Council budgeted for a net deficit of £400k in 2003/04, while the year-end results show that the account made an actual surplus of £665k.

A summary of the Housing Revenue Account is detailed below:

| <b>HOUSING REVENUE ACCOUNT SUMMARY 2003/04</b> |               |               |                   |
|--|---------------|---------------|-------------------|
|  | <b>Budget</b> | <b>Actual</b> | <b>Difference</b> |
|  | £000          | £000          | £000              |
| Expenditure                                    | 20,600        | 19,785        | (815)             |
| Income   | 20,200        | 20,450        | (250)             |
| Deficit/ (surplus) for year                    | 400           | (665)         | (1,065)           |

## CAPITAL EXPENDITURE

Capital expenditure in 2003/04 totalled £9,107k and can be summarised below:

|                             |                    |              |
|-----------------------------|--------------------|--------------|
| <b>H R A</b>                |                    | £000         |
| Assets under Construction   |                    | 101          |
| Dwellings                   |                    | <u>4,624</u> |
|                             |                    | <u>4,725</u> |
| <br>                        |                    |              |
| <b>GENERAL FUND</b>         |                    |              |
| Renovation Grants           | (Deferred Charges) | 185          |
| Disabled Facilities Grants  | (Deferred Charges) | 354          |
| Other Grants                | (Deferred Charges) | 220          |
| Operational Assets          |                    |              |
| - land and buildings        |                    | 96           |
| - equipment                 |                    | 320          |
| - infrastructure assets     |                    | 45           |
| - land awaiting development |                    | 0            |
| - community assets          |                    | 32           |
| Assets under Construction   |                    | <u>3,130</u> |
|                             |                    | <u>4,382</u> |

Further details can be found on page 41

## STATEMENT OF RESPONSIBILITIES

### THE AUTHORITY'S RESPONSIBILITIES

The authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). The Head of Accountancy is the officer designated by the Council as the responsible officer.

### THE HEAD OF ACCOUNTANCY'S RESPONSIBILITIES

As the Head of Accountancy I am responsible for the preparation of the Council's Statement of Accounts which in terms of the Code of Practice on Local Authority Accounting is required to present fairly the financial position of the Council at the accounting date (31 March 2004) and its income and expenditure for the year (1 April 2003 to 31 March 2004).

In preparation of this Statement of Account I have:

- 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
- taken reasonable steps for the prevention and detection of fraud and other irregularities



**Paul Julian CPFA**  
Head of Accountancy  
Dover District Council

**Acceptance of Accounts**  
**By Chairman of the Council**



**Councillor P.G. Heath**



# **STATEMENT OF INTERNAL CONTROL**

## **For the period 1 April 2003 to 31 March 2004**

### **SCOPE OF RESPONSIBILITY**

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. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs and the stewardship of the resources at its disposal. 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 *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the code is on our web site ([dover.gov.uk](http://dover.gov.uk)) or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

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 and the Monitoring Officer 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
- Reporting annually to the Executive and the appropriate Scrutiny Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, Dover District Council's Head of Financial Services and Corporate Performance and the Audit Manager have been given the responsibility to review the arrangements independently and report annually to the Executive and the appropriate Scrutiny Committee, to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Dover District Council's functions, and which include arrangements for the management of risk.

### **PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and economically.

The basis of this system of internal control has been in place at Dover District Council for the year ended 31 March 2004, and up to the date of the approval of the annual report and accounts.

## THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment are summarised below:

### Establishing & monitoring of the authority's objectives

A Draft Corporate Plan was in existence for most of the year, with Members agreeing the final version in February 2004. The Corporate Plan is available on the Councils web-site. This document sets out the Councils objectives for the period 2004 to 2008. Progress towards the achievement of the objectives will be monitored through the Performance Management Framework that was introduced in 2002/03, the Major Projects Board, or through other internal review.

### Policy and decision making

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 four 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.

The Constitution itself is subject to annual review.

### Compliance

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 its 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 Procedure Rules, which are available to all officers via the Councils 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 Customer Care Standards, 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 a monthly newsletter, and where appropriate arranging training for all or key members of staff.

In 2002 as part of the Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This documents 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 quarterly review.

As part of the year-end process a Service Assurance Statement has been provided by all Managers, 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.

## Economic, effective and efficient use of resources.

Dover District Council made significant changes to its budgetary monitoring and control processes during the year to ensure that financial resources were being used to their best advantage, via improving management reporting 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 Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through bench-marking and the use of comparative techniques with other service providers, and through independent external review.

## 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 2003/04 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- The introduction of monthly budget reviews to predict likely out-turn figures;
- Setting of financial and performance targets, including the introduction of the prudential code and associated indicators;
- Periodic reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Plan;
- Managing risk in key financial service areas.

The Internal Audit Team reports to the Head of Financial Services and Corporate Performance, and operates under a Charter, which defines its relationship with the Strategic Director (Resources), and the Scrutiny (Performance Management) Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Authority to the Corporate Management Team and Members. Internal Audit 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

## Performance Management

Dover District Council produces a quarterly "Management Information Report" which reports on all the Best Value Performance Indicators, along with all local indicators. Additionally, text summarises key information for consideration by Corporate Management Team and by Members. All Members receive a copy of the report.

Following the discovery of the reporting of inaccurate information in the 2002/03 figures, the process for the collection and validation of Performance Indicators has been reviewed.

### **REVIEW OF EFFECTIVENESS**

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

- The work of the Internal Auditors.
- The work of managers within the Council.
- The external auditors in their annual audit letter and other reports, including this year the Auditor Score Judgements, which assessed Internal Control as scoring 3 out of 4, rated "adequate".
- Comments by other review agencies and inspectorates.

At a corporate level the Constitution, the Financial Procedure Rules and the Contract Procedure Rules have all been subject to review in the period leading up to a report to Cabinet by Scrutiny (Performance) Committee on 19<sup>th</sup> April 2004.

The Executive receive periodic updates from the Audit Manager on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end. Additionally, performance is subject to a quarterly review via the Management Information Report from the Councils Management Team.

The Scrutiny (Performance) Committee have reviewed reports presented to it by the Audit Manager in connection with the review of internal control. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance. Additionally, this committee have themselves undertaken the latest review of the Councils Constitution, which was in its final stages at the end of March 2004.

Based on the work undertaken by them during the year, the Internal Audit Manager considers that positive steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to Adequate or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work, current risk assessments, and the Heads of Service Assurance Statements the Audit Manager places Adequate Assurance on the systems of internal control in place. (Definitions of assurance levels follow the signatures at the end of this statement.)

Within the year the Council has been inspected as part of the Comprehensive Performance Assessment programme. The results of the review were published in July 2004 and the Council was assessed as a fair authority.

### **IMPROVEMENTS DURING THE YEAR**

In the period covered by this 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:

### **High Priority**

- Detailed risk assessments for each directorate are now being performed. A Risk Register has been compiled and will be used as a tool to help monitor risk and identify areas, which need management attention.
- The Council now has a published list of the corporate service standards that customers could expect.
- There has been significant improvement of the Council's financial reporting in order to demonstrate accountability both to Members and to the community.

### **Medium Priority**

- The Council's Performance Management Framework has been further developed and is operational across the Council.
- Following its first year of operation, the Council reviewed the Constitution in an effort to improve the efficiency and openness of the Council. A second review of the Constitution was in its final stages at the end of March 2004.

### **Low Priority**

- Training sessions including topics such as the Constitution itself, the implications of the Members' Code of Conduct, Scrutiny skills and Human Rights legislation have been provided for Members.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

On the basis of the Corporate Governance Position Statements compiled by the Audit Manager 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.

### **Areas of Non Compliance:**

#### **High Priority**

- The provisions within the Performance Management Framework encourage the continual review, measurement and monitoring of services. We need to develop this further to ensure that the Council concentrates its efforts on the functions that are key to the health of the organisation and seeks to use this tool to identify service areas for improvement.
- The Council needs to continue to build on the enhanced arrangements introduced during the year in respect of budgetary control and monitoring of business risk in order to ensure that these lead to tangible improvements in services for our customers.

#### **Medium Priority**

- The Council has not always reported back to groups / partners on how their comments have affected the Council's plans. We will improve communications with the community to inform everyone, in a timely manner, of the changes that we will instigate as a result of their comments.
- We need to investigate ways of publishing financial information in a format that the public generally can more easily understand, and ensure that this is made available specifically to key stakeholders and partners.

**Low Priority**

- Additional training should be offered to Members and Officers including, specifically, topics relating to improving knowledge on the way the Council operates, and training aimed at explaining and strengthening governance arrangements.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, and a plan to address the weaknesses and ensure continuous improvement of the system is in place.

We are satisfied that these steps will address the need for improvements that have been identified during the year and we will review their implementation and operation as part of our next annual review.

Signatures:



**Leader**

Date: ...17.08.04.....



**Chief Executive**

Date: ...17.08.04.....

## 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.

### Adequate Assurance

Evaluation: Whilst 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.

### Nil 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.

## INDEPENDENT AUDITORS' REPORT TO DOVER DISTRICT COUNCIL

I have audited the statement of accounts on pages 22 to 66 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 17 to 21.

This report is made solely to Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### Respective Responsibilities of Chief Finance Officer and Auditors

As described on page 8 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 9 to 15 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of the information in the financial statements.

### Opinion

In my opinion the financial statements present fairly the financial position of Dover District Council as at 31 March 2004 and its income and expenditure for the year then ended.

### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:  .....

Date: ...10 November 2004 .....

Name: Darren Wells CPFA.....

Address: 16 South Park, Sevenoaks  
TN13 1AN



# **STATEMENT OF CONCEPTS AND POLICIES**

## **GENERAL**

The Accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is recognised by statute as representing proper accounting practices. The Code is based on both approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standard (FRSs) approved by the Accounting Standards Board, and the Urgent Issues Task Force's (UITF) Abstracts.

## **RELEVANCE**

In accordance with FRS18, all information about the authority's financial performance which is useful for assessing the stewardship of public funds and making economic decisions is disclosed within the accounts.

## **RELIABILITY**

The accounts represent fairly the substance of transactions which have taken place. The accounts are free from material error and have been prudently prepared.

## **COMPARABILITY**

Comparative figures have been included to allow performance to be compared with a prior period.

FRS17 has been fully implemented in these accounts. Comparative figures for 2002/03 have been restated to include FRS17 elements within the Consolidated Revenue Account. The overall impact of the changes for Council Tax payers is nil. The opening balances of reserves also reflect the cumulative effect of the FRS17 changes.

## **UNDERSTANDABILITY**

In accordance with FRS18, the accounts have been prepared in such a way to aid the understanding of the reader. We do, however, recognise the complexities contained within the Statement of Accounts, and during the coming months will be seeking ways to improve the understandability further.

## **MATERIALITY**

Strict compliance with the Code of Practice on Local Authority Accounting in the United Kingdom, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

## **GOING CONCERN**

The accounts have been prepared on a going concern basis, on the assumption that the authority will continue in operational existence for the foreseeable future.

## **PRIMACY OF LEGISLATION**

Where there is a clash between a legal requirement and an accounting standard, the legal requirement has taken precedence over the accounting standard.

## **VALUE ADDED TAX**

In accounting for VAT, we comply with the relevant Financial Reporting Standards. VAT is excluded from the main statements unless it is unrecoverable.

## **EXCEPTIONAL ITEMS**

The Council accounts for exceptional items in accordance with FRS3.

## **FIXED ASSETS**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the authority and the services it provides, for a period of more than a year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged directly to service revenue accounts.

Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Appraisal and Valuation Standards Fifth Edition issued by The Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2001 Code of Practice on Local Authority Accounting. Assets are stated on the following basis:

- 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 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.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Surpluses or losses arising from any revaluation of assets are credited or debited to the fixed asset restatement reserve. Revaluations of fixed assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Material changes to asset valuations will be adjusted in the interim period, as they occur.

The value at which each category of asset is included in the balance sheet is reviewed annually, and where there is reason to believe that its value has changed materially during the accounting period (impairment), the valuation has been adjusted accordingly. Where an impairment loss on a fixed asset has occurred as a result of a clear consumption of economic benefits (e.g. through physical damage or deterioration), the loss is recognised in the asset management revenue account and the service revenue account. Other impairments (e.g. reflecting a general fall in prices) are recognised in the fixed asset restatement reserve.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing reserve, and has not been used, is included in the balance sheet as usable capital receipts.

## **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 policy:

- newly acquired assets are depreciated in the year acquired, and assets in the course of construction are depreciated when they are brought into use.

- depreciation is calculated using the straight-line method over the following periods:

|                |                |
|----------------|----------------|
| Buildings      | Up to 80 years |
| Infrastructure | Up to 40 years |
| Mobile plant   | Up to 10 years |
| Motor vehicles | Up to 12 years |

## **CAPITAL CHARGES TO REVENUE**

General Fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net values included in the balance sheet as at 1 April 2003.

The notional rates of interest used for 2003/04 are 3.5% (6% 2002/03) for those operational fixed assets included in the balance sheet at current value and 4.625% (6% 2002/03) for infrastructure assets and community assets which are included in the balance sheet at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the housing revenue account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

## **DEFERRED CHARGES**

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges arising during 2003/04 were amortised to revenue in the year.

## **GOVERNMENT GRANTS AND CONTRIBUTIONS**

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 initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## **RESERVES**

Reserves represent earmarked funds available for future expenditure. All but three of the reserves are available for Council use. The following funds exist to satisfy capital accounting and FRS17 requirements:

- the Fixed Asset Restatement Reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

- the Capital Financing Reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.
- the Pensions Reserve has been introduced for the first time in 2003/04 to comply with FRS17. This is a negative reserve. Where pension payments made for the year in accordance with the scheme requirements do not match the change in the authority's recognised asset or liability for the same period, this is represented by an appropriation to or from the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account.

No expenditure is charged directly to a reserve.

## **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 financial management system generates an accrual for all orders on the purchase ordering module where the goods or service has been received but not yet paid for at year end. No other accruals are made for values under £100 (previously £50).

## **INVESTMENTS**

Investments are included in the balance sheet at cost less a provision, where appropriate, for loss in value. Interest and dividends earned are credited to the General Fund and Housing Revenue Account. All investments are for less than 365 days.

## **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**

All support service costs including the cost of service management 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 not recharged as the cost of services.

## **PENSION COSTS**

These accounts reflect the full implementation of FRS17. This means that the accounts now recognise the net pension liability and a pensions reserve in the balance sheet and entries in the Consolidated Revenue Account for movements in the liability relating to the defined benefit scheme. The accounts show reconciling entries back to contributions payable for council tax purposes.

The pension contributions have been determined by the Fund's actuary on a triennial basis. The latest actuarial valuation was in 2001. The next actuarial valuation is due as at 31 March 2004 and any change in contribution rates as a result of that valuation will take effect from 1 April 2005.

Full details can be found on page 60.

**PROVISIONS**

Provision has been made for bad and doubtful debts. In accordance with the CIPFA guidelines, the older the debt the greater the provision, with the exception of housing benefits which is provided at a maximum of 50% of the debts over one year old.

Provisions are charged to the appropriate revenue account. When expenditure is incurred to which the provision relates it has been charged directly to the provision.

The provisions shown in note 14 to the balance sheet are not compliant with FRS9 as no timescale has been set up for their release.

**STOCKS**

Stocks are included in the balance sheet at cost or net realisable value, whichever is the lower. The exception to this is the Council’s purchasing stores which are valued at replacement cost. The exception does not comply with SSAP 9. The difference in value is not considered to be material.

**CAPITAL EXPENDITURE**

It is Council policy that expenditure for capital purposes that does not exceed £5,000 is not capitalised but is met from revenue monies.

**CAPITAL RECEIPTS**

Capital receipts are derived from the disposal of certain assets, or the repayment to the Council of loans. A prescribed proportion of certain capital receipts is set aside for debt redemption as required under Capital Accounting Regulations. As such, local authorities are unable to comply with SSAP 6 which treats such gains as exceptional items in the revenue account.

**CONTINGENT LIABILITIES**

Contingent liabilities are defined as possible obligations 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. The Council measures and accounts for such events in line with the table below:

| <u>Likelihood of outcome</u>   | <u>Probability</u><br>% | <u>Accounting Treatment</u>   |
|--------------------------------|-------------------------|---|
| Reasonably certain<br>Probable | Over 95%<br>50-95       | Accrue<br>If we can estimate with reasonable certainty, we accrue. If not, we would make a contingent liability note. |
| Possible or remote             | Less than 50            | Add a note to the accounts  |

## CONSOLIDATED REVENUE ACCOUNT

### Summary of Income and Expenditure

| 2002/03<br>Net<br>Expenditure<br>As restated<br>£000 |   | Gross<br>Expenditure<br>£000 | 2003/04<br>Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
|--|---|------------------------------|------------------------------------|----------------------------|
|  | On its services the Council spent:-                             |                              |                                    |                            |
| 1,486  | Central Services to the Public                                  | 7,576                        | (6,479)                            | 1,097                      |
| 10,863   | Cultural, Environmental and Planning Services                   | 13,892                       | (4,968)                            | 8,924                      |
| 209  | Highways, Roads and Transportation Services                     | 2,508                        | (2,399)                            | 109                        |
| (933)  | Housing Services  | 42,233                       | (43,021)                           | (788)                      |
| 165  | Other Services  | 642                          | 0                                  | 642                        |
| 11,790   | <b>Total Service Expenditure</b>                                | 66,851                       | (56,867)                           | 9,984                      |
| 1,580  | Corporate and Democratic Core                                   | 1,933                        | (117)                              | 1,816                      |
| 2,659  | Non-distributable Costs   | 1,690                        | (181)                              | 1,509                      |
| 16,029   | <b>NET COST OF SERVICES</b>                                     |                              |                                    | 13,309                     |
| 106  | Trading Undertakings (Note 1)                                   |                              |                                    | 115                        |
| 74   | Internal Trading Accounts (Note 2)                              |                              |                                    | 30                         |
|  | <b>Amounts due to Precepting Authorities:</b>                   |                              |                                    |                            |
| 1,099  | - Parish Councils   |                              |                                    | 1,111                      |
| 35   | - River Stour Drainage Board (Note 4)                           |                              |                                    | 39                         |
| (2,367)  | Transfer from Asset Management Revenue Account (Note 5)         |                              |                                    | (1,237)                    |
| (984)  | Interest and Investment Income                                  |                              |                                    | (643)                      |
| 2,174  | Exceptional Item (Note 6)                                       |                              |                                    | 443                        |
| 840  | Pensions Financing Income                                       |                              |                                    | 1,550                      |
| <b>17,006</b>  | <b>Net Operating Expenditure</b>                                |                              |                                    | <b>14,717</b>              |
|  | <b>Appropriations:</b>  |                              |                                    |                            |
| 2,338  | Transferred to/ (from) Housing Revenue Account Balances         |                              |                                    | 665                        |
| 0  | Direct Revenue Financing  |                              |                                    | 1,317                      |
| 758  | Transfer to Major Repairs Reserve                               |                              |                                    | 426                        |
| 0  | Release of Provisions   |                              |                                    | (565)                      |
|  | <b>Contributions To/(From) Reserves-</b>                        |                              |                                    |                            |
| (1,017)  | Appropriation Account (Note 7)                                  |                              |                                    | (1,451)                    |
| (2,176)  | Movement on Pensions Reserve (Note 8)                           |                              |                                    | (1,674)                    |
| (1,230)  | Contribution to/ (from) other Reserves (Note 9)                 |                              |                                    | 865                        |
| <b>15,679</b>  | <b>Amount to be met by Government Grant and local taxpayers</b> |                              |                                    | <b>14,300</b>              |
|  | <b>THIS WAS FINANCED BY:</b>                                    |                              |                                    |                            |
| (5,001)  | - Council Tax Income (Note 10)                                  |                              |                                    | (5,308)                    |
| (4,634)  | - Non Domestic Rate Income (Note 10)                            |                              |                                    | (3,649)                    |
| (4,748)  | - Revenue Support Grant (Note 10)                               |                              |                                    | (5,735)                    |
| (78)   | - Collection Fund Surplus                                       |                              |                                    | (55)                       |
| <b>1,218</b>   | (Surplus)/ Deficit for the year                                 |                              |                                    | <b>(447)</b>               |
| (3,290)  | General Fund Balance at start of Year                           |                              |                                    | (2,072)                    |
| <b>(2,072)</b>                                       | <b>Leaving year-end balances of</b>                             |                              |                                    | <b>(2,519)</b>             |

## 1. TRADING UNDERTAKINGS

### General

- (a) The Council promotes markets in Dover, Deal and Sandwich. The turnover of these markets, derived from rents, was £11k in 2003/04 and a £6k profit was made (2002/03 £9k profit).
- (b) The Council operates a number of industrial estates in the district. The financial results of this operation are as follows:

|                           | 2002/03<br>£000 | 2003/04<br>£000 |
|---------------------------|-----------------|-----------------|
| Expenditure               | 16              | 7               |
| Rent Income               | 1               | 0               |
| Net (income)/ expenditure | 17              | 7               |

- (c) The Council owns a range of Miscellaneous Properties which it leases or rents. The financial results are as shown below:

|                           | 2002/03<br>£000 | 2003/04<br>£000 |
|---------------------------|-----------------|-----------------|
| Expenditure               | 277             | 332             |
| Rent Income               | (179)           | (218)           |
| Net (income)/ expenditure | 98              | 114             |

## 2. INTERNAL TRADING ACCOUNTS

The Council's Direct Labour Organisation (DLO) ceased operations in 2002/03. Residual costs of £31k were incurred during 2003/04.

## 3. AGENCY AGREEMENTS

### KCC - Highways

The Council carries out works on behalf of the Kent County Council (KCC) for highways under a partnership agreement. All direct expenditure is paid for by KCC and budgets are monitored by District Council staff using a terminal link to KCC Highways. The Council receives a fee for carrying out these works, costs in excess of which are borne by the General Fund. The cost is reflected in the cost of Highways and Car Parking.

|                               | 2002/03<br>£000 | 2003/04<br>£000 |
|-------------------------------|-----------------|-----------------|
| Gross Value of Work           | 517             | 544             |
| Agency Income                 | (447)           | (501)           |
| Residual Administration Costs | 70              | 43              |

The area covered by the Highways Agency has been extended to now be coterminous with the Council's boundaries. It also includes the income and expenditure relating to the New Roads and Street Works Act.

## 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 2003/04 was £39k (£35k in 2002/03).

## 5. ASSET MANAGEMENT REVENUE ACCOUNT

This account is required to be kept in accordance with the Code of Practice on Local Authority Accounting. This account receives the credit for capital charges made for the use of assets, and the charge for depreciation and external interest. The balance is not indicative of good or bad performance in regard to property management, but simply a balance that needs to be charged or credited to the consolidated revenue account in the year that it occurs.

| <u>Asset Management Revenue Account</u>   | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| <b>INCOME</b>                             |                 |                 |
| Capital Charges - General Fund            | (3,402)         | (3,004)         |
| - Housing Revenue Account (depreciation)  | (2,293)         | (2,685)         |
| - Housing Revenue Account*                | (10,720)        | (7,374)         |
| Impairment loss re Grand Shaft Barracks   | (81)            | 0               |
| Grant income released in year             | (546)           | (247)           |
| Total Income                              | <u>(17,042)</u> | <u>(13,310)</u> |
| <b>EXPENDITURE</b>                        |                 |                 |
| Provision for depreciation – General Fund | 930             | 1,407           |
| - Housing Revenue Account                 | 2,293           | 2,685           |
| Capital asset accounting adjustment       |                 |                 |
| - Housing Revenue Account                 | 10,712          | 7,374           |
| Impairment loss                           | 81              | 0               |
| External interest charges                 | 659             | 607             |
| Total expenditure                         | <u>14,675</u>   | <u>12,073</u>   |
| Balance to Consolidated Revenue Account   | <u>(2,367)</u>  | <u>(1,237)</u>  |

\* See note 7 to the HRA on page 36.

## 6. EXCEPTIONAL ITEM

In 2003/04, the Council repaid £1.6m of PWLB loans before their maturity dates. Consequentially, net premia of £565k were incurred. The premia is the additional cost to the Council of repaying these loans at a discount rate lower than the interest rate of the original loan. The financing for this cost has been done via the Provision for Credit Liabilities. Therefore the cost has been reversed out in the appropriations section of the Consolidated Revenue Account, with the transfer being made to the Capital Financing Reserve.

In 2003/04, the Council received a dividend payment from the Board of Liquidators for the Bank of Credit and Commerce International (BCCI) of £122k. This brings the total dividend amounts, received to date, to £354k in excess of the amount originally expected to have been recovered following the collapse of BCCI in 1991.



## 7. APPROPRIATION ACCOUNT

This account adjusts the revenue account for the minimum revenue provision, impairment losses, deferred charges and Government grants.

### Minimum Revenue Provision (MRP)

The minimum revenue provision (MRP) represents the statutory minimum amount that each local authority must charge to a revenue account in each financial year in respect of debt repayments (Local Government and Housing Act 1989).

To ensure only the statutory amount is included in the accounts an adjustment is required to eliminate the depreciation charged to the Asset Management Revenue Account. This has been calculated as follows:-

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Minimum Revenue Provision (MRP)            |                 |                 |
| Non Housing – statutory                    | 211             | 138             |
| Housing – statutory                        | 7               | 0               |
| MRP to be charged to Accounts              | <u>218</u>      | <u>138</u>      |
| <b>Less</b> Amount charged as depreciation | <u>(929)</u>    | <u>(1,407)</u>  |
| Credit to Consolidated Revenue Account     | <u>(711)</u>    | <u>(1,269)</u>  |

### Impairment Loss

|                      | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------|-----------------|-----------------|
| Impairment Loss      |                 |                 |
| Grand Shaft Barracks | (81)            | 0               |

### 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 'deferred charges'. As this expenditure does not represent an asset to the Council the deferred charge 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 the asset has already been financed under capital control arrangements a corresponding credit is required to negate the impact on the revenue accounts.

The adjustment made to the accounts is detailed below:-

|                                     | 2002/03<br>£000 | 2003/04<br>£000 |
|-------------------------------------|-----------------|-----------------|
| Charged to Services                 |                 |                 |
| Improvement Grants                  | 709             | 539             |
| <b>Less</b> Government grant income | <u>(226)</u>    | <u>(166)</u>    |
|                                     | 483             | 373             |
| Bronze Age Boat                     | 240             | 0               |
| Housing associations                | 0               | 109             |
| Grants to organisations             | 48              | 111             |
| Impact schemes                      | <u>0</u>        | <u>(164)</u>    |
| Total expenditure to be reversed    | <u>771</u>      | <u>429</u>      |

A review of the Government Grants Deferred Account has identified that Impact grant is showing in the account with no corresponding asset value. The balance of £164k has therefore been written out of the balance sheet as a deferred charge via the Council's revenue account.

### Government grants

All Government or other grants received in relation to capital expenditure are required to be set aside in the Government Grants Deferred Account. The grant is released back to the revenue account over the life of the asset acquired to offset the cost of depreciation. The credit is made to the Asset Management Revenue Account. To negate the effect of this on the Council Tax an adjustment is made in the Appropriation Account.

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| <b>Grant released:</b>                 |                 |                 |
| Coast protection                       | 61              | 52              |
| IMPACT environmental schemes           | 155             | 152             |
| CCTV                                   | 2               | 9               |
| White Cliffs Countryside Project works | 18              | 8               |
| Victoria Park – Play Area              | 2               | 4               |
| Pencester Gardens – Rollerblading      | 1               | 1               |
| Grand Shaft Barracks                   | 298             | 0               |
| Youth shelters                         | 0               | 1               |
| Deal Dryside                           | 0               | 11              |
| CCTV – 2002/03 project                 | 0               | 2               |
| Sandwich Youth Space                   | 7               | 2               |
| E Government                           | 2               | 4               |
| Rent service computer interface        | 0               | 1               |
|  | 546             | 247             |

A review has been carried out on the balances in the Government Grants Deferred Account and various adjustments have been made to ensure that grants for individual projects correctly correspond to asset values and lives.

### Appropriation Account Summary

|   | 2002/03<br>£000 | 2003/04<br>£000 |
|---|-----------------|-----------------|
| Provision for repayment of external loans<br>adjustment – MRP | (711)           | (1,269)         |
| Impairment loss   | (81)            | 0               |
| Deferred charges adjustment                                   | (771)           | (429)           |
| Government grants released adjustment                         | 546             | 247             |
| Appropriation account   | (1,017)         | (1,451)         |

## 8. MOVEMENT ON PENSIONS RESERVE

This is a new reserve introduced to comply with FRS17. The total FRS17 debits and credits are reversed out through this reserve and replaced with an appropriation from the reserve to reconcile back to the taxation requirement.

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Pensions costs chargeable to Council Tax | 2,214           | 2,095           |
| Current Service Costs per actuary        | (1,300)         | (1,097)         |
| Past Service Costs per actuary           | (90)            | (96)            |
| Curtailments per actuary                 | (2,160)         | (1,026)         |
| Return on assets per actuary             | 3,300           | 2,672           |
| Interest Cost per actuary                | (4,140)         | (4,222)         |
|  | <u>(2,176)</u>  | <u>(1,674)</u>  |

## 9. CONTRIBUTION TO/(FROM) RESERVES

|                            | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------------|-----------------|-----------------|
| Risk Management Initiative | 0               | 0               |
| Dover Lottery              | 0               | 0               |
| Capital Projects           | (18)            | (99)            |
| IT equipment               | 0               | 0               |
| Leisure Centres Equipment  | 0               | 0               |
| Sports Centre Trust        | 0               | 0               |
| Severance Reserve          | (1,212)         | (136)           |
| Capital Creditors          | 0               | 0               |
| New Earmarked Reserves     | 0               | 1,100           |
| Capital Financing Reserve  | 0               | 0               |
|                            | <u>(1,230)</u>  | <u>865</u>      |

## 10. COUNCIL TAX AND GOVERNMENT GRANTS

Central government financial support to councils is paid separately to billing and precepting authorities. Revenue Support Grant is distributed to councils by the Government, following its assessment of relative need and the charging of a 'national' level of council tax.

National Non-Domestic Rates (NNDR) are collected by the District Council and paid to the Central Government Pool. These are then redistributed on the basis of the local resident population.

The balance of the District Council spending requirements is met through the Council Tax as a precept on the Collection Fund. Surpluses or deficits on the Collection Fund are shared by all precepting authorities in proportion to their respective precepts. Full details can be found on pages 38-40.

## 11. PROVISION FOR BAD OR 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 | Housing Revenue Account | Total |
|---------------------------------|--------------|-------------------------|-------|
|                                 | £000         | £000                    | £000  |
| Balance brought forward 1.4.03  | 699          | 469                     | 1,168 |
| Provision made in year          | 439          | 81                      | 520   |
| Less Amounts written off        | (149)        | (146)                   | (295) |
| Balance carried forward 31.3.04 | 989          | 404                     | 1,393 |

## 12. SECTION 137 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. The limit for 2003/04 is £262k (2002/03 £261k). Actual Expenditure in 2003/04 was £95k (2002/03 £112k). This was mainly spent on grants and loans for community projects, and includes the apportioned cost of administration and overheads.

## 13. PUBLICITY

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

|                             | 2002/03<br>£000 | 2003/04<br>£000 |
|-----------------------------|-----------------|-----------------|
| General Publicity           | 365             | 180             |
| Tourism Initiatives         | 61              | 79              |
| Tourist Information Centres | 110             | 86              |
| Staff recruitment           | 85              | 113             |
| Total for Year              | 621             | 458             |

## 14. LEASES

To fund some major items of equipment, including computer facilities, the Council utilises operational leasing facilities.

The value of lease rental payments in 2003/04 amounted to £132k (2002/03 £103k). New lease totalling £54k were entered into during the year. The value of undischarged obligations under the remaining leases at 31 March 2004 is estimated at £167k (2002/03 £211k).

## 15. PENSION ARRANGEMENTS

The statement of accounts for 2003/04 includes the requirements of FRS17. The pension figures are based on information received from the actuaries employed by Kent County Council. Some of the information cannot be verified as it relates to payments from within the fund rather than directly from Dover District Council.

In 2003/04 the Council paid an employer's contribution of £1.759m representing 20.52% of employees' pensionable pay into Kent County Council's Superannuation Fund (2002/03 £1.758m, 19.4%), which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last review being at 31 March 2001.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2003/04 these amounted to £671k representing 7.82% of pensionable pay (2002/03 £612k, 6.75%).

The Fund's actuary has advised that the current services to be charged to the CRA in the year in accordance with FRS17 are £1.115m (2002/03 £1.3m). Past service costs for the year total £97k (2002/03 £90k). Curtailments and settlements equate to £1.043m (2002/03 £2.160m).

The actuary has also advised that the expected return on employer assets for the year to 31 March 2004 is £2.672m representing 30.7% of the payroll (2002/03 £3.300m, 33.1%). Interest on the pension scheme liabilities for the year is £4.222m (2002/03 £4.140m).

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

## 16. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, including all taxable emoluments, excluding pension contributions, fell within the following bands were:

| Remuneration Band | Number of employees |          |
|-------------------|---------------------|----------|
|                   | 2002/03             | 2003/04  |
| £50,000-£59,999   | 7                   | 10       |
| £60,000-£69,999   | 2                   | 1        |
| £70,000-£79,999   | 2                   | 2        |
| £80,000-£89,999   | 1                   | 1        |
| £90,000-£99,999   | -                   | 1        |
| £100,000 and over | -                   | -        |
|                   | <hr/> 12            | <hr/> 15 |

## 17. AUDIT FEES

|                                   | 2002/03<br>£000 | 2003/04<br>£000 |
|-----------------------------------|-----------------|-----------------|
| Code of Audit Practice audit fees | 102             | 84              |
| Statutory inspections             | 0               | 15              |
| Certification of grant claims     | 30              | 27              |
| Other work                        | 0               | 0               |
| Total for Year                    | <hr/> 132       | <hr/> 126       |

## 18. PROMOTION OF ECONOMIC DEVELOPMENT

Section 33 of the Local Government and Housing Act 1989 empowers the Council to take such steps as it considers appropriate to promote economic development. This includes financial assistance to third parties. No grants were made under this power in 2003/04 (No grants were paid exercising this power in 2002/03).

## 19. 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. In previous years this applied to certain works of maintenance carried out by the Housing Maintenance Unit (previously the Council's Direct Labour Organisation (DLO) which appeared as income in the Housing Maintenance Unit internal trading account (2002/03 £1k). The clients were local Housing Associations. The DLO has now ceased to operate and therefore no such works have been carried out in 2003/04.

## 20. MEMBERS' ALLOWANCES SCHEME

Totals of allowances paid to Council Members during 2003/04, in accordance with the Local Authorities (Members Allowances) (Amendment) Regulations 1991, are as follows:

|                                  | 2002/03<br>£000 | 2003/04<br>£000 |
|----------------------------------|-----------------|-----------------|
| Basic Allowance                  | 147             | 112             |
| Special Responsibility Allowance | 41              | 36              |
| Conference Attendance Allowance  | 0               | 0               |
|                                  | <hr/>           | <hr/>           |
|                                  | 188             | 148             |

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.

## 21. RELATED PARTY TRANSACTIONS

In accordance with FRS8, 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.

During the year transactions with related parties, which have not been included separately elsewhere within the Statement of Accounts, arose as follows:

|  | Receipts<br>£000 | Payments<br>£000 |
|--|------------------|------------------|
| Kent County Council                            | 679              | 1,031            |
| Kent County Constabulary                       |                  | 60               |
| Grants paid by and to Town and Parish Councils |                  | 17               |

|   |   |
|---|---|
| Dover Citizens Advice Bureau<br><i>One member of the District Council was a Board Member during 2003/04</i>                 | 27  |
| Deal Citizens Advice Bureau<br><i>One member of the District Council was a Board Member during 2003/04</i>                  | 27<br>(£4151 paid by SRB)                                       |
| Deal, Walmer & Kingsdown Regatta Association<br><i>One member of the District Council was Vice President During 2003/04</i> | 5,000   |
| Deal Centre For The Retired<br><i>One member of the District council was a member during 2003/04</i>                        | 9,750   |
| St Radigunds Community Centre<br><i>One member of the District Council was the Chairman during 2003/04</i>                  | 245,505<br>(Some of these funds were paid by SRB and Surestart) |
| Aylesham & District Workshop Trust<br><i>One member of the District Council was a Trustee During 2003/04</i>                | 29,185<br>(All of the funds paid by SRB)                        |

## 22. BUILDING CONTROL

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 these chargeable and non-chargeable activities.

| Building Control                  | Chargeable Activities | Non-Chargeable Activities | Total           |
|-----------------------------------|-----------------------|---------------------------|-----------------|
|                                   | 2003/04<br>£000       | 2003/04<br>£000           | 2003/04<br>£000 |
| Expenditure                       | 321                   | 173                       | 494             |
| Income                            | (352)                 | (2)                       | (354)           |
| Net (Surplus) or Deficit for Year | (31)                  | 171                       | 140             |

| Building Control                  | Chargeable Activities | Non-Chargeable Activities | Total           |
|-----------------------------------|-----------------------|---------------------------|-----------------|
|                                   | 2002/03<br>£000       | 2002/03<br>£000           | 2002/03<br>£000 |
| Expenditure                       | 298                   | 133                       | 431             |
| Income                            | (432)                 | 0                         | (432)           |
| Net (Surplus) or Deficit for Year | (134)                 | 133                       | (1)             |

There is a general duty to break even over a three year period. Over the last three years, this activity has made a small surplus.

## **23. SINGLE REGENERATION BUDGET (SRB) AND SURESTART**

The Authority acts as accountable body under the SRB Challenge Fund and for Surestart, receiving grant payments from both SEEDA and the Surestart Unit respectively, and transferring these directly to community organisations qualifying for grant under the two schemes. For 2003/04 the transactions do not impact on the Council's net expenditure as grant payments are matched by grant income. However, both gross income and gross expenditure are included within the Consolidated Revenue Account in accordance with SSAP4, Accounting for Government Grants.

In 2003/04, the SRB revenue grant payments due to local projects amounted to £484k (£587k in 2002/03). In 2003/04 revenue grant payments totalling £790k (£807k in 2002/03) were paid by Surestart to local projects.

Capital grant payments amounting to a further £646k were also payable to local projects under the SRB schemes (£340k in 2002/03), attracting 100% SRB grant income from SEEDA. Capital grants payments totalling £989k were also payable to Surestart project schemes. These are reimbursed 100% from the Surestart Unit.

During the 2004/05 financial year, the Council is expecting to no longer be the Accountable Body for the Surestart Dover Programme. This function will be transferring to Kent County Council.



## 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.

| Actual Outturn<br>2002/03<br>As restated<br>£000 | Expenditure                                    | Note<br>Number | Outturn<br>2003/04<br>£000 |
|--|--|----------------|----------------------------|
| 3,482  | Supervision and Management                     |                | 2,835                      |
| 11   | Rent, Rates, Taxes & Other Charges             |                | 12                         |
| 9,033  | Rent Rebates                                   |                | 8,927                      |
| 2,801  | Repairs and Maintenance                        |                | 3,346                      |
| 36   | Increased Provision For Bad Debt               |                | 81                         |
| 136  | Exceptional Item                               |                | 0                          |
| 10,712   | Charges for Capital                            | 7              | 7,374                      |
| 2,293  | Depreciation and Impairment of Fixed<br>Assets | 8              | 2,685                      |
| 0  | Debt Management Costs                          |                | 0                          |
| <b>28,504</b>                                    |  |                | <b>25,260</b>              |
|  | <b>Income</b>                                  |                |                            |
| (14,867)   | Dwellings Rents                                | 10             | (14,368)                   |
| (322)  | Non-Dwelling Rents                             |                | (316)                      |
| (609)  | Charges for Services and Facilities            |                | (544)                      |
| (505)  | Contributions from Leaseholders                |                | (561)                      |
| (4,574)  | Housing Revenue Account Subsidy                | 11             | (4,337)                    |
| <b>(20,877)</b>                                  |  |                | <b>(20,126)</b>            |
| <b>7,627</b>                                     | <b>Net Cost of Services</b>                    |                | <b>5,134</b>               |
|  | Asset Management Revenue Account               |                |                            |
| (10,712)   | Credits  | 7              | (7,374)                    |
|  | Pension Interest Costs and Expected            |                |                            |
| 13   | Return on Pension Assets                       |                | 24                         |
| (3)  | Amortised Discounts and Premiums               |                | (3)                        |
| (117)  | Investment Income                              |                | (321)                      |
| <b>(3,192)</b>                                   | <b>Net Operating Expenditure</b>               |                | <b>(2,540)</b>             |
|  | <b>Appropriations Account</b>                  |                |                            |
| 8  | Minimum Revenue Provision                      | 7              | 0                          |
| 88   | Transfer to/from Pensions Reserve              |                | 132                        |
| 0  | Direct Revenue Financing                       |                | 1,317                      |
| 758  | Transfer to Major Repairs Reserve              | 3              | 426                        |
| <b>(2,338)</b>                                   | <b>(Surplus) or Deficit for year</b>           |                | <b>(665)</b>               |
| (640)  | Balance Brought Forward                        |                | (2,978)                    |
| <b>(2,978)</b>                                   | <b>Balance Carried Forward</b>                 |                | <b>(3,643)</b>             |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPES OF DWELLINGS

Movement in Housing Stock 2003/2004

|                  | Stock at<br>1/4/2003 | Sales | Transfers/<br>Disposals | Additions/<br>Transfers | Stock at<br>31/3/2004 |
|------------------|----------------------|-------|-------------------------|-------------------------|-----------------------|
| Houses/Bungalows | 3,089                | (111) | 0                       | 0                       | 2,978                 |
| Flats            | 1,876                | (35)  | 0                       | 1                       | 1,842                 |
| Total            | 4,965                | (146) | 0                       | 1                       | 4,820                 |

Total value of assets

|                              | 01/04/03<br>£000 | 31/03/04<br>£000 |
|------------------------------|------------------|------------------|
| Operational assets           |                  |                  |
| - dwellings                  | 172,649          | 203,097          |
| - garages                    | 1,404            | 1,391            |
| - other land and buildings * | 207              | 109              |
| Non-operational assets       | 785              | 723              |
|                              | 175,045          | 205,320          |

\*During 2003/04 the Council sold several assets categorised as other land and buildings, including the Tower Hamlets depot in Dover.

### 2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2003 was £376.1m (1 April 2002 £319.7m). The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

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

The Government requires that the accounts are produced on a Resource Accounting basis. This requires that a 3.5% notional interest charge is made for the use of fixed assets and is charged to the HRA (6% in 2002/03). This charge shows the cost of capital tied up in housing assets. Resource accounting also requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve to finance HRA capital projects.

The housing subsidy for 2003/04 includes a grant in the form of a Major Repairs Allowance to resource the Major Repairs Reserve. The Major Repairs Allowance is ring fenced for capital expenditure of a housing nature. If any allowance is unspent in one year it can be carried forward to finance capital expenditure in future years within the Major Repairs Reserve. The balance available for allocation in future years at 31 March 2004 is £1.161m (2002/03 £737k).

## Major Repairs Reserve

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Balance as at 1 April 2003                 | (373)           | (737)           |
| Major Repairs Allowance:                   |                 |                 |
| Depreciation                               | (2,293)         | (2,685)         |
| Transfer to Major Repairs Reserve          | (758)           | (426)           |
| Transfer from reserve for capital purposes | 2,687           | 2,687           |
| Balance at 31 March 2004                   | <u>(737)</u>    | <u>(1,161)</u>  |

## 4. SUMMARY OF CAPITAL EXPENDITURE

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Capital expenditure                      |                 |                 |
| Dwellings                                | 2,678           | 4,624           |
| Housing computer system                  | 0               | 101             |
| Total                                    | <u>2,678</u>    | <u>4,725</u>    |
| Financed by                              |                 |                 |
| Capital receipts                         | 0               | 214             |
| Direct revenue financing (HRA)           | 0               | 1,317           |
| Implementing electronic government grant | 0               | 52              |
| Major Repairs Reserve                    | 2,385           | 2,687           |
| Other Reserves                           | 293             | 455             |
|  | <u>2,678</u>    | <u>4,725</u>    |

## 5. SUMMARY OF CAPITAL RECEIPTS

|                                     | 2002/03<br>£000 | 2003/04<br>£000 |
|-------------------------------------|-----------------|-----------------|
| Receipts from sales during the year |                 |                 |
| Dwelling Sales                      | 4,650           | 6,630           |
| Other Sales                         | 15              | 655             |
|                                     | <u>4,665</u>    | <u>7,285</u>    |

## 6. DIRECT REVENUE FINANCING

The Council undertook various housing capital projects in the year and partly financed these from its Housing Revenue Account. These projects included the purchase of a property in Dover, the initial capital costs of the new housing computer system and improvement works to existing Housing Revenue Account properties.

## 7. COST OF CAPITAL/ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

Under resource accounting, the cost of capital tied up in housing assets is shown in the HRA and credited to AMRA. For 2003/04 this charge, which is set by regulation, is £7.374m (2002/03 £10.712m). To ensure that the cost of capital does not have a cost implication to council tenants, it is appropriated from AMRA. In 2003/04 the HRA is considered debt free and so the total sum of £7.374m has been appropriated. As the HRA had debt free status at 1 April 2003 there is no longer a need for minimum revenue provision (MRP) to be charged to the account as a provision for repayment of external debt.

## 8. DEPRECIATION OF FIXED ASSETS

|           | 2002/03<br>£000 | 2003/04<br>£000 |
|-----------|-----------------|-----------------|
| Dwellings | 2,238           | 2,652           |
| Garages   | 55              | 33              |
|           | <u>2,293</u>    | <u>2,685</u>    |

As in previous years, a depreciation charge for other HRA assets was not made as the amount of depreciation, in relation to the total estimated on the HRA, was considered immaterial.

## 9. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised that there were no impairments during the year.

## 10. RENT OF DWELLINGS

This is the total rent income collectable for the year after an allowance is made for empty properties. The average weekly rent at 31 March 2004 was £58.23 compared with £57.26 at 31 March 2003.

## 11. HOUSING SUBSIDY

The Government pays a subsidy to the Housing Revenue Account. It is based upon a notional account representing the Government's assessment of what the Council should be collecting and spending.

## 12. RENT ARREARS

The position for rent arrears is shown below.

| March 2003                    |                                |                                 |                            | March 2004                    |                                |                                 |                            |
|-------------------------------|--------------------------------|---------------------------------|----------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------------|
| Former Tenant Arrears<br>£000 | Current Tenant Arrears<br>£000 | Housing Repairs Arrears<br>£000 | Total Rent Arrears<br>£000 | Former Tenant Arrears<br>£000 | Current Tenant Arrears<br>£000 | Housing Repairs Arrears<br>£000 | Total Rent Arrears<br>£000 |
| 208                           | 364                            | 156                             | 728                        | 161                           | 295                            | 143                             | 599                        |

### 13. PROVISION FOR BAD DEBTS

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

|                                      | £000         |
|--------------------------------------|--------------|
| Balance brought forward as at 1.4.03 | 469          |
| Provision made in the year           | 81           |
| Less Amounts written off             | <u>(143)</u> |
| Balance carried forward 31.3.04      | <u>407</u>   |

### 14. FRS17 AND THE HOUSING REVENUE ACCOUNT

FRS17, Retirement Benefits, has been fully implemented within the accounts for the first time in 2003/04. The comparative figures have been amended to reflect the costs shown below.

A proportion of the FRS17 costs as identified by the Fund's actuary have been charged to the Housing Revenue Account:

|  | 2002/03<br>£000 | 2003/04<br>£000 |
|--|-----------------|-----------------|
| Actual contributions paid              | 158             | 192             |
| Reverse actual contributions           | (158)           | (192)           |
| Current service costs                  | 21              | 18              |
| Past service costs                     | 2               | 1               |
| Curtailments                           | 34              | 17              |
| Interest on Pension Scheme Liabilities | 66              | 67              |
| Return on Employer Assets              | (53)            | (43)            |
| Transfer to/from Pensions Reserve      | 88              | 132             |
| Charge to HRA                          | <u>158</u>      | <u>192</u>      |

## THE COLLECTION FUND

### COLLECTION FUND INCOME & EXPENDITURE ACCOUNT 2003/04

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 whom 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.

| <b>COLLECTION FUND</b>                   |   |             |                |
|--|---|-------------|----------------|
| <b>Summary of Income and Expenditure</b> |   |             |                |
| <b>2002/03</b>                           |   | <b>Note</b> | <b>2003/04</b> |
| <b>£000</b>                              |   |             | <b>£000</b>    |
| <b>INCOME</b>                            |   |             |                |
| 32,232                                   | Council Tax                                   | 1           | 36,472         |
| 27,112                                   | Non-Domestic rates                            | 2           | 26,147         |
| 4,624                                    | Transfers from General Fund                   | 1 & 3       | 5,396          |
| <u>63,968</u>                            |   |             | <u>68,015</u>  |
| <b>EXPENDITURE</b>                       |   |             |                |
| Precepts and Demands:                    |   |             |                |
| 27,897                                   | - Kent County Council                         |             | 31,692         |
| 5,001                                    | - Dover District Council                      |             | 5,308          |
| 2,710                                    | - Kent Police Authority                       |             | 3,528          |
| Collection Fund surplus paid out:        |   |             |                |
| 78                                       | - Dover District Council                      |             | 55             |
| 434                                      | - Kent County Council                         |             | 308            |
| 38                                       | - Kent Police Authority                       |             | <u>30</u>      |
|  |   |             | 40,921         |
| Non-Domestic rates:                      |   |             |                |
| 26,948                                   | - Payment to National Pool                    | 2           | 25,986         |
| 30                                       | - Underpayment in ½                           |             | 0              |
| 165                                      | - Cost of Collection Allowance                |             | <u>161</u>     |
|  |   |             | 26,147         |
| 0  | Provision for Non-Payment of Community Charge | 4           | 0              |
| 200                                      | Provision for Non-Payment of Council Tax      | 4           | 195            |
| <u>63,501</u>                            |   |             | <u>67,263</u>  |
|  | (467) (Surplus)/ Deficit for the Year         |             | (752)          |
|  | (882) Surplus as at 1 April                   |             | <u>(1,349)</u> |
| <u>(1,349)</u>                           | Surplus as at 31 March                        |             | <u>(2,101)</u> |

## 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 and Dover District Council for the forthcoming year and dividing this by the Council Tax Base. (From 2004/05, the Kent and Medway Towns will precept separately. Previously they have been included with Kent County Council.)

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 |
|------|---|-----------------------------|-----------------------------|
| A    | 4,728.50  | 6/9                         | 3,152.33                    |
| B    | 13,278.75   | 7/9                         | 10,327.92                   |
| C    | 11,039.00   | 8/9                         | 9,812.44                    |
| D    | 5,773.75  | 1                           | 5,773.75                    |
| E    | 3,457.00  | 11/9                        | 4,225.22                    |
| F    | 1,883.00  | 13/9                        | 2,719.89                    |
| G    | 1,211.75  | 15/9                        | 2,019.58                    |
| H    | 41.50   | 2                           | 83.00                       |
|      | 41,413.25   |                             | 38,113.13                   |
|      | Less adjustment for collection rates                  |                             | (952.82)                    |
|      | <b>COUNCIL TAX BASE 2003/04 *</b>                     |                             | <b>37,160.31</b>            |

\* Tax base 2002/03 was 36,800.23

Estimated income from this tax base was £40.528m including Town and Parish Council precepts. Actual income was £41.868m, an increase of £1.340m.

### 2. NATIONAL NON DOMESTIC RATES (NNDR)

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. The non-domestic rate multiplier for 2003/04 was 44.4p. (2002/03 43.7p) The aggregate rateable value for the Council's district as at 31 March 2004 was £66.326m (£64.848m as at 31 March 2003).

Amounts collected less certain reliefs and other deductions, are paid to a central pool (the NNDR 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:

|  | <b>2002/03</b><br>£000 | <b>2003/04</b><br>£000 |
|--|------------------------|------------------------|
| <b>Gross Amount</b>  | 27,418                 | 26,427                 |
| Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief |                        |                        |
| <b>LESS</b>  |                        |                        |
| <b>Discretionary Relief</b>  | (205)                  | (113)                  |
| Reductions for charitable occupation, non-profit making bodies and hardship  |                        |                        |
| <b>Losses in Collection:</b> Bad and doubtful debts  | (73)                   | (66)                   |
| <b>Overpayments:</b> Interest on repayments  | (28)                   | (101)                  |
| <b>NNDR Income</b>   | <u>27,112</u>          | <u>26,147</u>          |
| <b>Costs of Collection:</b> Allowance for collecting rates   | <u>(165)</u>           | <u>(161)</u>           |
| <b>Net Contribution to NNDR Pool</b>   | <u>26,947</u>          | <u>25,986</u>          |

### 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 which is not subsidised, is transferred into the Collection Fund from the authority's General Fund. The transfer from the General Fund in 2003/04 was £5.396m (£4.624m in 2002/03).

### 4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

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

|                                   | NNDR      | Community | Council    | TOTAL      |
|-----------------------------------|-----------|-----------|------------|------------|
|                                   | £000      | Charge    | Tax        | Tax        |
|                                   | £000      | £000      | £000       | £000       |
| Brought forward 1.4.03            | 44        | 2         | 465        | 511        |
| <b>Add</b> Provision made in year | 66        | 0         | 195        | 261        |
| <b>Less</b> Amounts written off   | (53)      | (0)       | (84)       | (137)      |
| <b>Provision 31.3.04</b>          | <u>57</u> | <u>2</u>  | <u>576</u> | <u>635</u> |



## STATEMENT OF CAPITAL EXPENDITURE & FINANCING

FOR YEAR ENDED 31 MARCH 2004

This statement identifies capital expenditure during the year and how that expenditure was financed.

| FIXED ASSETS   | 2003/04<br><b>Total</b><br>£000 |
|--|---------------------------------|
| Council dwellings -                                      |                                 |
| Improvements made  | 4,370                           |
| Adaptations for elderly and disabled                     | 254                             |
| Office Buildings -                                       |                                 |
| Disabled access works                                    | 11                              |
| Whitfield offices – reception                            | 1                               |
| Sports Centres and Leisure Sites -                       |                                 |
| Dover Leisure Centre – health suite                      | 95                              |
| Other leisure facilities                                 | 3                               |
| Piers –  |                                 |
| Deal Pier refurbishments                                 | 1,685                           |
| Other land and buildings                                 | 2                               |
| Operational equipment & vehicles:-                       |                                 |
| Electronic Government General Fund projects              | 271                             |
| Air pollution monitoring and dispersion equipment/model- | 17                              |
| Environmental health database                            | 51                              |
| Housing computer system                                  | 160                             |
| Housing benefits scanner & rent service interface        | 30                              |
| Leisure centres – lockers                                | 20                              |
| Other equipment  | 8                               |
| Street Furniture -                                       |                                 |
| Footway lighting   | 25                              |
| Refurbishment of seafront shelters                       | 6                               |
| New street furniture                                     | 4                               |
| Sea defences and seafront -                              |                                 |
| Kingsdown Sea Defences                                   | 1,117                           |
| Oldstairs Bay, Kingsdown                                 | 9                               |
| Other coastal defence works                              | 1                               |
| Land awaiting development/surplus assets -               |                                 |
| Dover Town Investment Zone                               | 85                              |
| Aylesham development project                             | 58                              |
| Purchase of derelict property                            | 30                              |

|  |                |
|--|----------------|
| Parks and play areas:-   |                |
| Youth spaces   | 25             |
| Parks and teenage shelters                                     | 11             |
| <b>TOTAL SPENDING ON FIXED ASSETS</b>                          | <b>8,349</b>   |
| <br>   |                |
| <b>CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS</b>       | <b>2003/04</b> |
|  | <b>Total</b>   |
|  | <b>£000</b>    |
| Renovation grants  | 184            |
| Disabled facilities grants                                     | 354            |
| Other grants   | 220            |
| <b>TOTAL CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS</b> | <b>758</b>     |
| <br>   |                |
| <b>TOTAL CAPITAL EXPENDITURE TO BE FINANCED</b>                | <b>9,107</b>   |

|                                     |              |
|-------------------------------------|--------------|
| <b>FINANCED BY:</b>                 | <b>£000</b>  |
| Use of credit approvals (borrowing) | 1,923        |
| Movement in capital creditors       | 417          |
| Capital receipts                    | 1,612        |
| Direct Revenue Financing            | 1,317        |
| Capital Grants -                    |              |
| Disabled facilities                 | 165          |
| HRA Major Repairs Allowance         | 2,687        |
| Electronic Government grant         | 382          |
| Coast Protection                    | 571          |
| Other grants                        | 33           |
| <b>TOTAL FINANCING</b>              | <b>9,107</b> |

## NOTES TO THE STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

### 1. COMMITTED CAPITAL CONTRACTS

The following contracts have been entered into by the Council as at 31 March 2004, for which the committed sums of £1.694m shown below are yet to be reflected in the accounts.

|  | Total<br>Anticipated<br>cost | Less<br>expenditure<br>to 31 March<br>2004 | Committed<br>as at<br>31 March<br>2004 |
|--|------------------------------|--|--|
|  | £000                         | £000                                       | £000                                   |
| Deal Pier  | 2,663                        | 1,891                                      | 772                                    |
| Kingsdown sea defences                                 | 1,426                        | 1,203                                      | 223                                    |
| Disabled persons adaptation works<br>Council buildings | 117                          | 35   | 82                                     |
| Aylesham Regeneration Project                          | 200                          | 71   | 129                                    |
| Dover Town Investment Zone                             | 250                          | 197  | 53                                     |
| Housing computer system                                | 378                          | 160  | 218                                    |
| Leisure centres – equipment                            | 60                           | 24   | 36                                     |
| Tides Leisure Centre – health suite                    | 40                           | 1  | 39                                     |
| North Deal Community Centre                            | 25                           | 3  | 22                                     |
| Purchase of derelict property                          | 36                           | 30   | 6                                      |
| Environmental health database                          | 67                           | 51   | 16                                     |
| MOD realignment coastal study                          | 72                           | 0  | 72                                     |
| Computerisation of land holdings                       | 16                           | 13   | 3                                      |
| Dover Town Hall – health & safety work                 | 47                           | 24   | 23                                     |
|  | <u>5,397</u>                 | <u>3,703</u>                               | <u>1,694</u>                           |

### 2. 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.

The revenue effect of utilising operational leases is disclosed as Note 14 of the Consolidated Revenue Account.

### **3. SINGLE REGENERATION BUDGET (SRB)**

As outlined in Note 23 to the Consolidated Revenue Account, the Authority now includes details of SRB transactions in its financial statements as a result of new accounting requirements. Payments of capital grants under SRB arrangements are included within the Balance Sheet as a deferred charge, but are written straight out to the Consolidated Revenue Account via the Capital Financing Reserve, since no additional assets are being generated for the Authority itself.

In 2003/04, capital payments in respect of SRB grants, amounting to £646k, were payable to local projects, and represented onward payment of SRB grant drawn down from the South East England Development Agency. This sum is over and above the capital schemes included within the Council's schedule of Capital Expenditure.

## CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET AS AT 31 March 2004

| As at 31<br>March<br>2003 | Note  | As at 31 March 2004                          |                  |
|---------------------------|-------|--|------------------|
| As restated<br>£000       |       | £000   | £000             |
|                           | 1 – 4 |  |                  |
|                           |       | <b>Fixed assets</b>                          |                  |
|                           |       | <b>Operational assets</b>                    |                  |
| 172,649                   |       | -council dwellings                           | 203,097          |
| 31,067                    |       | -other land and buildings                    | 30,483           |
| 613                       |       | -vehicles, plant and equipment               | 807              |
| 7,532                     |       | -infrastructure assets                       | 8,165            |
| 655                       |       | -community assets                            | 643              |
| 6,034                     |       | <b>Non-operational assets</b>                | <b>243,195</b>   |
| <u>218,550</u>            |       | <b>Total fixed assets</b>                    | <u>7,520</u>     |
|                           |       |  | <b>250,715</b>   |
| 0                         | 5     | Deferred charges                             | 0                |
| 0                         |       | Long-term investments                        | 0                |
| 675                       | 6     | Long-term debtors                            | 543              |
| <u>219,225</u>            |       | <b>Total long-term assets</b>                | <u>251,258</u>   |
|                           |       | <b>Current assets</b>                        |                  |
| 154                       | 7     | -stock and work in progress                  | 157              |
| 4,149                     | 8     | -debtors                                     | 6,227            |
|                           | 9     | -investments                                 | 23,168           |
| 25,730                    |       |  | 29,552           |
|                           |       | <b>Current liabilities</b>                   |                  |
| (5,004)                   |       | -short-term borrowing                        | (4)              |
| (8,854)                   | 10    | -creditors                                   | (6,455)          |
| (182)                     |       | -receipts in advance                         | (349)            |
| (1,097)                   |       | -bank overdraft                              | (3,149)          |
| <u>234,121</u>            |       | <b>Total assets less current liabilities</b> | <u>(9,957)</u>   |
|                           |       |  | <b>270,853</b>   |
| (8,615)                   | 11    | Long-term borrowing                          | (7,013)          |
| (4,405)                   | 12    | Government grants deferred account           | (4,932)          |
| (31)                      | 13    | Deferred capital receipts                    | (27)             |
| (320)                     | 14    | Provisions                                   | (320)            |
| (32,036)                  | 24    | Pensions Liability                           | (26,629)         |
| <u>188,714</u>            |       | <b>Total assets less liabilities</b>         | <u>(38,921)</u>  |
|                           |       |  | <b>231,932</b>   |
| (161,432)                 | 15    | Fixed asset restatement reserve              | (189,341)        |
| (46,759)                  | 16    | Capital financing reserve                    | (52,931)         |
| (3,034)                   | 18    | Usable capital receipts reserve              | (3,564)          |
| 32,036                    | 24    | Pensions Reserve                             | 26,629           |
| (3,128)                   | 19    | Earmarked reserves                           | (4,462)          |
| (6,397)                   | 20    | Revenue balances                             | (8,263)          |
| <u>(188,714)</u>          |       | <b>Total equity</b>                          | <u>(231,932)</u> |

### CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 1 to 66 fairly state the financial position of the Council at 31 March 2004.

PAUL JULIAN, CPFA,  
HEAD OF ACCOUNTANCY

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. MOVEMENT OF FIXED ASSETS 2003/04

|   | <b>OPERATIONAL ASSETS</b> |                    |                                |                                     |                               |                     |         |
|---|---------------------------|--------------------|--------------------------------|-------------------------------------|-------------------------------|---------------------|---------|
|   | Council<br>Dwellings      | Council<br>Garages | Other Land<br>And<br>Buildings | Vehicles,<br>Plant and<br>Equipment | Infrastruc-<br>ture<br>Assets | Community<br>Assets | TOTAL   |
|   | £000                      | £000               | £000                           | £000                                | £000                          | £000                | £000    |
| Gross Book Value<br>31 March 2003                       | 172,649                   | 1,404              | 30,024                         | 935                                 | 10,122                        | 717                 | 215,851 |
| Revaluations and<br>Restatements                        | 38,461                    | 35                 | 6                              | 0                                   | 1                             | 0                   | 38,503  |
| Reclassification  | 19                        | 0                  | 0                              | 0                                   | 0                             | 0                   | 19      |
| Impairment loss   | 0                         | 0                  | 0                              | 0                                   | 0                             | 0                   | 0       |
| Work in Progress now<br>complete                        | 0                         | 0                  | 17                             | 54                                  | 1,297                         | 52                  | 1,420   |
| Capital Expenditure<br>complete in Year                 | 4,624                     | 0                  | 96                             | 321                                 | 41                            | 32                  | 5,114   |
| LESS Capital<br>Expenditure not<br>increasing Valuation | (4,554)                   | 0                  | (113)                          | 0                                   | (34)                          | (15)                | (4,716) |
| Less Disposals  | (5,451)                   | (15)               | (127)                          | (6)                                 | 0                             | 0                   | (5,599) |
| Gross Book Value<br>31 March 2004                       | 205,748                   | 1,424              | 29,903                         | 1,304                               | 11,427                        | 786                 | 250,592 |
| Cumulative<br>depreciation as at<br>31 March 2004       | 0                         | 0                  | (361)                          | (322)                               | (2,590)                       | (62)                | (3,335) |
| Depreciation for year                                   | (2,651)                   | (33)               | (450)                          | (175)                               | (672)                         | (81)                | (4,062) |
| Net Book Value<br>31 March 2004                         | 203,097                   | 1,391              | 29,092                         | 807                                 | 8,165                         | 643                 | 243,195 |

The Council dwellings are now 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 Council Garages in order to meet Resource Accounting requirements. However, a depreciation charge is not made in respect of other housing fixed assets as the figure is considered immaterial in relation to the total estimated expenditure on the Housing Revenue Account.

Details of the Council's non-operational assets are shown overleaf.

### NON-OPERATIONAL ASSETS

|   | Commercial<br>Land and<br>Property | Other<br>Property | Assets under<br>Construction | TOTAL   |
|---|------------------------------------|-------------------|------------------------------|---------|
|   | £000                               | £000              | £000                         | £000    |
| Gross Book Value 31 March 2003                    | 4,038                              | 114               | 1,896                        | 6,048   |
| Revaluation and Restatements                      | (31)                               | 0                 | 0                            | (31)    |
| Reclassification                                  | (19)                               | 0                 | 0                            | (19)    |
| Impairment loss                                   | 0                                  | 0                 | 0                            | 0       |
| Work in Progress now complete                     | 0                                  | 0                 | (1,419)                      | (1,419) |
| Capital Expenditure complete in Year              | 0                                  | 0                 | 3,232                        | 3,232   |
| LESS Capital expenditure not increasing Valuation | 0                                  | 0                 | 0                            | 0       |
| Disposals   | (180)                              | (70)              | 0                            | (250)   |
| Gross Book Value 31 March 2004                    | 3,808                              | 44                | 3,709                        | 7,561   |
| Cumulative depreciation as at 31 March 2004       | (14)                               | 0                 | 0                            | (14)    |
| Depreciation for year                             | (27)                               | 0                 | 0                            | (27)    |
| Net Book Value 31 March 2004                      | 3,767                              | 44                | 3,709                        | 7,520   |

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

The net assets employed at the end of the financial year were:-

|                         |         |
|-------------------------|---------|
|                         | £000    |
| Housing Revenue Account | 205,320 |
| General Fund            | 45,395  |
| Total                   | 250,715 |

It has been identified that the Asset Register used by the Council between 1994/95 and 2002/03 was incorrectly calculating depreciation. Where a revaluation of an asset has taken place, the asset life was incorrectly reset to the original total asset life. An investigation has taken place and the difference of £325k for the General fund and £18k credit for the HRA has been posted to the accounts. As depreciation charges are reversed out through the appropriation account there is no real impact in the accounts.

## 2. ASSETS HELD UNDER FINANCE LEASES

This Council does not utilise finance leases but chooses to use an operational lease facility instead. The effect of using this facility is referred to in Note 2 to the Statement of Capital Expenditure and Financing on page 43.

The revenue costs of operating leases used by the Council are disclosed as Note 14 to the Consolidated Revenue Account.

## 3. VALUATION DISCLOSURE

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 open 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 open market value for an alternative use sanctioned by planning permissions.

The properties were valued by Robert Easton a Professional Member of the Royal Institution of Chartered Surveyors, the Authority's Valuation Officer.

## 4. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:-

|   | Number<br>as at<br>31.3.03 | Net Book<br>Value as at<br>31.3.03 | Number<br>as at<br>31.3.04 | Net Book<br>Value as at<br>31.3.04 |
|---|----------------------------|------------------------------------|----------------------------|------------------------------------|
|   |                            | £000                               |                            | £000                               |
| <b>ASSETS</b>                           |                            |                                    |                            |                                    |
| <b>COUNCIL DWELLINGS</b>                |                            |                                    |                            |                                    |
| Flats/ Houses                           | 4,965                      | 172,649                            | 4,820                      | 203,097                            |
| Council Garages (note 1)                | 968                        | 1,404                              | 958                        | 1,391                              |
| <b>OPERATIONAL LAND &amp; BUILDINGS</b> |                            |                                    |                            |                                    |
| Offices:                                |                            |                                    |                            |                                    |
| Whitfield Complex                       | 1                          | 3,654                              | 1                          | 3,597                              |
| Others                                  | 2                          | 142                                | 2                          | 140                                |
|   | 3                          | 3,796                              | 3                          | 3,737                              |
| Leisure Centres & Pools:                |                            |                                    |                            |                                    |
| Dover Leisure Centre                    | 1                          | 3,420                              | 1                          | 3,367                              |
| Deal Leisure Centre                     | 1                          | 4,763                              | 1                          | 4,688                              |
| Deal Tennis Centre                      | 1                          | 364                                | 1                          | 359                                |
|   | 3                          | 8,547                              | 3                          | 8,414                              |
| Museums and Exhibitions:                |                            |                                    |                            |                                    |
| Dover Museum                            | 1                          | 3,954                              | 1                          | 3,892                              |
| Depots and Workshops (note 2)           | 18                         | 426                                | 15                         | 275                                |
| Cemeteries (sites)                      | 7                          | 55                                 | 7                          | 50                                 |
| Car Parks                               | 39                         | 2,739                              | 39                         | 2,739                              |
| Public Conveniences                     | 26                         | 1,373                              | 26                         | 1,350                              |
| <b>INFRASTRUCTURE</b>                   |                            |                                    |                            |                                    |
| Sea Defences (kilometres)               | 7                          | 5,822                              | 7                          | 6,771                              |
| <b>COMMUNITY ASSETS</b>                 |                            |                                    |                            |                                    |



|  |    |     |    |     |
|--|----|-----|----|-----|
| Parks and Open Spaces                      | 29 | 587 | 29 | 575 |
| Deal Pier                                  | 1  | 482 | 1  | 445 |
| Historic Buildings:                        |    |     |    |     |
| Timeball Tower, Deal                       | 1  | 148 | 1  | 148 |
| Grand Shaft, Dover                         | 1  | 1   | 1  | 1   |
| St Martin's Battery                        | 1  | 1   | 1  | 1   |
| Town Clock, St Peter's Church,<br>Sandwich | 1  | 1   | 1  | 1   |

Note 1 – Garages – 9 garages were demolished during 2003/04 and 1 garage sold

Note 2- Depots and workshops – The Council sold the Tower Hamlets depot and workshops on 13 February 2004.

## 5. 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 'deferred charges'. As this expenditure does not represent an asset to the Council the deferred charge balance has been written out of the balance sheet via the Capital Financing Reserve. For those deferred charges relating to General Fund Services the adjustment is via the Revenue Account, with a corresponding adjustment from the Capital Financing Reserve. (See Note 7 to the Consolidated Revenue Account.)

The following table records the movement on deferred charges:

| <b>MOVEMENT ON DEFERRED CHARGES</b> |                        |                      |  |   |                             |
|-------------------------------------|------------------------|----------------------|--|---|-----------------------------|
|                                     | Expenditure<br>in year | Government<br>Grants | Charged to<br>Consolidated<br>Revenue<br>Account | Written off<br>to Capital<br>Financing<br>Reserve | Balance<br>As at<br>31.3.04 |
| <b>Type of Deferred<br/>Charge</b>  | £000                   | £000                 | £000   | £000  | £000                        |
| Improvement Grants                  | 539                    | (166)                | (373)  | 0   | 0                           |
| SRB Grants                          | 646                    | (646)                | 0  | 0   | 0                           |
| Impact Grants *                     | 0                      | (164)                | 164  | 0   | 0                           |
| Surestart Grants                    | 863                    | (863)                | 0  | 0   | 0                           |
| Other Grants                        | 220                    | 0                    | (220)  | 0   | 0                           |
| <b>Total</b>                        | <b>2,268</b>           | <b>(1,839)</b>       | <b>429</b>                                       | <b>0</b>  | <b>0</b>                    |

\* Impact Grant – see note 7 on page 26

## 6. LONG TERM DEBTORS

Long term debtors consist of both mortgages and loans advanced to both individuals and organisations under various Acts of Parliament or utilising general powers.

Changes during the year were:

|                                   | Outstanding<br>31.3.03 | Advances<br>In year | Maturing<br>in year | Outstanding<br>31.3.04 |
|-----------------------------------|------------------------|---------------------|---------------------|------------------------|
|                                   | £000                   | £000                | £000                | £000                   |
| <b>Mortgage to:</b>               |                        |                     |                     |                        |
| Housing Associations              | 132                    | 0                   | 74                  | 58                     |
| Housing Act 1958<br>Mortgages     | 2                      | 0                   | 2                   | 0                      |
| Right to Buy Mortgages            | 31                     | 0                   | 4                   | 27                     |
| Thanet District Council           | 38                     | 0                   | 38                  | 0                      |
| <b>Loan to:</b>                   |                        |                     |                     |                        |
| Parish Councils                   | 25                     | 0                   | 1                   | 24                     |
| Leaseholders                      | 116                    | 0                   | 14                  | 102                    |
| Local Organisations               | 107                    | (25)                | 11                  | 71                     |
| Assisted Car Purchase<br>Advances | 224                    | 200                 | 163                 | 261                    |
| Service Charge Loans              | 0                      | 0                   | 0                   | 0                      |
| <b>TOTAL</b>                      | <b>675</b>             | <b>175</b>          | <b>307</b>          | <b>543</b>             |

**Thanet District Council** – the mortgage to Thanet District Council relates to properties transferred during the Local Government reorganisation 1974.

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

**Service charge loans** – The Housing (Service Charge Loans) Regulations 1992 grants leaseholders who purchased under the Right to Buy legislation an entitlement to a loan from the District Council to fund the cost of certain repairs. From 1 April 1994 the Council introduced its own scheme under these Regulations setting a qualifying limit of £250 as opposed to the £1,500 set out under the Regulations. Loans are secured against the property and attract interest at a rate determined by the Secretary of State for the Environment.

## 7. STOCKS AND WORK IN PROGRESS

|                         | As at<br>31 March 2003 | As at<br>31 March 2004 |
|-------------------------|------------------------|------------------------|
|                         | £000                   | £000                   |
| <b>Stocks</b>           |                        |                        |
| Housing Revenue Account | 8                      | 8                      |
| General Fund            | 107                    | 97                     |
| <b>Work In Progress</b> |                        |                        |
| Rechargeable Works      |                        |                        |
| Housing Revenue Account | 50                     | 52                     |
| General Fund            | (11)                   | 0                      |
| <b>Total</b>            | <b>154</b>             | <b>157</b>             |

## 8. DEBTORS

|   | As at<br>31 March 2003 | As at<br>31 March 2004 |
|---|------------------------|------------------------|
|   | £000                   | £000                   |
| <b>Dover District Council Debtors</b>     |                        |                        |
| Amounts falling due in one year:          |                        |                        |
| Housing Rents and Charges                 | 544                    | 432                    |
| Government Departments and Inland Revenue | 807                    | 1,889                  |
| Other Local Authorities                   | 55                     | 69                     |
| Sundry Debtors                            | 2,485                  | 2,623                  |
| Prepayments                               | 263                    | 1,221                  |
|   | <u>4,154</u>           | <u>6,234</u>           |
| <b>LESS</b> Provision for Bad Debts       | <u>(1,167)</u>         | <u>(1,393)</u>         |
|   | <b>2,987</b>           | <b>4,841</b>           |
| <b>Collection Fund Debtors</b>            |                        |                        |
| Amounts falling due in one year:          |                        |                        |
| Local Taxpayers                           | 1,674                  | 2,021                  |
| <b>LESS</b> Provision for Bad Debts       | <u>(512)</u>           | <u>(635)</u>           |
|   | <u>1,162</u>           | <u>1,386</u>           |
| <b>Total all Debtors</b>                  | <b>4,149</b>           | <b>6,227</b>           |

## 9. SHORT TERM INVESTMENTS

All investments conform to the Council's 'Treasury Management Strategy Statement', which is approved annually prior to the start of the financial year. This statement details both the external fund managers strategy and the in-house cashflow management strategy for the forthcoming year.

Short term investments consist of:

|  | As at<br>31 March 2003 | As at<br>31 March 2004 |
|--|------------------------|------------------------|
|  | £000                   | £000                   |
| Investment fund managed by Investec Asset Management | 18,755                 | 19,276                 |
| Stocks   | 4                      | 4                      |
| Bank and Building Societies                          | 5,500                  | 1,236                  |
| Global Treasury Fund                                 | 1,471                  | 2,652                  |
| <b>Total</b>   | <b>25,730</b>          | <b>23,168</b>          |

## 10. CREDITORS

|   | As at<br>31 March 2003 | As at<br>31 March 2004 |
|---|------------------------|------------------------|
|   | £000                   | £000                   |
| <b>Dover District Council Creditors</b> |                        |                        |
| Government Departments                  | 673                    | 927                    |
| Other Local Authorities                 | 0                      | 91                     |
| Housing Rents                           | 108                    | 71                     |
| Sundry Creditors – revenue              | 3,459                  | 2,568                  |
| Sundry Creditors – capital              | 697                    | 1,127                  |
|   | <b>4,937</b>           | <b>4,784</b>           |
| <b>Collection Fund Creditors</b>        |                        |                        |
| Amounts falling due in one year:        |                        |                        |
| Local Taxpayers                         | 1,180                  | 1,236                  |
| Government Departments                  | 2,737                  | 435                    |
|   | <b>3,917</b>           | <b>1,671</b>           |
| <b>Total all Creditors</b>              | <b>8,854</b>           | <b>6,455</b>           |

## 11. LONG TERM BORROWING

| Source of Loan                             | Range of Interest Rates Payable | Outstanding as at:   |                      |
|--|---------------------------------|----------------------|----------------------|
|  |                                 | 31 March 2003        | 31 March 2004        |
|  | %                               | £000                 | £000                 |
| Money Market (LOBO)                        | 2.8                             | 3,000                | 3,000                |
| Public Works Loan Board                    | 3.054 – 6.562                   | 5,615                | 4,013                |
|  |                                 | <u>8,615</u>         | <u>7,013</u>         |
| <b>The maturity profile of the PWLB is</b> |                                 | <u>31 March 2003</u> | <u>31 March 2004</u> |
|  |                                 | £000                 | £000                 |
|  | 1 to 2 years                    | 4                    | 4                    |
|  | 2 to 5 years                    | 260                  | 7                    |
|  | 5 to 10 years                   | 1,351                | 2                    |
|  | Over 10 years                   | 4,000                | 4,000                |
|  |                                 | <u>5,615</u>         | <u>4,013</u>         |

Sums payable within one year are shown as short term borrowing in the Balance Sheet, and amounted to £4k as at 31 March 2004. In 2003/04 the Council repaid £5m of loans maturing during that year. In addition the Council also took the decision to repay £1.6m of its remaining debt early prior to the new capital accounting regulations coming into force on 1<sup>st</sup> April 2004.

LOBO – under the terms of the loan, the Council is able to repay it in December 2004. The option to repay arises six-monthly thereafter. It is not the intention of the Council to repay the loan in the short-term.

## 12. GOVERNMENT GRANTS – 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 government grants deferred account. The grant is then released to the asset management revenue account over the useful life of the asset to match the depreciation charge made for that asset.

|  |                     |
|--|---------------------|
|  | £000                |
| Balance brought forward as at 1 April 2003         | 4,405               |
| Add income received in 2003/04:                    |                     |
| - DEFRA – Coast Protection grant                   | 571                 |
| - Electronic Government                            | 383                 |
| - Other  | 29                  |
|  | <u>5,388</u>        |
| <b>Less Applied in year</b>                        | <b>(247)</b>        |
| Transfer to Deferred Charges *                     | (164)               |
| Transfer of revenue item                           | (45)                |
| <b>Balance carried forward as at 31 March 2004</b> | <b><u>4,932</u></b> |

\*A review of all outstanding balances on the Government Grants Deferred Account has been carried out and various adjustments have been made to the account to ensure that grants for individual projects correctly corresponds to asset values and lives. It has been necessary to write out some of the balances as Deferred charges via the revenue account.

### 13. 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 principally from mortgages on sales of Council dwellings.

|  |           |
|--|-----------|
|  | £000      |
| Balance brought forward as at 1 April 2003         | 31        |
| Add: Additional receipts in previous years         | 0         |
| Less: Principal repayments                         | (4)       |
| <b>Balance carried forward as at 31 March 2004</b> | <u>27</u> |

### 14. PROVISIONS

|                   | Balance as at<br>31.3.03 | Receipts<br>in year | Applied<br>In year | Balance as at<br>31.3.04 |
|-------------------|--------------------------|---------------------|--------------------|--------------------------|
|                   | £000                     | £000                | £000               | £000                     |
| Section 38        | 5                        | 0                   | 0                  | 5                        |
| Uninsured losses  | 20                       | 0                   | 0                  | 20                       |
| Long Leaseholders | 295                      | 0                   | 0                  | 295                      |
| <b>TOTAL</b>      | <u>320</u>               | <u>0</u>            | <u>0</u>           | <u>320</u>               |

**Section 38** - a sum of money set aside to assist with clearing a dyke in Sandwich.

**Uninsured losses** - a provision set up to meet costs arising from increased excesses required on insurance cover.

**Long Leaseholders** – this is a provision set up to meet potential costs relating to leaseholder properties.

The above provisions are not compliant with FRS9 as no timescale has been set up for their release.

### 15. FIXED ASSET RESTATEMENT RESERVE

The fixed asset restatement reserve represents the change in the value of the Council's fixed assets due to revaluations, restatements and expenditure on fixed assets which does not increase their value.

Movements on the account during 2003/04 are detailed below:

|  |                |
|--|----------------|
|  | £000           |
| Balance brought forward 1 April 2003               | 161,432        |
| Revaluations and Restatements                      | 38,473         |
| Disposal of fixed assets                           | (5,849)        |
| Capital expenditure not increasing value of assets | (4,715)        |
| <b>Balance carried forward as at 31 March 2004</b> | <u>189,341</u> |

## 16. CAPITAL FINANCING RESERVE

The capital financing reserve contains the amounts which are required by Statute to be set aside from capital receipts for the repayment of external loans and the amounts of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

|  |               |
|--|---------------|
| <b>Capital Financing Reserve</b>                               | £000          |
| Balance brought forward as at 1 April 2003                     | 46,759        |
| <b>Add:</b>  |               |
| Capital financing  |               |
| - reserves applied   | 2,687         |
| - revenue applied  | 1,317         |
| - capital receipts applied                                     | 1,612         |
| Capital receipts set aside                                     | 5,345         |
| Allocation of grant from Government<br>Grants Deferred Account | 247           |
|  | <hr/>         |
|  | 57,967        |
| <b>Less:</b>   |               |
| Capital asset accounting adjustment                            | (2,685)       |
| Minimum Revenue Provision<br>(less depreciation provision)     | (1,269)       |
| Long-term debtors/ capital receipts adjustment                 | (653)         |
| Write down of deferred charges                                 | (429)         |
|  | <hr/>         |
| <b>Balance carried forward as at 31 March 2004</b>             | <b>52,931</b> |

## 17. PROVISION FOR CREDIT LIABILITIES

In accordance with statutory requirements the Council is required to set aside sums as a provision to repay external loans and for other limited purposes. The Council no longer keeps a separate account on the face of the balance sheet but is required to maintain a memorandum account which is set out below:

|  |               |
|--|---------------|
|  | £000          |
| Balance brought forward as at 1 April 2003             | 15,157        |
| <b>Add:</b>  |               |
| Minimum Revenue Provision – statutory                  | 139           |
| Set Aside Capital Receipts from sales and<br>mortgages | 5,345         |
| Transferred Assets                                     | 38            |
|  | <hr/>         |
|  | 20,679        |
| <b>Less:</b>   |               |
| Repayment of external loans                            | (6,602)       |
| Premia for early redemption of debt                    | (565)         |
|  | <hr/>         |
| <b>Balance carried forward as at 31 March 2004</b>     | <b>13,512</b> |

Under the Local Government Act 2003, this requirement ceases.

## 18. USABLE CAPITAL RECEIPTS RESERVE

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

|  | £000    | £000         |
|--|---------|--------------|
| Balance brought forward as at 1 April 2003   |         | <b>3,034</b> |
| <b>Add:</b>                                  |         |              |
| Receipts in Year:                            |         |              |
| - Land Sales – General Fund                  | 76      |              |
| - Other Sales – General Fund                 | 35      |              |
| - Land Sales – Housing Revenue Account       | 0       |              |
| - Other Sales – Housing Revenue Account      | 655     |              |
| - Dwelling Sales                             | 6,630   |              |
| - Mortgage and Loan Repayments               | 91      |              |
|  | <hr/>   | 7,487        |
| <b>Less:</b>                                 |         |              |
| Receipts Set Aside                           | (5,345) |              |
| Receipts used to finance Capital expenditure | (1,612) |              |
|  | <hr/>   | (6,957)      |
| <b>Balance as at 31 March 2004</b>           |         | <b>3,564</b> |

## 19. EARMARKED RESERVES

|   | Balance as at<br>1 April 2003 | Receipts<br>in year | Applied<br>in year | Balance as at<br>31 March<br>2004 |
|---|-------------------------------|---------------------|--------------------|-----------------------------------|
|   | £000                          | £000                | £000               | £000                              |
| Historic Buildings                      | 66                            | 0                   | 0                  | 66                                |
| Dover Lottery                           | 2                             | 0                   | 0                  | 2                                 |
| Museums Acquisitions                    | 2                             | 0                   | 0                  | 2                                 |
| Capital Projects (General Fund)         | 1,943                         | 167                 | 221                | 1,889                             |
| Invest to Save Reserve                  | 0                             | 500                 | 0                  | 500                               |
| Service/Performance Improvement Reserve | 0                             | 500                 | 0                  | 500                               |
| Investment Income                       | 0                             | 100                 | 0                  | 100                               |
| Equalisation Reserve                    |                               |                     |                    |                                   |
| Risk Management Initiative              | 45                            | 0                   | 0                  | 45                                |
| IT Equipment                            | 166                           | 0                   | 0                  | 166                               |
| Leisure Centres Equipment               | 31                            | 0                   | 0                  | 31                                |
| Major Repairs Reserve                   | 737                           | 3,111               | 2,687              | 1,161                             |
| Severance Payments Reserve              | 136                           | 0                   | 136                | 0                                 |
| <b>TOTAL</b>                            | <hr/> <b>3,128</b>            | <hr/> <b>4,378</b>  | <hr/> <b>3,044</b> | <hr/> <b>4,462</b>                |



**Historic Buildings** - primarily to assist with any refurbishment of the Dover Town Hall, but available for any of the Council's historic buildings.

**Dover Lottery** - this is the residual balance from the Council's discontinued local lottery. Monies are used to help local organisations with specific projects.

**Museum Acquisitions** - originally received contributions from the 'Friends of Dover Museum' for special occasions.

**Capital Projects (General Fund)** - this sum is held in reserve to be used to finance general fund capital and special revenue works projects.

**Invest to Save Reserve** – this reserve has been set up to create funding for projects which will deliver future savings but require initial resources in order to enable their delivery.

**Service/Performance Improvement Reserve** – this reserve has been set up to provide one-off sums to assist particular priority areas improve their outputs.

**Investment Income Equalisation Reserve** – following the underperformance against the original budget in 2003/04, this reserve has been set up to enable any future shortfall in returns to not impact on ongoing budgets.

**Risk Management Initiative** - this reserve has been set aside to finance future risk analysis work.

**IT Equipment** – this reserve will enable the Council to purchase smaller items of IT hardware as a more efficient and programmed alternative to previous leasing arrangements.

**Leisure Centres Equipment** - this reserve has been established in order to enable the replacement of equipment within the Council's leisure centres.

**Major Repairs Reserve** – the Government grants the Council a Major Repairs Allowance to assist in the financing of the Housing Revenue Account capital programme. Any amount not spent in one year is placed in the Major Repairs Reserve for future years housing capital expenditure. The Major Repairs Allowance for 2003/04 was £3.111m of which £2.687m was used to finance housing capital expenditure. The balance of £424k will be used in future years to meet the Government's Decent Homes target.

**Severance Payments Reserve** – A severance payments reserve of £1.5 million was established on 31 March 2002 by way of transfer of funds held within the Capital and Special Projects Reserve. These funds were not earmarked for specific purposes at that date. The first withdrawals from the reserve were made on 31 March 2002 in the sum of £152k. Additional withdrawals were made in 2002/03 of £2.529m. An additional transfer of £1.181m was made from the General Fund and a further contribution of £136k was made from the Housing Revenue Account. The remaining balance on the reserve has been utilised in 2003/04 to part fund the costs of additional redundancies in 2003/04.

**20. REVENUE BALANCES**

|                            | Balance as at<br>1 April 2003 | Additions    | Withdrawals | Balance as at<br>31 March<br>2004 |
|----------------------------|-------------------------------|--------------|-------------|-----------------------------------|
|                            | £000                          | £000         | £000        | £000                              |
| General Fund               | 2,072                         | 447          | 0           | 2,519                             |
| Housing Revenue<br>Account | 2,978                         | 665          | 0           | 3,643                             |
| Collection Fund            | 1,349                         | 752          | 0           | 2,101                             |
| <b>TOTAL</b>               | <b>6,399</b>                  | <b>1,864</b> | <b>0</b>    | <b>8,263</b>                      |

**21. SINGLE EUROPEAN CURRENCY (The Euro)**

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

**22. CONTINGENT LIABILITIES**

At the date of the balance sheet there are no contingent liabilities.

**23. CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL**

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

Sir Ernest Bruce Charles                      Charity No. 1021750  
 Frederick Franklin Public Park      Charity No. 1092171

Summarised accounts for each charity are set out below. All accounts are submitted to the Charity Commission. 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 (Charity No. 1021750)**

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

| <b>SIR ERNEST BRUCE CHARLES</b> | 2002/03<br>£  | 2003/04<br>£  |
|---------------------------------|---------------|---------------|
| Income                          | 671           | 453           |
| Expenditure                     | 260           | 1000          |
| Deficit for Year                | 411           | (547)         |
| Fund Balance 1 April            | 70,091        | 70,502        |
| <b>Fund Balance 31 March</b>    | <b>70,502</b> | <b>69,955</b> |
| Represented by:                 |               |               |
| Investments                     | 62,174        | 62,627        |
| Bank                            | 8,328         | 7,328         |
|                                 | <b>70,502</b> | <b>69,955</b> |

**Charity of Frederick Franklin for a Public Park (Charity No. 1092171)**

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

| <b>CHARITY OF FREDERICK<br/>FRANKLIN FOR A PUBLIC<br/>PARK</b> | 22/4/2002<br>to<br>31/3/2003<br>£ | 2003/04<br>£   |
|--|-----------------------------------|----------------|
| Income   | 1,204                             | 959            |
| Expenditure  | 1,204                             | 959            |
| Surplus/(Deficit for Year)                                     | 0                                 | 0              |
| Fund Balance 1 April   | 230,599                           | 230,599        |
| <b>Fund Balance 31 March</b>                                   | <b>230,599</b>                    | <b>230,599</b> |
| Represented by:  |                                   |                |
| Dwellings  | 55,000                            | 55,000         |
| Land & Other<br>Buildings                                      | 175,559                           | 175,559        |
|  | <b>230,559</b>                    | <b>230,559</b> |

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

## 24. PENSION COMMITMENTS

Under FRS17 Retirement Benefits the Council is required to provide details of assets and future liabilities for pension payable to Council staff, both past and present. For the 2002/03 financial year this took the form of a note to the balance sheet. For 2003/04, FRS17 has been fully incorporated into the authority's accounts.

The accounts show a liability of £26.6m as at 31 March 2004 (£32m as at 31 March 2003). Whilst this figure represents a substantial long term liability, it is comparable with all other Districts within the Kent scheme. The deficit will vary in accordance with the investment values of the fund as influenced by national economic conditions, principally through the stock market.

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by Kent County Council in accordance with the Local Government Pension Scheme 1997 as amended.

The pension costs relating to the scheme is assessed in accordance with the advice of independent qualified actuaries and is such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The latest formal valuation of the scheme was carried out as at 31 March 2001, with the next formal valuation due as at 31 March 2004. In addition, the actuaries have considered the effect of contributions paid into, and estimated benefits paid from, the Fund by Dover District Council and its employees. Therefore, to facilitate the calculations the actuaries have used the following items of data;

- The individual membership data submitted for the previous formal valuation as at 31 March 2001.
- The latest numbers of employees, deferred pensioners and pensioners as at 31 January 2004.
- Employer and employee contributions up to 31 March 2004.
- Actual fund returns from 1 April 2003 up to 31 December 2003.
- Any new early retirements from 1 April 2003 to the latest available date of 31 January 2004 on unreduced pensions which are not anticipated in the normal employer service cost.

In accordance with FRS 17, the latest actuarial valuation of Dover District Councils pension scheme, as administered by Kent County Council, has been reviewed and updated by a qualified actuary using the method described above. The major assumptions used were;

|                   | <b>31 March 2003</b><br><b>% per annum</b> | <b>31 March 2004</b><br><b>% per annum</b> |
|-------------------|--|--|
| Price Increases   | 2.5%                                       | 2.9%                                       |
| Salary Increases  | 4.0%                                       | 4.4%                                       |
| Pension Increases | 2.5%                                       | 2.9%                                       |
| Discount Rate     | 6.1%                                       | 6.5%                                       |

| <b>Assets (Whole Fund)</b> | <b>Expected Return at 31 March 2003</b> | <b>Expected Return at 31 March 2004</b> | <b>Value at 31 March 2004</b> |
|----------------------------|---|---|-------------------------------|
|                            | <b>(% per annum)</b>                    | <b>(% per annum)</b>                    | <b>£000</b>                   |
| Equities                   | 8.0%                                    | 7.7%                                    | 1,196,887                     |
| Bonds                      | 4.8%                                    | 5.1%                                    | 200,591                       |
| Property                   | 6.0%                                    | 6.5%                                    | 121,408                       |
| Cash                       | 4.0%                                    | 4.0%                                    | 38,369                        |
| <b>Total</b>               |   |   | <b>1,557,255</b>              |

| <b>Net Pension Assets for Dover District Council as at</b> | <b>31 March 2003</b> | <b>31 March 2004</b> |
|--|----------------------|----------------------|
|  | <b>£,000</b>         | <b>£,000</b>         |
| <b>Estimated Employee Assets (A)</b>                       | <b>37,254</b>        | <b>46,158</b>        |
| Present Value of Scheme Liabilities                        | 69,290               | 72,787               |
| <b>Total Value of Liabilities (B)</b>                      | <b>69,290</b>        | <b>72,787</b>        |
| <b>Net Pension Liability (A) – (B)</b>                     | <b>(32,036)</b>      | <b>(26,629)</b>      |

| <b>Movement in Surplus/Deficit During the Year</b> | <b>Year to 31 March 2003</b> | <b>Year to 31 March 2004</b> |
|--|------------------------------|------------------------------|
|  | <b>£,000</b>                 | <b>£,000</b>                 |
| <b>Surplus/(deficit) at beginning of the year</b>  | (17,240)                     | (32,036)                     |
| Current Service Cost                               | (1,300)                      | (1,115)                      |
| Employer contributions                             | 2,214                        | 2,287                        |
| Other income                                       | -                            | -                            |
| Other outgoings (e.g. expenses, etc.)              | -                            | -                            |
| Past service costs                                 | (90)                         | (97)                         |
| Impact of settlements and curtailments             | (2,160)                      | (1,043)                      |
| Net return on assets                               | (840)                        | (1,550)                      |
| Actuarial gains/(losses)                           | (12,620)                     | 6,925                        |
| <b>Surplus/(deficit) at end of year</b>            | <b>(32,036)</b>              | <b>(26,629)</b>              |

| <b>Amount Charged to Operating Profit</b> | <b>Year to 31 March 2003</b> | <b>Year to 31 March 2004</b> |
|---|------------------------------|------------------------------|
|   | <b>£,000</b>                 | <b>£,000</b>                 |
| Service cost                              | 1,300                        | 1,115                        |
| Past service costs                        | 90                           | 97                           |
| Curtailments and settlements              | 2,160                        | 1,043                        |
| Decrease in irrecoverable surplus         | -                            | -                            |
| <b>Total Operating Charge (A)</b>         | <b>3,550</b>                 | <b>2,255</b>                 |

| <b>Amount Credited to Other Finance Income</b> | <b>Year to 31 March 2003</b> | <b>Year to 31 March 2004</b> |
|--|------------------------------|------------------------------|
|  | <b>£,000</b>                 | <b>£,000</b>                 |
| Expected return on employer assets             | 3,300                        | 2,672                        |
| Interest on pension scheme liabilities         | (4,140)                      | (4,222)                      |
| <b>Net Return (B)</b>                          | <b>(840)</b>                 | <b>(1,550)</b>               |
| Net Revenue Account Cost (A) – (B)             | <b>4,390</b>                 | <b>3,805</b>                 |

| Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL) | Year to 31 March 2003 | Year to 31 March 2004 |
|---|-----------------------|-----------------------|
|   | £,000                 | £,000                 |
| Actual return less expected return on pension scheme assets                             | (12,870)              | 6,364                 |
| Experience gains and losses arising on the scheme liabilities                           | 240                   | 561                   |
| Changes in financial assumptions underlying the present value of the scheme liabilities | -                     | -                     |
| Actuarial gain/(loss) in pension plan   | (12,620)              | 6,925                 |
| Increase/(decrease) in irrecoverable surplus from membership fall and other factors     | -                     | -                     |
| <b>Actuarial gain/(loss) recognised in STRGL</b>  | <b>(12,620)</b>       | <b>6,925</b>          |

| History of Experience Gains and Losses                      | Year to 31 March 2003 | Year to 31 March 2004 |
|---|-----------------------|-----------------------|
|   | £,000                 | £,000                 |
| Difference between the expected and actual return on assets | (12,870)              | 6,364                 |
| Value of assets   | 36,820                | 45,724                |
| <b>Percentage of assets</b>                                 | <b>(35.0%)</b>        | <b>13.9%</b>          |
| Experience gains/(losses) on liabilities                    | 240                   | 561                   |
| Present value of liabilities                                | 69,290                | 72,786                |
| <b>Percentage of the present value of liabilities</b>       | <b>0.3%</b>           | <b>0.8%</b>           |
| Actuarial gains/losses recognised in STRGL                  | (12,620)              | 6,925                 |
| Present value of liabilities                                | 69,290                | 72,786                |
| <b>Percentage of the present value of liabilities</b>       | <b>(18.2%)</b>        | <b>9.5%</b>           |

The Kent County Council pension scheme is not 100% funded and a long term plan for meeting the funding deficit will be determined by the Actuaries. The District Council has an apportioned share of the deficit, which is currently not required to be included in its accounting arrangements.

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

| TOTAL MOVEMENT IN RESERVES            | Capital Reserves                |                           |                         | Earmarked Reserves | Revenue Reserves |                         | Collection Fund | Pensions Pension Reserve | TOTAL   |
|---------------------------------------|---------------------------------|---------------------------|-------------------------|--------------------|------------------|-------------------------|-----------------|--------------------------|---------|
|                                       | Fixed Asset Restatement Reserve | Capital Financing Reserve | Usable Capital Receipts |                    | General Fund     | Housing Revenue Account |                 |                          |         |
|                                       | £000                            | £000                      | £000                    |                    | £000             | £000                    |                 |                          |         |
| Balances as at 1 April 2003           | 161,432                         | 46,759                    | 3,034                   | 3,128              | 2,072            | 2,978                   | 1,349           | (32,036)                 | 188,716 |
| <b>MOVEMENTS IN YEAR</b>              |                                 |                           |                         |                    |                  |                         |                 |                          |         |
| Unrealized gains/losses               |                                 |                           |                         |                    |                  |                         |                 |                          |         |
| - on revaluation of fixed assets      | 38,473                          | -                         | -                       | -                  | -                | -                       | -               | -                        | 38,473  |
| - capital expenditure                 | (4,715)                         | -                         | -                       | -                  | -                | -                       | -               | -                        | (4,715) |
| Effects of Disposal of Fixed Assets   |                                 |                           |                         |                    |                  |                         |                 |                          |         |
| - Cost or value of assets disposed of | (5,849)                         | -                         | -                       | -                  | -                | -                       | -               | -                        | (5,849) |
| - Proceeds of disposals               | -                               | 4,693                     | 2,142                   | -                  | -                | -                       | -               | -                        | 6,835   |
| Financing of capital expenditure      | -                               | 5,616                     | -                       | -                  | -                | -                       | -               | -                        | 5,616   |
| Capital financing adjustments         | -                               | (4,137)                   | -                       | -                  | -                | -                       | -               | -                        | (4,137) |
| Receipts in year                      | -                               | -                         | -                       | 4,379              | -                | -                       | -               | 9,212                    | 13,591  |
| Applied in year                       | -                               | -                         | (1,612)                 | (3,045)            | -                | -                       | -               | (3,805)                  | (8,462) |
| Net surplus/ (deficit) in year        | -                               | -                         | -                       | -                  | 447              | 665                     | 752             | -                        | 1,864   |
| Balances as at 31 March 2004          | 189,341                         | 52,931                    | 3,564                   | 4,462              | 2,519            | 3,643                   | 2,101           | (26,629)                 | 231,932 |
| See notes on balance sheet:           | Note 15                         | Note 16                   | Note 18                 | Note 19            | Note 20          | Note 20                 | Note 20         | Note 24                  |         |

**NOTES:** The Fixed Asset Restatement Reserve and the Capital Financing Reserve cannot be called upon to support either revenue or capital expenditure. The Usable Capital Receipts Reserve can be used to fund capital expenditure. Revenue Reserves can be used to fund capital and revenue expenditure, with the exception of the Collection Fund, which can only be used to reduce Council Tax demands. The opening balance of reserves has been amended to reflect the implementation of FRS17. Opening reserves have been adjusted by £32.036m being the pension liability as at 1 April 2003. This balance represents a long term liability which will vary in accordance with the investment values of the fund.

## CASH FLOW STATEMENT

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

| CASH FLOW STATEMENT                                    |   | 2003/04         |                     |
|--|---|-----------------|---------------------|
| 2002/03  |   | £000            | £000                |
| £000   |   |                 |                     |
| <b>REVENUE ACTIVITIES</b>                              |   |                 |                     |
| <i>Cash outflows</i>                                   |   |                 |                     |
| 15,817   | Cash paid out to and on behalf of employees             | 12,177          |                     |
| 38,201   | Other operating cash payments                           | 61,688          |                     |
| 12,956   | Housing Benefit paid out                                | 13,275          |                     |
| 24,831   | National Non-Domestic Rate payments to National Pool    | 28,288          |                     |
| <u>31,079</u>  | Precepts paid   | <u>35,558</u>   | 150,986             |
| <u>122,884</u>   |   |                 |                     |
| <i>Cash inflows</i>                                    |   |                 |                     |
| (6,229)  | Rents (after rebates)                                   | (6,169)         |                     |
| (32,338)   | Council Tax receipts                                    | (36,453)        |                     |
| (4,634)  | National Non-Domestic Rates received from National Pool | (3,649)         |                     |
| (27,603)   | Non-Domestic Rate receipts                              | (25,999)        |                     |
| (4,748)  | Revenue Support Grant                                   | (5,735)         |                     |
| (17,484)   | DSS grants for benefits                                 | (17,481)        |                     |
| (4,448)  | Other government grants                                 | (4,339)         |                     |
| (7,121)  | Cash received for goods and services                    | (7,218)         |                     |
| <u>(23,956)</u>  | Other operating cash receipts                           | <u>(46,417)</u> | (153,460)           |
| <u>(128,561)</u>                                       |   |                 |                     |
| (5,677)  | Revenue Activities Net Cash Flow                        |                 | (2,474)             |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b> |   |                 |                     |
| <i>Cash outflows</i>                                   |   |                 |                     |
| 683  | Interest paid   | 1,172           |                     |
| <i>Cash inflows</i>                                    |   |                 |                     |
| (680)  | Interest received                                       | <u>(529)</u>    | 643                 |
| <b>CAPITAL ACTIVITIES</b>                              |   |                 |                     |
| <i>Cash outflows</i>                                   |   |                 |                     |
| 3,784  | Capital expenditure excluding grants                    | 8,385           |                     |
| 14   | Capital grants  | 290             |                     |
| <i>Cash inflows</i>                                    |   |                 |                     |
| (5,077)  | Sale of fixed assets                                    | (7,527)         |                     |
| (174)  | Capital grants received                                 | <u>(747)</u>    | 401                 |
| <u>(7,127)</u>   | Net cash (inflow)/outflow before financing              |                 | (1,430)             |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>                  |   |                 |                     |
| 9,940  | Net increase (decrease) in short-term deposits          |                 | (3,118)             |
| <b>FINANCING</b>                                       |   |                 |                     |
| <i>Cash outflows</i>                                   |   |                 |                     |
| 5,003  | Repayments of amounts borrowed                          | 6,601           |                     |
| <i>Cash inflows</i>                                    |   |                 |                     |
| <u>(7,266)</u>   | New loans raised  | <u>0</u>        | 6,601               |
| <u><u>550</u></u>                                      | <b>Net (Increase)/ Decrease in Cash</b>                 |                 | <u><u>2,053</u></u> |



## NOTES TO THE CASH FLOW STATEMENT

### 1. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

| 2002/03<br>£000                    | (Surplus)/ Deficit per:                            | 2003/04<br>£000 |
|------------------------------------|--|-----------------|
| 1,218                              | Consolidated Revenue Account                       | Page 22 (447)   |
| (2,338)                            | Housing Revenue Account                            | Page 33 (665)   |
| (467)                              | Collection Fund                                    | Page 38 (752)   |
| (1,587)                            | Net Surplus  | (1,864)         |
| 984                                | Interest   | 643             |
| <b>Non-Cash Transactions:</b>      |  |                 |
| 0                                  | Contributions to/ from Provisions                  | 0               |
| 1,230                              | Contributions to/ from Reserves                    | (865)           |
| 0                                  | Contributions to Capital                           | (1,317)         |
| (2,689)                            | Capital Financing Adjustments                      | (3,551)         |
| <b>Items on an accruals basis:</b> |  |                 |
| 92                                 | Increase/ (Decrease) in Stock and Work in Progress | 4               |
| 95                                 | Increase/ (Decrease) in Debtors                    | 2,078           |
| (3,802)                            | (Increase)/ Decrease in Creditors                  | 2,398           |
| (5,677)                            | <b>Net Cash outflow from Revenue Activities</b>    | <b>(2,474)</b>  |

### 2. ANALYSIS OF BALANCE OF CASH

|                                   | As At<br>31-Mar-03<br>£000 | As At<br>31-Mar-04<br>£000 | Net<br>Movement<br>£000 |
|-----------------------------------|----------------------------|----------------------------|-------------------------|
| Cash In Hand                      | (2)                        | (1)                        | (1)                     |
| Bank Overdrawn                    | (1,094)                    | (3,148)                    | 2,054                   |
| <b>Net Cash (Inflow)/ Outflow</b> | <b>(1,096)</b>             | <b>(3,149)</b>             | <b>2,053</b>            |

### 3. ANALYSIS OF MANAGEMENT OF SHORT-TERM INVESTMENTS

|                                   | As At<br>31-Mar-03<br>£000 | As At<br>31-Mar-04<br>£000 | Net<br>Movement<br>£000 |
|-----------------------------------|----------------------------|----------------------------|-------------------------|
| Investec Asset Management         | 18,756                     | 19,726                     | (520)                   |
| Stocks                            | 4                          | 4                          | 0                       |
| Bank & Building Societies         | 5,500                      | 1,236                      | 4,264                   |
| Global Treasury Fund              | 1,470                      | 2,652                      | (1,182)                 |
| <b>Net Cash (Inflow)/ Outflow</b> | <b>25,730</b>              | <b>23,168</b>              | <b>2,562</b>            |

#### 4. ANALYSIS OF CHANGES IN FINANCING

|                                   | As At<br>31-Mar-03 | As At<br>31-Mar-04 | Net<br>Movement |
|-----------------------------------|--------------------|--------------------|-----------------|
| Long and Short Term Borrowing:    |                    |                    |                 |
| Short Term Borrowing              | 5,004              | 4                  | 5,000           |
| Public Works Loan Board           | 5,615              | 4,013              | 1,602           |
| Money Market                      | 3,000              | 3,000              | 0               |
| <b>Net Cash (Inflow)/ Outflow</b> | <b>13,619</b>      | <b>7,017</b>       | <b>6,602</b>    |

#### 5. ANALYSIS OF GOVERNMENT GRANTS

| 2002/03<br>£000 |                                       | 2003/04<br>£000 | 2003/04<br>£000 |
|-----------------|---------------------------------------|-----------------|-----------------|
| 4,748           | Revenue Support Grant                 |                 | 5,735           |
|                 | <b>DSS Grants for Rebates</b>         |                 |                 |
| 12,292          | Rent Allowances                       | 12,354          |                 |
| 4,763           | Council Tax Benefits                  | 4,198           |                 |
| 429             | Administration                        | 602             | 17,154          |
| 4,260           | Housing Subsidy                       | 4,337           |                 |
| 168             | National Non-Domestic rate Collection | 220             |                 |
| 20              | Other                                 | 109             | 4,666           |
| <b>26,680</b>   | <b>Total Government Grants</b>        |                 | <b>27,555</b>   |