



**Statement  
of  
Accounts**

**2004/05**

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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 2005 are set out on pages 23 to 67.

The Council's accounts consist of:

- Statement of Responsibilities – (page 9). This outlines the responsibilities of the Authority and the Chief Financial Officer with respect to the Statement of Accounts.
- Statement on the System of Internal Financial Control – (page 10). 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 23). 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 34). 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 and capital financing costs – and how this is financed by rents and other income.
- Collection Fund – (page 39). 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 42). This statement shows capital expenditure during the year and how this has been financed.
- Consolidated Balance Sheet – (page 46). 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 64). 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 65). 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 2004/05 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**

The General Fund outturn statement shows that a deficit of £135k was made for the year, against a budgeted surplus of £158k. This overspend has been offset by an equivalent withdrawal from the General Fund surplus.

A decision was made by Council on 1 March 2005 to make a transfer of £1m to the Invest to Save Reserve, from General Fund balances, to enable future efficiencies to be initially resourced. This transfer has been increased by £109k on finalisation of the outturn for the year.

In addition to movements on this reserve, the following main variances have occurred against each portfolio:

The Access portfolio variance is an underspend of £71k. This mainly comprises of:

- Additional car parking income £173k, relating to increased car parking charges and an increase in the number of penalty charge notices issued.
- Incomplete S38 Agreements as at 31 March 2005 transferring to Kent County Council. The loss of income to Dover District Council for these agreements, net of legal fees, totals £97k.

The Community portfolio variance is an underspend of £57k. This is due to the following:

- The Local Government Act 2003 moved the requirement to account for rent rebates from the Housing Revenue Account to the General Fund from 1 April 2004. The Council has received a direction from the First Secretary of State to transfer the sum of £301k from the Housing Revenue Account to the General Fund for 2004/05 to negate the effect of this change in accounting.
- Spend on renovation grants is higher than budget by £153k. Spend on capital grants has been reduced by £51k. Capital charges have increased by £149k. These variances are offset through the financing adjustments section.

The Corporate Performance portfolio variance is an overspend of £58k. This is mainly due to changes in support charges.

The Corporate Resources portfolio variance is an underspend of £101k. This mainly comprises of:

- Increases in pension costs of £82k.
- Redundancy payments of £77k.
- Additional Council Tax and NNDR penalty and fine income of £143k.
- Efficiency savings made by the Revenues and Benefits Division of £64k.
- Reductions in NNDR discretionary relief payments of £23k.
- Members allowances savings of £15k
- No longer using collection agency service £15k.

The Economy portfolio variance is an overspend of £11k. This relates to:

- A one-off NNDR refund for the White Cliffs Experience of £279k.
- Additional special revenue scheme expenditure of £229k. This is offset by a contribution from the Capital and Special Projects Reserve.
- Increased support charges of £42k.

The Environment portfolio variance is an underspend of £517k. This is made up of:

- A higher level of development and building control fee income of £28k.
- Planning delivery grant underspends carried forward to 2005/06 of £454k. This underspend has been transferred to a new reserve set up for this purpose.
- Support charge variances of £28k.

In addition to the variances on the net portfolio expenditure, other variances have occurred as follows:

- A compensation payment has been received from the Secretary of State in respect of the A20 development. The element attributable to the General Fund is £14k.
- Additional interest of £94k has been received against the original budget.

The net effect of the above variations were to produce an overall overspend of £293k, as shown on page 7.

During 2004/05, the Council implemented a formal budget monitoring process. Budget managers regularly review their budgets and identify any savings or growth items. The revenue budget is then updated on a monthly basis to reflect these changes to the original budget. This monitoring process highlighted the majority of the variations listed above and the rolling budget was amended during the year accordingly.

### **HOUSING REVENUE ACCOUNT OUTTURN**

It was estimated that a surplus of £667k 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 £1,020k:

- Contributions of £403k have been received from Kent County Council during the year towards the costs of the new Supporting People regime. The contributions were not anticipated at original budget.
- There has been additional spend on Repairs and Maintenance (including Administration) of £215k. Principal areas of overspend were Term Maintenance and Heating Servicing, with the re-tendering process on Term Maintenance leading to higher responsive repair work costs.
- Additional savings have been made on Supervision and Management costs in the sum of £150k, covering both premises related areas (fuel, lighting and water) and equipment and materials purchase/maintenance.
- Additional Investment income has been realised against original budget, of £142k.
- There has been increased Direct Revenue Financing (£186k) of the Housing Capital programme, comprising re-profiling of Housing IT implementation (£136k) and Windows and Doors programme (£50k).
- Exceptional item - A20 compensation has been received relating to HRA (£124k), not featured at original budget cycle. The time of settlement was not known when the annual budget was set.

The net effect of the above variations was to produce an overall surplus of £1.020m. The accumulated surplus on the Housing Revenue Account as at 31 March 2005 was £4.663m (budget £3.643m). The additional surplus will be utilised to help the funding of the Decent Homes programme in future years.

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

There have been no major changes in the level of investment activity during 2004/05.

### **PENSION LIABILITY**

- There is a 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 £47.522m as at 31 March 2005. Under FRS 17,

Accounting for Pension Arrangements, this amount appears as a liability against Dover District Council in the balance sheet as at 31 March 2005.

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

- There have been no major single fixed asset acquisition or disposal during the year. Capital expenditure covered some 30 capital schemes and disposals related to the sale of around 70 council dwellings.
- 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.

#### **NEW LEGISLATION**

- The introduction of the Local Government Act 2003 in September 2003 introduced 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 has resulted in the introduction of the pooling of housing capital receipts and the abolition of the Provision for Credit Liabilities, including the setting aside of capital receipts to repay existing or future debt.

## REVENUE EXPENDITURE IN 2004/05

### General Fund

This is summarised below:

<b>GENERAL FUND SUMMARY 2004/05</b>				
<b>Item No.</b>	<b>Portfolio Services</b>	<b>2004/05 Original Budget £000</b>	<b>2004/05 Actual £000</b>	<b>Difference £000</b>
1.	Access	793	722	(71)
2.	Citizenship	501	502	1
3.	Community	3,393	3336	(57)
4.	Corporate Performance	351	409	58
5.	Corporate Resources	4,463	4,362	(101)
6.	Economy	1,098	1,109	11
7.	Environment	5,749	5,232	(517)
8.	Balances on internal trading accounts	(32)	22	54
9.	Contingency	109	0	(109)
	<b>Portfolio Net Expenditure</b>	<b>16,425</b>	<b>15,694</b>	<b>(731)</b>
	<b>Financing Adjustments</b>			
10.	Interest Receivable	(665)	(759)	(94)
	Asset Management Revenue Account:			
11.	- Depreciation	955	4,310	3,355
12.	- Interest Payable	375	363	(12)
13.	- Asset Management Credits	(2,454)	(5,874)	(3,420)
14.	- Grant Released	(180)	(235)	(55)
	Appropriation Account:			
15.	- Deferred Charges	(700)	(689)	11
16.	- External Loans Adjustment	(954)	(1,155)	(201)
17.	- Minimum Revenue Provision	61	0	(61)
18.	- Grant Applied	180	235	55
19.	Exceptional Items	0	(14)	(14)
20.	Pensions Financing Income	0	700	700
	Contribution to (from) Reserves:			
21.	- Capital and Special Projects	0	(271)	(271)
22.	- Local Development Framework	(81)	(96)	(15)
23.	- Car Parking	140	0	(140)
24.	- Pensions Reserve	0	(376)	(376)
25.	- Invest to Save	0	1,109	1,109
26.	- IT Replacement Equipment	0	(1)	(1)
27.	- Planning Delivery Grant	0	454	454
28.	<b>Net Expenditure</b>	<b>13,102</b>	<b>13,395</b>	<b>293</b>
29.	Appropriation to/ (from) Balances	158	(135)	(293)
30.	<b>Budget for 2004/05</b>	<b>13,260</b>	<b>13,260</b>	<b>0</b>
31.	<b>DDC Precept for Parish Councils</b>	<b>1,134</b>	<b>1,134</b>	<b>0</b>
32.	<b>Amount to be met by Gov. Grant and Local Taxpayers</b>	<b>14,394</b>	<b>14,394</b>	<b>0</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account covers Council Housing. The Council budgeted for a net surplus of £667k in 2004/05, while the year-end results show that the account made an actual surplus of £1,020k.

A summary of the Housing Revenue Account is detailed below:

<b>HOUSING REVENUE ACCOUNT SUMMARY 2004/05</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
	£000	£000	£000
Expenditure	15,054	15,419	365
Income	(15,721)	(16,439)	(718)
Deficit/ (surplus) for year	(667)	(1,020)	(353)

## CAPITAL EXPENDITURE

Capital expenditure in 2004/05 totalled £7.015m and can be summarised below:

<b>H R A</b>		£000
Assets under Construction		196
Dwellings		<u>4,914</u>
		<u>5,110</u>
<b>GENERAL FUND</b>		
Renovation Grants	(Deferred Charges)	213
Private Sector Renewals Grants	(Deferred Charges)	233
Disabled Facilities Grants	(Deferred Charges)	408
Other Grants	(Deferred Charges)	99
Operational Assets		
- land and buildings		96
- equipment		43
- infrastructure assets		(18)
Non Operational Assets		
- land awaiting development		0
- community assets		0
Assets under Construction		<u>831</u>
		<u>1,905</u>

Further details can be found on page 42



# 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 Chief Financial Officer is the officer designated by the Council as the responsible officer.

## THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As the Chief Financial Officer 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 2005) and its income and expenditure for the year (1 April 2004 to 31 March 2005).

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



**Mike Davis CPFA**  
Chief Financial Officer  
Dover District Council

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



**Councillor P.G. Heath**

# STATEMENT OF INTERNAL CONTROL

For the period 1 April 2004 to 31 March 2005

## SCOPE OF RESPONSIBILITY

Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, 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 the 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 ([www.dover.gov.uk](http://www.dover.gov.uk)) or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ. This Code is reviewed on a regular basis.

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 (Chief Financial Officer) and the Monitoring Officer (Head of Legal Services) 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 Policy & Performance and the Audit & Risk 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.

The Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the 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, 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 2005, 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 and monitoring of the authority's objectives

A Corporate Plan was agreed by Members in February 2004, and is available on the Council's web-site. This document sets out the Council's objectives for the period 2004 to 2008. Progress towards the achievement of the objectives will be monitored through the Performance Management Framework, the Major Projects Board, and 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 to be made are published in advance in the Executive's Forward Plan, which is available for public inspection. Meetings are open to the public, (except where personal or confidential matters are being disclosed). 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. These meetings are also open to the public.

The Constitution itself is subject to annual review.

A scheme of delegation is detailed in the Constitution, which grants senior officers the power to make some decisions.

### 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 Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website. These rules are subject to regular review as part of the Constitution.

Both the Council's Monitoring Officer and the Section 151 Officer have specific responsibilities to ensure that the Council acts within the law, and to prevent maladministration.

Other documentation includes corporate policies on a range of topics such as Customer Care Standards, Data Protection, Human Rights, Freedom of Information and Fraud. All policies are subject to internal review to ensure they 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.

Dover District Council has a Risk Management Strategy, which states the roles of Members and Officers 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 is required from 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.

Continuous budgetary monitoring and control processes are in place and seek to ensure that financial resources are used to their best advantage.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary, approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements 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, through the Councils LEaP (Learning, Excellence and Performance) initiative, and through independent external review.

We endeavour to ensure that services are delivered by trained and experienced people. Ongoing training needs are identified through the Council's staff appraisal processes.

#### 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, 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 includes:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Monthly budget reviews to predict likely out-turn figures;
- Setting of financial and performance targets, including the use 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;
- An ongoing process of internal audit and review.

The Internal Audit Team reports to the Head of Policy & Performance, and operates under a Charter, which defines its relationship with the Strategic Director (Resources) and the Scrutiny (Performance) 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 improvements. It also supports management in developing systems and 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.

The Council has an objective and professional relationship with its external auditors and other inspectors, as evidenced by the Annual Audit Letter. Additionally, the external auditors place reliance on the work carried out by the Internal Audit section.

### Performance Management

Dover District Council produces a quarterly “Management Information Report” which reports on the key national Best Value Performance Indicators and key local indicators to monitor progress towards achieving the Council’s priorities as defined in the Corporate Plan. All Members receive a copy of the report.

### **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,
- 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.

Both the Cabinet and the Scrutiny (Performance) Committee (which has delegated to it the responsibility for discharging the functions of an Audit Committee) receive quarterly updates from the Audit & Risk 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.

Performance matters are reported to both the Cabinet and to Scrutiny (Performance) Committee via the Management Information Report and accompanying observations from the Council's Management Team.

Based on the work undertaken by the Audit Section during the year, the Council’s Audit & Risk Manager considers that positive steps are being taken in all those areas where a Nil or 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 received the results of the Comprehensive Performance Assessment review which was undertaken by the Audit Commission led team in March 2004. The Council was rated as "Fair".

## **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**

- The Council received reports utilising the enhanced arrangements introduced during the year in respect of budgetary control which will help to ensure that there are tangible improvements in services for our customers.
- The Council's Performance Management Framework has been further developed by re-designing the quarterly Management Information Report and incorporating specific requests for information following Member input. Continued progress will be required to ensure that key service improvement areas are addressed.

### **Medium Priority**

- A Communications Strategy is currently being prepared and will inform the way that the Council deals with consultation and subsequent feedback. Website consultation has been introduced during the year.
- Initial moves to make financial information available in simpler formats have taken place via the Management Information Report. We will continue to seek opportunities to clarify the way in which we report on the Council's finances.

### **Low Priority**

Some additional training has been offered to Members and Officers on specific topics relating to improving knowledge on the way the Council operates, and further training will be provided which will be aimed at explaining and strengthening particular issues as necessary.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

On the basis of Audit work throughout the year reviewing the Council's processes, the Statements produced by the Heads of Service and reviewed by the Council's Corporate Management Team, 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**

- Procedural guidance is not always available within service areas to ensure continuation of service provision in the event of absence.
- The current corporate planning process does not wholly allow the development of service plans and budgets in a linked manner.

#### **Medium Priority**

- Contract procurement and monitoring arrangements need to be improved to ensure best practice is followed wherever possible.

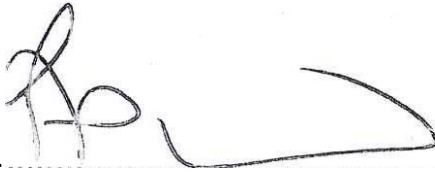
- A Council-wide policy on the collection, storage and use of information needs to be implemented.
- A risk register has been compiled and progress in risk mitigation is reported to Members quarterly. However, further work is required in order to ensure that risk control is integral to all activities.
- Internal controls for Supporting People and service charges are reviewed and strengthened as appropriate.

**Low Priority**

Regular all staff meetings should be held to maintain the inclusion of all staff in the process of continuous improvement.

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.

Signed.....  
Leader of the Council

Date...23 June 2005.

Signed.....  
Chief Executive

Date...23 June 2005.

## **INDEPENDENT AUDITORS' REPORT TO DOVER DISTRICT COUNCIL**

I have audited the statement of accounts on pages 23 to 67 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 17 to 22.

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 36 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 9 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 2004. 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 10 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 2005 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:** 31<sup>st</sup> October 2005

**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.

## **UNDERSTANDABILITY**

In accordance with FRS18, the accounts have been prepared in such a way to aid the understanding of the reader.

## **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.

## **INTANGIBLE FIXED ASSETS**

SORP 2004 requires the disclosure of all intangible fixed assets. We have adopted this as a new accounting policy.

## **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. Subsequent expenditure on fixed assets is capitalised in accordance with FRS15. 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 (properties held by an authority but not directly occupied, used or consumed in the delivery of services) and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value. Non operational assets have been re-categorised to comply with SORP 2004, into investment property, surplus assets and assets under construction.
- 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 account. 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 account.

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 account, 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 2004.

The notional rates of interest used for 2004/05 are 3.5% (3.5% 2003/04) for those operational fixed assets included in the balance sheet at current value and 4.8% (4.625% 2003/04) 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 are 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 Capital Contributions Deferred Account (formerly called 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 one of the reserves are available for Council use. The following fund exists to satisfy FRS17 requirements:

- The Pensions Reserve 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.

In previous years the Council had identified two further reserves which did not have earmarked funds available for future expenditure. Under the new capital accounting rules, these have been re-named as detailed below:

- The Fixed Asset Restatement Account (formerly reserve), which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- The Capital Financing Account (formerly reserve), which represents amounts set aside from revenue or capital receipts (prior to 2004/05) to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

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.

## **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.

## **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 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.

For the year 2004/05 the actuary has identified the present value of unfunded liabilities for the first time. These represent the future costs of employees retiring early.

The pension contributions have been determined by the Fund's actuary on a triennial basis. The latest actuarial valuation was in 2004. The next actuarial valuation is due as at 31 March 2007 and any change in contribution rates as a result of that valuation will take effect from 1 April 2008.

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 16 to the balance sheet are not compliant with FRS 12 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 £10,000 is not capitalised but is met from revenue monies. Capital expenditure is financed on an accruals basis.

## **CAPITAL RECEIPTS**

Capital receipts are derived from the disposal of certain assets, or the repayment to the Council of loans. The new Capital Accounting Regulations 2003, which came into force on 1 April 2004, no longer require Councils to set aside any of their capital receipts for debt redemption. The Regulations require Councils to pool prescribed proportions of certain Housing Revenue Account capital receipts to the Government.

## **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> %	<u>Accounting Treatment</u>
Reasonably certain Probable	Over 95% 50-95	Accrue 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

**GROUP ACCOUNTS**

The 2004 Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

Dover District Council has taken advantage of the transitional arrangements contained within the SORP. This means that full implementation will be required in the 2005/06 accounts, with 2004/05 comparatives.

# CONSOLIDATED REVENUE ACCOUNT

## Summary of Income and Expenditure

2003/04 Net Expenditure		Gross Expenditure	2004/05 Gross Income	Net Expenditure
£000		£000	£000	£000
	On its services the Council spent:-			
1,097	Central Services to the Public	8,667	(7,316)	1,351
8,924	Cultural, Environmental and Planning Services	16,985	(7,297)	9,688
109	Highways, Roads and Transportation Services	2,942	(2,752)	190
(788)	Housing Services	43,192	(43,082)	110
642	Other Services	207	0	207
9,984	<b>Total Service Expenditure</b>	71,993	(60,447)	11,546
1,816	Corporate and Democratic Core	2,149	(119)	2,030
1,509	Non-distributable Costs	722	0	722
13,309	<b>NET COST OF SERVICES</b>	74,864	(60,566)	14,298
115	Trading Undertakings (Note 1)			0
30	Internal Trading Accounts (Note 2)			0
	<b>Amounts due to Precepting Authorities:</b>			
1,111	- Parish Councils			1,134
39	- River Stour Drainage Board (Note 4)			40
(1,237)	Transfer from Asset Management Revenue Account (Note 5)			(1,436)
	Contribution of Housing Capital Receipts to Government Pool			2,946
(643)	Interest and Investment Income			(903)
443	Exceptional Item (Note 6)			(138)
1,550	Pensions Financing Income			700
<b>14,717</b>	<b>NET OPERATING EXPENDITURE</b>			<b>16,641</b>
	<b>Appropriations:</b>			
665	Transferred to/ (from) Housing Revenue Account Balances			1,020
1,317	Direct Revenue Financing			477
426	Transfer to Major Repairs Reserve			26
	Transfer from Usable Capital Receipts			(2,946)
(565)	Release of Provisions			0
	<b>Contributions To/(From) Reserves-</b>			
(1,451)	Appropriation Account (Note 7)			(1,608)
(1,674)	Movement on Pensions Reserve (Note 8)			(276)
865	Contribution to/ (from) other Reserves (Note 9)			1,195
<b>14,300</b>	<b>Amount to be met by Government Grant and local taxpayers</b>			<b>14,529</b>
	<b>THIS WAS FINANCED BY:</b>			
(5,308)	- Council Tax Income (Note 10)			(5,715)
(3,649)	- Non Domestic Rate Income (Note 10)			(2,851)
(5,735)	- Revenue Support Grant (Note 10)			(5,620)
(55)	- Collection Fund Surplus			(208)
<b>(447)</b>	<b>(Surplus)/ Deficit for the year</b>			<b>135</b>
(2,072)	General Fund Balance at start of Year			(2,519)
<b>(2,519)</b>	<b>Leaving year-end balances of</b>			<b>(2,384)</b>

## 1. TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The Council no longer operates a Direct Labour Organisation, which was established to operate on a commercial-style basis under earlier compulsory competitive tendering legislation. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Details of those operations with a turnover of expenditure greater than £300,000 and/ or surplus (or deficit) greater than £30,000 are as follows:

2003/04 Surplus/ (Deficit) £000s	Trading Service	Note	2004/05		
			Expenditure £000s	Income £000s	Surplus/ (Deficit) £000s
8	Cesspool Emptying	(a)	212	174	(38)
606	Car Parks – surface paying	(b)	663	1,270	607
114	Miscellaneous Properties	(c)	315	204	(111)
(111)	White Cliffs Careline	(d)	358	370	12

- (a) The District Council offers an emptying service for those properties not linked to main drainage. The trading objective is to recover the costs of providing this service.
- (b) The Council operates 38 off-street car parks in the towns and villages of the District. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (c) The Council owns a range of properties and land which are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate. The overall level of leasing income from these properties is exceeded by expenditure incurred on them.
- (d) The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and backup to people in need. Having been in receipt of grant funding from the County Council in 2004/05, the trading objective was to break even, but ideally to develop surpluses that could be used to expand and develop the services that we deliver to vulnerable members of the community.

The trading operations listed above all form an integral part of the total cost of particular services and are incorporated within the Net Cost of Services, rather than being shown separately on the Consolidated revenue Account as Trading Undertakings.

## 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. No costs were incurred in 2004/05.

## 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.

	2003/04 £000	2004/05 £000
Gross Value of Work	544	561
Agency Income	<u>(501)</u>	<u>(552)</u>
Residual Administration Costs	<u>43</u>	<u>9</u>

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. 2004/05 is the final year of the Council's Highways Partnership agreement with Kent County Council. This function has been transferred back to KCC with effect from 1<sup>st</sup> April 2005.

#### 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 2004/05 was £40k (£39k in 2003/04).

#### 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>	2003/04 £000	2004/05 £000
<b>INCOME</b>		
Capital Charges - General Fund	(3,004)	(2,719)
- Housing Revenue Account (depreciation)	(2,685)	(3,155)
- Housing Revenue Account*	(7,374)	(8,409)
Grant income released in year	<u>(247)</u>	<u>(235)</u>
Total Income	<u>(13,310)</u>	<u>(14,518)</u>
<b>EXPENDITURE</b>		
Provision for depreciation – General Fund	1,407	1,155
- Housing Revenue Account	2,685	3,155
Capital asset accounting adjustment		
- Housing Revenue Account	7,374	8,409
External interest charges	<u>607</u>	<u>363</u>
Total expenditure	<u>12,073</u>	<u>13,082</u>
Balance to Consolidated Revenue Account	<u>(1,237)</u>	<u>(1,436)</u>

- See note 7 to the HRA on page 37.

## 6. EXCEPTIONAL ITEM

The requirement for an improved road link from Dover to the M20 led to the construction of the A20 trunk road. In 1990, the need for land required for that project was addressed by the Secretary of State for Transport exercising Compulsory Purchase powers. The final balance of the Compensation was received during this financial year, 2004/05, as a capital receipt. In addition, the Council received interest on the final sum due up until the date of completion together with the Authority's legal costs and disbursements for attending to the transaction. It is these sums, totalling £138k, that represent the Exceptional Item included within the revenue account.

## 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 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 Act 2003), and is calculated as a percentage of the credit ceiling, as defined by the Local Government Finance Regulations 2003, at the start of the financial year. The Local Government Act 2003 no longer requires a minimum revenue provision to be made to the Housing Revenue Account (HRA). At the start of 2004/05 our credit ceiling was nil.

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:-

	2003/04 £000	2004/05 £000
Minimum Revenue Provision (MRP)		
Non Housing – statutory	138	0
Housing – statutory	0	0
MRP to be charged to Accounts	138	0
<b>Less</b> Amount charged as depreciation	(1,407)	(1,154)
Credit to Consolidated Revenue Account	(1,269)	(1,154)

### 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:-

	2003/04 £000	2004/05 £000
Charged to Services		
Improvement Grants	539	853
<b>Less</b> Government grant income	<u>(166)</u>	<u>(263)</u>
	373	590
Housing associations	109	99
Grants to organisations	111	0
Impact schemes	<u>(164)</u>	<u>0</u>
Total expenditure to be reversed	<u>429</u>	<u>689</u>

### Government Grants

All Government or other grants received in relation to capital expenditure are required to be set aside in the Capital Contributions 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.

	2003/04 £000	2004/05 £000
<b>Grant released:</b>		
Coast protection	52	83
IMPACT environmental schemes	152	57
CCTV	9	3
White Cliffs Countryside Project works	8	0
Victoria Park – Play Area	4	2
Pencester Gardens – Rollerblading	1	1
Youth shelters	1	1
Deal Dryside	11	9
CCTV – 2002/03 project	2	1
Sandwich Youth Space	2	1
E Government (2004/05 - first full year)	4	70
DIP – Scanner	0	6
Rent service computer interface	1	1
	<u>247</u>	<u>235</u>

### Appropriation Account Summary

	2003/04 £000	2004/05 £000
Provision for repayment of external loans adjustment – MRP	(1,269)	(1,154)
Impairment loss	0	0
Deferred charges adjustment	(429)	(689)
Government grants released adjustment	247	235
Appropriation account	<u>(1,451)</u>	<u>(1,608)</u>

## 8. MOVEMENT ON PENSIONS RESERVE

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.

	2003/04 £000	2004/05 £000
Pensions costs chargeable to Council Tax	2,095	2,018
Current Service Costs per actuary	(1,097)	(1,517)
Past Service Costs per actuary	(96)	0
Curtailments per actuary	(1,026)	(77)
Return on assets per actuary	2,672	3,257
Interest Cost per actuary	(4,222)	(3,957)
	<u>(1,674)</u>	<u>(276)</u>

## 9. CONTRIBUTION TO/(FROM) RESERVES

	2003/04 £000	2004/05 £000
Capital Projects	(99)	(536)
Local Development Framework	0	169
Planning Delivery Grant	0	454
Severance Reserve	(136)	0
Service/Performance Improvement Reserve	500	0
Invest to Save Reserve	500	1,108
Investment Income Equalisation Reserve	100	0
	<u>865</u>	<u>1,195</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 39-41.

## 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 1.4.04	989	404	1,393
Provision made in year	36	28	64
Less Amounts written off	(72)	(87)	(159)
Balance carried forward 31.3.05	953	345	1,298

## 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 2004/05 is £264k (2003/04 £262k). Actual expenditure in 2004/05 was £99k (2003/04 £78k). 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.

	2003/04 £000	2004/05 £000
General Publicity	180	237
Tourism Initiatives	79	77
Tourist Information Centres	86	78
Staff recruitment	113	159
Total for Year	458	551

## 14. LEASES

Vehicles, Plant and Equipment – the Council uses IT equipment, Car Parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2004/05 was £115k (£132k in 2003/04). See note 3 to the Balance Sheet for future liabilities of the operating leases.

## 15. PENSION ARRANGEMENTS

The Local Government Pension Scheme is a defined benefit scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The pension figures are based on information received from the actuaries employed by Kent County Council, the Administering Authority to the Kent County Council Pension Fund. Some of the information cannot be verified as it relates to payments from within the fund rather than directly from Dover District Council.

In 2004/05 the Council paid an employer's contribution of £1.980m representing 21.23% of employees' pensionable pay into Kent County Council's Superannuation Fund (2003/04 £1.759m, 20.52%), 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 2004.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2004/05 these amounted to £660k representing 7.07% of pensionable pay (2003/04 £671k, 7.82%).

The Fund's actuary has advised that the current services to be charged to the CRA in the year in accordance with FRS17 are £1.517m (2003/04 £1.115m). There are no past service costs for the year (2003/04 £97k). Curtailments and settlements equate to £77m (2003/04 £1.043m).

The actuary has also advised that the expected return on employer assets for the year to 31 March 2005 is £3.257m representing 35.4% of the payroll (2003/04 £2.672m, 30.7%). Interest on the pension scheme liabilities for the year is £3.957m (2003/04 £4.222m).

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	
	2003/04	2004/05
£50,000-£59,999	10	8
£60,000-£69,999	1	1
£70,000-£79,999	2	0
£80,000-£89,999	1	2
£90,000-£99,999	1	1
£100,000 and over	0	0
	15	12

## 17. AUDIT FEES

	2003/04 £000	2004/05 £000
Code of Audit Practice audit fees	99	117
Certification of grant claims	27	33
Other work	0	0
Total for Year	126	150

## 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 2004/05. (No grants were paid exercising this power in 2003/04).

## 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. No such works have been carried out in 2004/05.

## 20. MEMBERS' ALLOWANCES SCHEME

Totals of allowances paid to Council Members during 2004/05, in accordance with the Local Authorities (Members Allowances) (Amendment) Regulations 1991, are as follows:

	2003/04 £000	2004/05 £000
Basic Allowance	124	122
Special Responsibility Allowance	36	37
Travel and Subsistence	9	13
	<hr/> 169	<hr/> 172

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.

Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, prescribes the terms of many of the transactions that the council has with other parties and provides the majority of its funding in the form of grants. Details of grants received from government departments are set out in note 5 to the Cash Flow Statement.

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

	Receipts £000	Payments £000
Kent County Council	525	1,187
Kent County Constabulary		42
Grants paid by and to Town and Parish Councils		42
Deal Citizens Advice Bureau <i>One member of the District council was a member during 2004/05</i>		38
		(A further £1,036 was paid by SRB)

Deal Museum Trust <i>One member of the District council was the Chairman during 2004/05</i>	2
Gazen Salts Nature Reserve <i>One member of the District council was a Trustee during 2004/05</i>	16
Deal and Walmer Chamber of Trade <i>One member of the District Council was the President during 2004/05</i>	2
East Kent Coastal PCT <i>One member of the District Council was a member during 2004/05</i>	80
St Radigunds Community Centre <i>One member of the District Council was Chairman during 2004/05</i>	68 (Some of these funds were paid by Surestart and SRB)
Aylesham & District Workshop Trust <i>One member of the District Council was a Trustee during 2004/05</i>	1 (A further £50,255 was 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 2004/05 £000	Non- Chargeable Activities 2004/05 £000	Total 2004/05 £000
<b>Expenditure</b>			
Employee Expenses	261	107	368
Premises	0	0	0
Transport	5	2	7
Supplies and Services	14	6	20
Central and Support Service	32	93	125
<b>TOTAL EXPENDITURE</b>	312	208	520
<b>Income</b>			
Building Regulation Charges	-327	0	-327
Miscellaneous Income	-1	-4	-5
<b>TOTAL INCOME</b>	-328	-4	-332
<b>Surplus / Deficit for Year</b>	-16	204	188



### Comparatives for 2003/04

Building Control

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

There is a general duty to break even over a three year period on chargeable activities. 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 2004/05 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 2004/05, the SRB revenue grant payments due to local projects amounted to £471k (£484k in 2003/04). In 2004/05 revenue grant payments totalling £822k (£790k in 2003/04) were paid by Surestart to local projects.

Capital grant payments amounting to a further £75k were also payable to local projects under the SRB schemes (£646k in 2003/04), attracting 100% SRB grant income from SEEDA. Capital grants payments totalling £211k were also payable to Surestart project schemes in 2004/05, compared to £989k in 2003/04. These are reimbursed 100% from the Surestart Unit.

In 2001/02 there was an overspend on the Surestart programme of £97k and additional costs of irrecoverable VAT of £23k. Subsequent negotiations have resulted in funding from the central Surestart unit to meet part of the overspend, leaving a balance of £49k to be written off. This write off has been included in the 2004/05 accounts.

## 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 2003/04	Note Number	Outturn 2004/05
£000		£000
<b>Expenditure</b>		
3,379		3,686
8,927		34
3,346		3,772
81		27
Increased Provision For Bad Debt Sums Directed by Secretary of State -		
0		301
Transitional Relief		
7,374	7	8,409
Charges for Capital Depreciation and Impairment of Fixed		
2,685	8	3,155
Assets		
0		6
Debt Management Costs		
0	11	3,835
Housing Revenue Account Subsidy		
<b>25,792</b>		<b>23,225</b>
<b>Income</b>		
(14,368)	10	(14,180)
Dwellings Rents		
(316)		(303)
Non-Dwelling Rents		
(544)		(608)
Charges for Services and Facilities Contributions towards expend -		
(532)		(403)
Supporting People		
(561)		(235)
Contributions from Leaseholders		
(4,337)	11	0
Housing Revenue Account Subsidy		
<b>(20,658)</b>		<b>(15,729)</b>
<b>5,134</b>		<b>7,496</b>
<b>Net Cost of Services</b>		
Asset Management Revenue Account		
(7,374)	7	(8,409)
Credits Pension Interest Costs and Expected		
24		13
Return on Pension Assets		
(3)		(3)
Amortised Discounts and Premiums		
0		(124)
Exceptional item - A20		
(321)		(583)
Investment Income		
<b>(2,540)</b>		<b>(1,610)</b>
<b>Net Operating Expenditure</b>		
<b>Appropriations Account</b>		
0	7	0
Minimum Revenue Provision		
132		87
Transfer to/from Pensions Reserve		
1,317		477
Direct Revenue Financing		
426	3	26
Transfer to Major Repairs Reserve		
<b>(665)</b>		<b>(1,020)</b>
<b>(Surplus) or Deficit for year</b>		
(2,978)		(3,643)
Balance Brought Forward		
<b>(3,643)</b>		<b>(4,663)</b>
<b>Balance Carried Forward</b>		

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPES OF DWELLINGS

Movement in Housing Stock 2004/2005

	Stock at 1/4/2004	Sales	Transfers/ Disposals	Additions/ Transfers	Stock at 31/3/2005
Houses/Bungalows	2,978	54	0	0	2,924
Flats	1,842	13	0	0	1,829
<b>Total</b>	<b>4,820</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>4,753</b>

Total value of assets

	01/04/04 £000	31/03/05 £000
Operational assets		
- dwellings	203,097	239,152
- garages	1,391	1,378
- other land and buildings	109	286
Non-operational assets	723	701
	205,320	241,517

### 2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2004 was £445.2m (1 April 2003 £376.1m). 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 (3.5% in 2003/04). 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 2004/05 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 HRA capital expenditure or debt repayment 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 2005 is £0.579m (31 March 2004 £1.161m).

## Major Repairs Reserve

	2003/04 £000	2004/05 £000
Balance as at 1 April 2004	(737)	(1,161)
Major Repairs Allowance:		
Depreciation	(2,685)	(3,155)
Transfer to Major Repairs Reserve	(426)	(26)
Transfer from reserve for capital purposes - 2004/05		3,015
- 2003/04 (*see note)	2,687	748
Balance at 31 March 2005	<u>(1,161)</u>	<u>(579)</u>

\* Under the new capital accounting arrangements this Council now accrues for the financing of its capital programme. In previous years the movement in capital creditors between financial years was included in 'Other Reserves' (see note 4 below). With effect from 2004/05 the accrued amount is shown as a transfer from Major Repairs Reserve.

## 4. SUMMARY OF CAPITAL EXPENDITURE

	2003/04 £000	2004/05 £000
Capital expenditure:		
Dwellings	4,624	4,914
Housing computer system	101	196
Total	<u>4,725</u>	<u>5,110</u>
Financed by:		
Capital receipts	214	135
Direct revenue financing (HRA)	1,317	477
Implementing electronic government grant	52	0
Major Repairs Reserve	2,687	3,015
Government Supported Borrowing	0	1,483
Other Reserves	455	0
	<u>4,725</u>	<u>5,110</u>

## 5. SUMMARY OF CAPITAL RECEIPTS

	2003/04 £000	2004/05 £000
Receipts from sales during the year		
Dwelling Sales	6,630	4,050
Other HRA Sales	655	433
Sub total	<u>7,285</u>	<u>4,483</u>
Amount pooled to Government *	0	(2,946)
	<u>7,285</u>	<u>1,537</u>

\* Capital Accounting Regulations 2003 requires that 75% of Right to Buy capital receipts and 50% of other capital receipts are paid to the Government.

## 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 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 2004/05 this charge, which is set by regulation, is £8.409m (2003/04 £7.374m). To ensure that the cost of capital does not have a cost implication to council tenants, it is appropriated from AMRA.

## 8. DEPRECIATION OF FIXED ASSETS

	2003/04 £000	2004/05 £000
Dwellings	2,652	3,108
Garages	33	47
	<u>2,685</u>	<u>3,155</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 2005 was £58.54 compared with £58.23 at 31 March 2004.

## 11. HOUSING SUBSIDY

Since rent rebates were removed from the HRA on 1 April 2004 the Government has notionally calculated that income from rents and investments is greater than its notional expenditure, resulting in a payment of subsidy to the Government of £3,835,156 in 2004/05.

## 12. RENT ARREARS

The position for rent arrears is shown below.

March 2004				March 2005			
Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000	Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000
161	295	143	599	106	129	110	345

### 13. PROVISION FOR BAD DEBTS

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

	£000
Balance brought forward as at 1.4.04	404
Provision made in the year	28
Less Amounts written off	(87)
Balance carried forward 31.3.05	<u>345</u>

### 14. FRS17 AND THE HOUSING REVENUE ACCOUNT

FRS17, Retirement Benefits, was fully implemented within the accounts from 2003/04 onwards.

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

	2003/04 £000	2004/05 £000
Actual contributions paid	192	288
Reverse actual contributions	(192)	(288)
Current service costs	18	187
Past service costs	1	0
Curtailments	17	1
Interest on Pension Scheme Liabilities	67	73
Return on Employer Assets	(43)	(60)
Transfer to/from Pensions Reserve	132	87
Charge to HRA	<u>192</u>	<u>288</u>

### 15. TRANSITIONAL RELIEF

The Local Government Act 2003 moved the requirement to account for rent rebates from the Housing Revenue Account to the General Fund from 1 April 2004. The Council has received a direction from the First Secretary of State, under Section 87 of, and Item 10 of Part 2 of Schedule 4 to the Local Government and Housing Act 1989, to transfer the sum of £301k from the Housing Revenue Account to the General Fund for 2004/05 to negate the effect of this change in accounting.

### 16. EXCEPTIONAL ITEM

The requirement for an improved road link from Dover to the M20 led to the construction of the A20 trunk road. In 1990, the need for land required for that project was addressed by the Secretary of State for Transport exercising Compulsory Purchase powers. The final balance of the Compensation was received during this financial year, 2004/05, as a capital receipt. In addition, the Council received interest on the final sum due up until the date of completion together with the Authority's legal costs and disbursements for attending to the transaction. The sum of £124k is attributable to the Housing Revenue Account.

## THE COLLECTION FUND

### COLLECTION FUND INCOME & EXPENDITURE ACCOUNT 2004/05

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>2003/04</b>		<b>Note</b>	<b>2004/05</b>
<b>£000</b>			<b>£000</b>
<b>INCOME</b>			
36,472	Council Tax	1	38,607
26,147	Non-Domestic rates	2	26,294
5,396	Transfers from General Fund	1 & 3	6,215
68,015			71,116
<b>EXPENDITURE</b>			
Precepts and Demands:			
31,692	- Kent County Council		31,792
0	- Kent and Medway Fire Authority		2,080
5,308	- Dover District Council		5,715
3,528	- Kent Police Authority		3,972
Collection Fund surplus paid out:			
55	- Dover District Council		208
308	- Kent County Council		1,225
30	- Kent Police Authority		136
			45,128
Non-Domestic rates:			
25,986	- Payment to National Pool	2	26,136
161	- Cost of Collection Allowance		158
			26,294
195	Provision for Non-Payment of Council Tax	4	136
67,263			71,558
(752)	(Surplus)/ Deficit for the Year		442
(1,349)	Surplus as at 1 April		(2,101)
(2,101)	Surplus as at 31 March		(1,659)

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

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

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

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

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

Band	Estimated number of Taxable properties after discount	Proportion of Band D charge	Band D Equivalent dwellings
A	4,764.50	6/9	3,175.11
B	13,375.75	7/9	10,403.36
C	11,094.25	8/9	9,861.55
D	5,960.50	1	5,960.50
E	3,496.00	11/9	4,272.88
F	1,893.25	13/9	2,734.69
G	1,236.75	15/9	2,061.25
H	42.75	2	85.50
	41,863.75		38,554.84
	Less adjustment for collection rates		(963.87)
	<b>COUNCIL TAX BASE 2004/05 *</b>		<b>37,590.97</b>

\* Tax base 2003/04 was 37,160.31

Estimated income from this tax base was £43.559m including Town and Parish Council precepts. Actual income was £44.822m, an increase of £1.263m.

### 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 2004/05 was 45.6p (2003/04 44.4p) The aggregate rateable value for the Council's district as at 31 March 2005 was £64.992m (£66.326m as at 31 March 2004).

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>2003/04</b> £000	<b>2004/05</b> £000
<b>Gross Amount</b>	26,427	26,483
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>	(113)	(30)
Reductions for charitable occupation, non-profit making bodies and hardship		
<b>Losses in Collection:</b> Bad and doubtful debts	(66)	(56)
<b>Overpayments:</b> Interest on repayments	(101)	(103)
<b>NNDR Income</b>	26,147	26,294
<b>Costs of Collection:</b> Allowance for collecting rates	(161)	(158)
<b>Net Contribution to NNDR Pool</b>	25,986	26,136

### 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 2004/05 was £6.215m (£5.396m in 2003/04).

### 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 1.4.04	57	2	576	635
<b>Add</b> Provision made in year	56	0	136	192
<b>Less</b> Amounts written off	(38)	0	(16)	(54)
<b>Provision 31.3.05</b>	<b>75</b>	<b>2</b>	<b>696</b>	<b>773</b>

## STATEMENT OF CAPITAL EXPENDITURE & FINANCING

FOR YEAR ENDED 31 MARCH 2005

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

FIXED ASSETS	2004/05 <b>Total</b> £000
Council dwellings -	
Improvements made	4,324
Adaptations for elderly and disabled	590
Office Buildings -	
Whitfield offices – reception	21
Sports Centres and Leisure Sites -	
Tides - Health Suite	40
Dover Leisure Centre bar	40
Other leisure facilities	15
Piers –	
Deal Pier refurbishments	317
Other land and buildings	
Disabled adaptations to corporate buildings	46
Dover Town Hall - Health and Safety works	20
Other projects	19
Operational equipment & vehicles:-	
Electronic Government Projects	141
CCTV at Dover and Deal	40
Housing computer system	195
Other equipment	15
Street Furniture -	
Footway lighting	(12)
Sea defences and seafront -	
Kingsdown Sea Defences	53
Other coastal defence works	12
Environmental Improvements	
Impact Scheme	(3)
Land awaiting development/surplus assets -	
Dover Town Investment Zone	104
Aylesham development project	84
Other projects	1

TOTAL SPENDING ON FIXED ASSETS	6,062
CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS	2004/05 <b>Total</b> £000
Renovation grants	213
Private Sector Renewal Grants	233
Disabled facilities grants	408
Other grants	99
TOTAL CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS	953
<b>TOTAL CAPITAL EXPENDITURE TO BE FINANCED</b>	<b>7,015</b>

FINANCED BY:	£000
Government Supported Borrowing	1,881
Capital creditors 2003/04 *	(999)
Capital receipts	1,464
Direct Revenue Financing	476
Capital Grants -	
Disabled facilities	263
HRA Major Repairs Allowance	3,763
Electronic Government grant	71
Coast Protection	96
<b>TOTAL FINANCING</b>	<b>7,015</b>

\* In accordance with the new capital accounting arrangements, the Council is now able to accrue for the financing of its capital programme. Capital creditors for 2004/05 have been accrued against the appropriate method of finance. In 2003/04 the Council was not required to do this.

## 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 2005, for which the committed sums of £2,626m shown below are yet to be reflected in the accounts. As at 31 March 2005 £364k had been subject to formal contract.

	Total Anticipated Cost	Less expenditure to 31 March 2005	Committed as at 31 March 2005	Contract to Date
	£000	£000	£000	£000
Deal Pier	2,663	2,208	455	0
Kingsdown sea defences	1,426	1,255	171	0
Whitfield Council Offices – Reception	425	56	369	0
Aylesham Regeneration Project	470	155	315	76
Dover Town Investment Zone	500	301	199	0
Housing computer system	494	340	154	0
Leisure centres – equipment	68	30	38	0
Tides Leisure Centre – Wetside Cubicles etc	275	14	261	243
Purchases of derelict properties	111	31	80	0
Environmental health database	67	57	10	10
Disabled adaptations - Corporate buildings	150	46	104	0
North Deal Nursery Buildings	44	11	33	33
Electronic Government Projects	578	141	437	2
	<u>7,271</u>	<u>4,645</u>	<u>2,626</u>	<u>364</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) AND SURESTART**

As outlined in Note 23 the Consolidated Revenue Account, the Authority now includes details of SRB and Surestart transactions in its financial statements as a result of new accounting requirements. Payments of capital grants under SRB and Surestart 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 Account, since no additional assets are being generated for the Authority itself.

In 2004/05, capital payments in respect of SRB grants, amounting to £75k, were payable to local projects, and represented onward payment of SRB grant drawn down from the South East England Development Agency. In addition, capital grants payments of £211k relating to Surestart project schemes were drawn down from the Surestart Unit. (These sums are 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 2005

As at 31 March 2004		Note	As at 31 March 2005	
<u>£000</u>			<u>£000</u>	<u>£000</u>
0	Intangible assets	1		0
	Fixed assets	2 – 5		
	Operational assets			
203,097	-council dwellings		239,152	
30,483	-other land and buildings		32,426	
807	-vehicles, plant and equipment		650	
8,165	-infrastructure assets		7,651	
643	-community assets		592	280,471
<u>7,520</u>	Non-operational assets			<u>6,459</u>
<u>250,715</u>	Total fixed assets			<u>286,930</u>
0	Long-term investments	7		509
543	Long-term debtors	8		506
<u>251,258</u>	Total long-term assets			<u>287,945</u>
	Current assets			
157	-stock and work in progress	9	188	
6,227	-debtors	10	4,322	
23,168	-investments	11	23,411	27,921
	Current liabilities			
(4)	-short-term borrowing	12	(3,004)	
(6,455)	-creditors	13	(7,416)	
(349)	-receipts in advance		(348)	
<u>(3,149)</u>	-bank overdraft		<u>(472)</u>	<u>(11,240)</u>
<u>270,853</u>	Total assets less current liabilities			<u>304,626</u>
(7,013)	Long-term borrowing	14	(4,010)	
(27)	Deferred capital receipts	15	(22)	
(320)	Provisions	16	(320)	
<u>(26,629)</u>	Pensions Liability	26	<u>(47,522)</u>	<u>(51,874)</u>
<u>236,864</u>	Total assets less liabilities			<u>252,752</u>
(189,341)	Fixed asset restatement account	17		(223,802)
(52,931)	Capital financing account	18		(53,867)
(3,564)	Usable capital receipts reserve	19		(3,684)
(4,932)	Capital Contributions Deferred	20		(5,141)
26,629	Pensions Reserve	26		47,522
(4,462)	Earmarked reserves	21		(5,074)
<u>(8,263)</u>	Revenue balances	22		<u>(8,706)</u>
<u>(236,864)</u>	Total equity			<u>(252,752)</u>

#### CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 1 to 67 fairly state the financial position of the Council at 31 March 2005.

MIKE DAVIS, CPFA,  
CHIEF FINANCIAL OFFICER

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INTANGIBLE ASSETS

SORP 2004 created a new category of intangible fixed assets for local government. We have no intangible fixed assets to discharge.

### 2. MOVEMENT OF FIXED ASSETS 2004/05

	<b>OPERATIONAL ASSETS</b>						
	Council Dwellings	Council Garages	Other Land And Buildings	Vehicles, Plant and Equipment	Infrastruc- - ture Assets	Community Assets	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2004	205,748	1,424	29,903	1,304	11,427	786	250,592
Reclassification	0	0	1,941	0	0	0	1,941
Restated opening balance	205,748	1,424	31,844	1,304	11,427	786	252,533
Revaluations and Restatements	37,250	36	288	0	0	0	37,574
Impairment loss	0	0	0	0	0	0	0
Work in Progress now complete	0	0	25	13	0	0	38
Capital Expenditure complete in Year	4,914	0	96	43	(17)	0	5,036
Less Disposals	(3,002)	(2)	0	0	0	0	(3,004)
Gross Book Value 31 March 2005	244,910	1,458	32,253	1,360	11,410	786	292,177
Cumulative depreciation as at 31 March 2004	(2,651)	(33)	(811)	(496)	(3,262)	(143)	(7,396)
Depreciation for year	(3,107)	(47)	(394)	(214)	(497)	(51)	(4,310)
Net Book Value 31 March 2005	239,152	1,378	31,048	650	7,651	592	280,471

Subsequent expenditure on existing fixed assets is capitalised in accordance with FRS15.

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

	Investment Property £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value 31 March 2004	3,808	44	3,709	7,561
Reclassification	(1,936)	(5)	0	(1,941)
Restated opening balance	1,872	39	3,709	5,620
Revaluation and Restatements	(39)	0	0	(39)
Impairment loss	0	0	0	0
Work in Progress now complete	0	0	(38)	(38)
Capital Expenditure complete in Year	0	0	1,027	1,027
LESS Capital expenditure not increasing Valuation	0	0	0	0
Disposals	(32)	(39)	0	(71)
Gross Book Value 31 March 2005	1,801	0	4,698	6,499
Cumulative depreciation as at 31 March 2004	(40)	0	0	(40)
Depreciation for year	0	0	0	0
Net Book Value 31 March 2005	1,761	0	4,698	6,459

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	241,517
General Fund	45,413
Total	286,930

### 3. 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 44.

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



## Operating Leases

The Council was committed at 31 March 2005 to making payments of £92,737 under operating leases in 2005/06 comprising the following elements:

	Other Land & Buildings	Vehicles, Plant & Equipment
	£000	£000
Leases expiring in 2005/06	0	68
Leases expiring between 2006/07 & 2009/10	0	23
Leases expiring after 2009/10	0	1

## 4. 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.

## 5. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:-

	Number as at 31.3.04	Net Book Value as at 31.3.04	Number as at 31.3.05	Net Book Value as at 31.3.05
		£000		£000
<b>ASSETS</b>				
<b>COUNCIL DWELLINGS</b>				
Flats/Houses	4,820	203,097	4,753	234,238
Council Garages	958	1,391	957	1,378
<b>OPERATIONAL LAND &amp; BUILDINGS</b>				
Offices:				
Whitfield Complex	1	3,597	1	3,546
Others	2	140	2	139
	3	3,737	3	3,685
Leisure Centres & Pools:				
Dover Leisure Centre	1	3,367	1	3,319
Deal Leisure Centre	1	4,688	1	4,624
Deal Tennis Centre	1	359	1	353
	3	8,414	3	8,296
Museums and Exhibitions:				
Dover Museum	1	3,892	1	3,836
Depots and Workshops	15	275	15	260
Cemeteries (sites)	7	50	7	50
Car Parks (Note 1)	39	2,739	40	3,047
Public Conveniences	26	1,350	26	1,331

<b>INFRASTRUCTURE</b>				
Sea Defences (kilometres)	7	6,771	7	6,556
<b>COMMUNITY ASSETS</b>				
Parks and Open Spaces	29	575	29	524
Deal Pier (Note 2)	1	445	1	497
Historic Buildings:				
Timeball Tower, Deal	1	148	1	148
Grand Shaft, Dover	1	1	1	1
St Martin's Battery	1	1	1	0
Town Clock, St Peter's Church, Sandwich	1	1	1	0

Note 1: South Street parking area transferred from Let Land during 2004/05.

Note 2: The value for Deal Pier includes the fishing cabins, and Toll Houses in 2004/05.

## 6. 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 Account. For those deferred charges relating to General Fund Services the adjustment is via the Revenue Account, with a corresponding adjustment from the Capital Financing Account. (See Note 7 to the Consolidated Revenue Account.)

The following table records the movement on deferred charges:

<b>MOVEMENT ON DEFERRED CHARGES</b>					
	Expenditure in year	Government Grants	Charged to Consolidated Revenue Account	Written off to Capital Financing Reserve	Balance As at 31.3.05
<b>Type of Deferred Charge</b>	£000	£000	£000	£000	£000
Improvement Grants	854	(263)	591	0	0
SRB Grants	75	(75)	0	0	0
Surestart Grants	211	(211)	0	0	0
Other Grants	99	0	99	0	0
<b>Total</b>	<b>1,239</b>	<b>(549)</b>	<b>690</b>	<b>0</b>	<b>0</b>

## 7. LONG TERM INVESTMENTS

All investments conform to the Council's Treasury Management Strategy Statement that is approved prior to the forthcoming year. Towards the end of 2004-05 Investec Asset Management, the Council's external fund manager, invested a small proportion of the portfolio in gilts with a maturity date of 2009.

	As at 31 March 2004	As at 31 March 2005
	£000	£000
Investment fund managed by Investec Asset Management	0	505
Stocks	0	4
<b>Total</b>	<b>0</b>	<b>509</b>

## 8. 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 31.3.04	Advances In year	Maturing in year	Outstanding 31.3.05
	£000	£000	£000	£000
<b>Mortgage to:</b>				
Housing Associations	58	0	0	58
Right to Buy Mortgages	27	0	5	22
<b>Loan to:</b>				
Parish Councils	24	0	1	23
Leaseholders	102	0	8	94
Local Organisations	71	0	4	67
Assisted Car Purchase Advances	261	135	154	242
Service Charge Loans	0	0	0	0
<b>TOTAL</b>	<b>543</b>	<b>135</b>	<b>172</b>	<b>506</b>

**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.

## 9. STOCKS AND WORK IN PROGRESS

	As at 31 March 2004	As at 31 March 2005
	£000	£000
<b>Stocks</b>		
Housing Revenue Account	8	8
General Fund	97	76
<b>Work In Progress</b>		
Rechargeable Works		
Housing Revenue Account	52	58
General Fund	0	46
<b>Total</b>	<b>157</b>	<b>188</b>

## 10. DEBTORS

	As at 31 March 2004	As at 31 March 2005
	£000	£000
<b>Dover District Council Debtors</b>		
Amounts falling due in one year:		
Housing Rents and Charges	432	402
Government Departments and Inland Revenue	1,889	575
Other Local Authorities	69	1
Sundry Debtors	2,623	2,971
Prepayments	1,221	119
	<b>6,234</b>	<b>4,068</b>
<b>LESS</b> Provision for Bad Debts	<b>(1,393)</b>	<b>(1,298)</b>
	<b>4,841</b>	<b>2,770</b>
<b>Collection Fund Debtors</b>		
Amounts falling due in one year:		
Local Taxpayers	2,021	2,326
<b>LESS</b> Provision for Bad Debts	<b>(635)</b>	<b>(774)</b>
	<b>1,386</b>	<b>1,552</b>
<b>Total all Debtors</b>	<b>6,227</b>	<b>4,322</b>

## 11. 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	As at
	31 March 2004	31 March 2005
	£000	£000
Investment fund managed by Investec Asset Management	19,276	19,681
Stocks	4	0
Bank and Building Societies	1,236	3,540
Global Treasury Fund	2,652	190
<b>Total</b>	<b>23,168</b>	<b>23,411</b>

## 12. SHORT TERM BORROWING

Source of Loan	Range of Interest Rates Payable	Outstanding as at:	
		31 March 2004	31 March 2005
	%	£000	£000
Money Market (LOBO)	2.8 – 4.75	0	3,000
Public Works Loan Board	3.054	4	4
		4	3,004

Sums payable within one year are shown as short term borrowing in the Balance Sheet, and amounted to £3,003,796 ( £4,000 in 2003/04). The increase in short term borrowing as at 31 March 2005 is because the LOBO entered its step up period on 16<sup>th</sup> December 2004. The lender of this loan now has the option to change the interest rate charged on this loan after every 6 months. Under the terms of the loan, the Council can choose to repay it if any change to the interest rate is not favourable. For this reason, the LOBO has been classified as a short term loan on the balance sheet.

### 13. CREDITORS

	As at 31 March 2004	As at 31 March 2005
	£000	£000
<b>Dover District Council Creditors</b>		
Government Departments	927	454
Other Local Authorities	91	16
Housing Rents	71	73
Sundry Creditors – revenue	2,568	4,856
Sundry Creditors – capital	1,127	74
	<b>4,784</b>	<b>5,473</b>
<b>Collection Fund Creditors</b>		
Amounts falling due in one year:		
Local Taxpayers	1,236	1,511
Government Departments	435	432
	<b>1,671</b>	<b>1,943</b>
	<b>6,455</b>	<b>7,416</b>
<b>Total all Creditors</b>	<b>6,455</b>	<b>7,416</b>

### 14. LONG TERM BORROWING

Source of Loan	Range of Interest Rates Payable	Outstanding as at:	
		31 March 2004	31 March 2005
	%	£000	£000
Money Market (LOBO)	2.8 – 4.75	3,000	0
Public Works Loan Board	3.161 – 6.562	4,009	4,010
		<b>7,009</b>	<b>4,010</b>
		31 March 2004	31 March 2005
<b>The maturity profile of the PWLB is</b>		£000	£000
	1 to 2 years	4	7
	2 to 5 years	7	4
	5 to 10 years	2	2
	Over 10 years	4,000	4,000
		<b>4,013</b>	<b>4,013</b>

Sums payable after one year are shown as long term borrowing in the Balance Sheet, and amounted to £4,009,524 in 2004/05. The LOBO which was classified as a long term loan in 2003/04 has been treated as a short term loan as at 31<sup>st</sup> March 2005 on the balance sheet. See note 12 to the Balance sheet.

## 15. 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 2004	27
Add: Additional receipts in previous years	0
Less: Principal repayments	(5)
<b>Balance carried forward as at 31 March 2005</b>	<u>22</u>

## 16. PROVISIONS

	Balance as at 31.3.04	Receipts in year	Applied In year	Balance as at 31.3.05
	£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 FRS 12 as no timescale has been set up for their release.

## 17. FIXED ASSET RESTATEMENT ACCOUNT

The fixed asset restatement account 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 2004/05 are detailed below:

	£000
Balance brought forward 1 April 2004	189,341
Revaluations and Restatements	37,536
Disposal of fixed assets	(3,075)
Capital expenditure not increasing value of assets	0
<b>Balance carried forward as at 31 March 2005</b>	<u>223,802</u>

## 18. CAPITAL FINANCING ACCOUNT

The capital financing account contains the amounts which, under previous accounting rules, were required by Statute to be set aside from capital receipts for the repayment of external loans. The account includes 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.

	£000
Balance brought forward as at 1 April 2004	52,931
<b>Add:</b>	
Capital financing	
- reserves applied	3,763
- revenue applied	477
- capital receipts applied	1,464
Allocation of grant from Government Grants Deferred Account	235
	58,870
<b>Less:</b>	
Capital asset accounting adjustment	(3,155)
General Fund depreciation	(1,155)
Long-term debtors	(4)
Write down of deferred charges	(689)
<b>Balance carried forward as at 31 March 2005</b>	<b>53,867</b>

The Local Government Act 2003 abolishes the requirement for the Council to set aside sums as a provision to repay external loans and for other limited purposes.

## 19. 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 2004		<b>3,564</b>
<b>Add:</b>		
Receipts in Year:		
- Land Sales – General Fund	0	
- Other Sales – General Fund	36	
- Land Sales – Housing Revenue Account	0	
- Other Sales – Housing Revenue Account	433	
- Dwelling Sales	4,050	
- Mortgage and Loan Repayments	9	
	4,528	4,528
<b>Less:</b>		
Amounts pooled by Central Government	(2,945)	
Receipts used to finance Capital expenditure	(1,463)	
	(4,408)	(4,408)
<b>Balance as at 31 March 2005</b>		<b>3,684</b>



## 20. CAPITAL CONTRIBUTIONS - DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the Capital Contributions Deferred Account. The grant is then released to the 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 2004	4,932
Add income received in 2004/05:	
- DEFRA – Coast Protection grant	94
- Electronic Government	350
	5,376
<b>Less:</b> Applied in year	(235)
<b>Balance carried forward as at 31 March 2005</b>	5,141

## 21. EARMARKED RESERVES

	Balance as at 1 April 2004	Receipts in year	Applied in year	Balance as at 31 March 2005
	£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)	1,889	0	536	1,353
Invest to Save Reserve	500	1,132	23	1,609
Service/Performance Improvement Reserve	500	0	0	500
Investment Income Equalisation Reserve	100	0	0	100
Risk Management Initiative	45	0	0	45
IT Equipment	166	98	99	165
Leisure Centres Equipment	31	0	0	31
Major Repairs Reserve	1,161	3,181	3,763	579
Local Development Framework	0	265	97	168
Planning Delivery Grant	0	454	0	454
<b>TOTAL</b>	4,462	5,130	4,518	5,074

**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 capital and revenue 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 and for the repayment of HRA debt. Any amount not spent in one year is placed in the Major Repairs Reserve for future years housing capital expenditure. The Major Repairs Reserve for 2004/05 was £4.342m of which £3.763m was used to finance housing capital expenditure. The balance of £579k will be used in future years to meet the Government's Decent Homes target.

**Local Development Framework** – this reserve has been created to hold the monies set aside to fund the local development framework. The monies will be drawn down over four years through to 2007/08.

**Planning Delivery Grant** - this reserve has been set up to hold the planning delivery grant awarded by Central Government to improve the delivery of planning functions. The amount held in the reserve at 31 March 2005 represents the unspent grant that will be utilised in future years.

## 22. REVENUE BALANCES

	Balance as at 1 April 2004	Additions	Withdrawals	Balance as at 31 March 2005
	£000	£000	£000	£000
General Fund	2,519	0	135	2,384
Housing Revenue Account	3,643	1,020	0	4,663
Collection Fund	2,101	0	442	1,659
<b>TOTAL</b>	<b>8,263</b>	<b>1,020</b>	<b>577</b>	<b>8,706</b>

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

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

**24. CONTINGENT LIABILITIES**

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

**25. 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>	2003/04 £	2004/05 £
Income	453	784
Expenditure	1,000	1,901
Deficit for Year	<u>(547)</u>	<u>(1,117)</u>
Fund Balance 1 April	70,502	69,955
<b>Fund Balance 31 March</b>	<u><u>69,955</u></u>	<u><u>68,838</u></u>
Represented by:		
Investments	62,627	63,411
Bank	7,328	5,427
	<u><u>69,955</u></u>	<u><u>68,838</u></u>

### 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 FRANKLIN FOR A PUBLIC PARK</b>	22/4/2003 to 31/3/2004 £	2004/05 £
Income	959	1,598
Expenditure	959	1,598
Surplus/(Deficit for Year)	0	0
Fund Balance 1 April	230,599	230,559
<b>Fund Balance 31 March</b>	<b>230,599</b>	<b>230,559</b>
Represented by:		
Dwellings	55,000	55,000
Land & Other 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) and Charles Sports Ground Charity (Charity No. 1015537).

## 26. 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.

The accounts show a liability of £47.09m as at 31 March 2005 (£26.6m as at 31 March 2004). 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 are assessed in accordance with the advice of independent qualified actuaries and are 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 2004, with the next formal valuation due as at 31 March 2007. 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 2004.
- The latest numbers of employees, deferred pensioners and pensioners as at 31 December 2004.
- Employer and employee contributions up to 31 December 2004.
- Actual fund returns from 1 April 2004 up to 31 December 2004.
- Any new early retirements from 1 April 2004 to the latest available date of 31 December 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;

	31 March 2004 % per annum	31 March 2005 % per annum
Price Increases	2.9%	2.9%
Salary Increases	4.4%	4.4%
Pension Increases	2.9%	2.9%
Discount Rate	6.5%	5.4%

Assets (Whole Fund)	Expected Return at 31 March 2004 (% per annum)	Expected Return at 31 March 2005 (% per annum)	Value at 31 March 2005 £000
Equities	7.7%	7.7%	34,253
Bonds	5.1%	4.8%	6,522
Property	6.5%	5.7%	5,041
Cash	4.0%	4.8%	3,785
<b>Total</b>			<b>49,601</b>

Net Pension Assets for Dover District Council as at	31 March 2004 £,000	31 March 2005 £,000
<b>Estimated Employee Assets (A)</b>	<b>46,158</b>	<b>49,601</b>
Present Value of Scheme Liabilities	72,787	87,956
Present Value of Unfunded Liabilities	0	9,167
<b>Total Value of Liabilities (B)</b>	<b>72,787</b>	<b>97,123</b>
<b>Net Pension Liability (A) – (B)</b>	<b>(26,629)</b>	<b>(47,522)</b>

Movement in Surplus/Deficit During the Year	Year to	Year to
	31 March 2004	31 March 2005
	£,000	£,000
<b>Surplus/(deficit) at beginning of the year</b>	(32,036)	(26,629)
Current Service Cost	(1,115)	(1,517)
Employer contributions	2,287	2,018
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	(97)	0
Impact of settlements and curtailments	(1,043)	(77)
Net return on assets	(1,550)	(701)
Actuarial gains/(losses)	6,925	(20,616)
<b>Surplus/(deficit) at end of year</b>	<b>(26,629)</b>	<b>(47,522)</b>

Amount Charged to Operating Profit	Year to	Year to
	31 March 2004	31 March 2005
	£,000	£,000
Service cost	1,115	1,517
Past service costs	97	0
Curtailments and settlements	1,043	77
Decrease in irrecoverable surplus	-	-
<b>Total Operating Charge (A)</b>	<b>2,255</b>	<b>1,594</b>

Amount Credited to Other Finance Income	Year to	Year to
	31 March 2004	31 March 2005
	£,000	£,000
Expected return on employer assets	2,672	3,257
Interest on pension scheme liabilities	(4,222)	(3,957)
<b>Net Return (B)</b>	<b>(1,550)</b>	<b>(700)</b>
Net Revenue Account Cost (A) – (B)	<b>3,805</b>	<b>2,294</b>

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)	Year to	Year to
	31 March 2004	31 March 2005
	£,000	£,000
Actual return less expected return on pension scheme assets	6,364	1,965
Experience gains and losses arising on the scheme liabilities	561	(7,947)
Changes in financial assumptions underlying the present value of the scheme liabilities	-	(14,723)
Actuarial gain/(loss) in pension plan	6,925	(20,705)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>6,925</b>	<b>(20,705)</b>

History of Experience Gains and Losses	Year to 31 March 2004 £,000	Year to 31 March 2005 £,000
Difference between the expected and actual return on assets	6,364	1,965
Value of assets	45,724	49,601
<b>Percentage of assets</b>	<b>13.9%</b>	<b>4.0%</b>
Experience gains/(losses) on liabilities	561	(7,947)
Present value of liabilities	72,786	97,124
<b>Percentage of the present value of liabilities</b>	<b>0.8%</b>	<b>(8.2%)</b>
Actuarial gains/losses recognised in STRGL	6,925	(20,705)
Present value of liabilities	72,786	97,124
<b>Percentage of the present value of liabilities</b>	<b>9.5%</b>	<b>(21.3%)</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

<b>TOTAL MOVEMENT IN RESERVES</b>	Capital Reserves				Revenue Reserves			Pensions	TOTAL	
	Fixed Asset	Capital	Usable	Capital	Earmarked	General	Housing	Collection		Pension
	Restatement	Financing	Capital	Contrib'ns	Reserves	Fund	Revenue	Fund		Reserve
	Account	Account	Receipts	Deferred			Account			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balances as at 1 April 2004	189,341	52,931	3,564	4,932	4,462	2,519	3,643	2,101	(26,629)	236,864
<b>MOVEMENTS IN YEAR</b>										
Unrealized gains/losses										
- on revaluation of fixed assets	37,536	-	-	-	-	-	-	-	-	37,536
- capital expenditure	-	-	-	-	-	-	-	-	-	-
Effects of Disposal of Fixed Assets										
- Cost or value of assets disposed of	(3,075)	-	-	-	-	-	-	-	-	(3,075)
- Amounts payable to Housing Capital Receipts Pool	-	-	(2,946)	-	-	-	-	-	-	(2,946)
- Proceeds of disposals	-	(4)	4,529	-	-	-	-	-	-	4,525
Financing of capital expenditure	-	5,704	-	-	-	-	-	-	-	5,704
Capital financing adjustments	-	(4,764)	-	-	-	-	-	-	-	(4,764)
Receipts in year	-	-	-	444	5,130	-	-	-	2,018	7,592
Applied in year	-	-	(1,463)	(235)	(4,518)	-	-	-	(22,911)	(29,127)
Net surplus/ (deficit) in year	-	-	-	-	-	(135)	1,020	(442)	-	443
Balances as at 31 March 2005	223,802	53,867	3,684	5,141	5,074	2,384	4,663	1,659	(47,522)	252,752
See notes on balance sheet:	Note 17	Note 18	Note 19	Note 20	Note 21	Note 22	Note 22	Note 22	Note 26	

**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.



## 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		2004/05	
2003/04		£000	£000
2003/04			
£000			
	<b>REVENUE ACTIVITIES</b>		
	<i>Cash outflows</i>		
12,177	Cash paid out to and on behalf of employees	13,375	
61,688	Other operating cash payments	59,439	
13,275	Housing Benefit paid out	13,095	
28,288	National Non-Domestic Rate payments to National Pool	26,140	
<u>35,558</u>	Precepts paid	<u>39,205</u>	151,254
<u>150,986</u>			
	<i>Cash inflows</i>		
(6,169)	Rents (after rebates)	(5,768)	
(36,453)	Council Tax receipts	(38,643)	
(3,649)	National Non-Domestic Rates received from National Pool	(2,851)	
(25,999)	Non-Domestic Rate receipts	(26,366)	
(5,735)	Revenue Support Grant	(5,620)	
(17,481)	DSS grants for benefits	(30,594)	
(4,339)	Other government grants	(1,203)	
(7,218)	Cash received for goods and services	(5,188)	
<u>(46,417)</u>	Other operating cash receipts	<u>(43,279)</u>	<u>(159,512)</u>
<u>(153,460)</u>			
(2,474)	Revenue Activities Net Cash Flow		(8,258)
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<i>Cash outflows</i>		
1,172	Interest paid	366	
	<i>Cash inflows</i>		
(529)	Interest received	<u>(539)</u>	(173)
	<b>CAPITAL ACTIVITIES</b>		
	<i>Cash outflows</i>		
8,385	Capital expenditure excluding grants	9,764	
290	Capital grants	1,323	
	<i>Cash inflows</i>		
(7,527)	Sale of fixed assets	(4,672)	
<u>(747)</u>	Capital grants received	<u>(472)</u>	5,943
<u>(8,274)</u>	Net cash (inflow)/outflow before financing		<u>(2,488)</u>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(3,118)	Net increase (decrease) in short-term deposits		(193)
	<b>FINANCING</b>		
	<i>Cash outflows</i>		
6,601	Repayments of amounts borrowed	3	
	<i>Cash inflows</i>		
<u>6,601</u>	New loans raised	<u>0</u>	<u>3</u>
<u><u>2,053</u></u>	<b>Net (Increase)/ Decrease in Cash</b>		<u><u>(2,678)</u></u>

## NOTES TO THE CASH FLOW STATEMENT

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

2003/04 £000			2004/05 £000
	(Surplus)/ Deficit per:		
(447)	Consolidated Revenue Account	Page 22	135
(665)	Housing Revenue Account	Page 33	(1,020)
(752)	Collection Fund	Page 38	442
(1,864)	Net Surplus		(443)
643	Interest		903
	<b>Non-Cash Transactions:</b>		
0	Contributions to/ from Provisions		0
(865)	Contributions to/ from Reserves		(1,195)
(1,317)	Contributions to Capital		(477)
(3,551)	Capital Financing Adjustments		(3,574)
	<b>Items on an accruals basis:</b>		
4	Increase/ (Decrease) in Stock and Work in Progress		30
2,078	Increase/ (Decrease) in Debtors		(1,904)
2,398	(Increase)/ Decrease in Creditors		(1,598)
(2,474)	<b>Net Cash outflow from Revenue Activities</b>		(8,258)

### 2. ANALYSIS OF BALANCE OF CASH

	As At 31-Mar-04 £000	As At 31-Mar-05 £000	Net Movement £000
Cash In Hand	(1)	(7)	6
Bank Overdrawn	(3,148)	(464)	(2,684)
<b>Net Cash (Inflow)/ Outflow</b>	<b>(3,149)</b>	<b>(471)</b>	<b>(2,678)</b>

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

	As At 31-Mar-04 £000	As At 31-Mar-05 £000	Net Movement £000
Investec Asset Management	19,726	20,186	910
Stocks	4	4	0
Bank & Building Societies	1,236	3,540	2,304
Global Treasury Fund	2,652	191	(2,461)
<b>Net Cash (Inflow)/ Outflow</b>	<b>23,168</b>	<b>23,921</b>	<b>753</b>

#### 4. ANALYSIS OF CHANGES IN FINANCING

	As At 31-Mar-04	As At 31-Mar-05	Net Movement
Long and Short Term Borrowing:			
Short Term Borrowing	4	4	0
Public Works Loan Board	4,013	4,013	0
Money Market	3,000	0	3,000
<b>Net Cash (Inflow)/ Outflow</b>	<b>7,017</b>	<b>4,017</b>	<b>3,000</b>

#### 5. ANALYSIS OF GOVERNMENT GRANTS

2003/04 £000		2004/05 £000	2004/05 £000
5,735	Revenue Support Grant		5,620
	<b>DSS Grants for Rebates</b>		
12,354	Rent Allowances	23,482	
4,198	Council Tax Benefits	6,397	
602	Administration	715	30,594
4,337	Housing Subsidy	0	
220	National Non-Domestic rate Collection	277	
109	Other	926	1,203
<b>27,555</b>	<b>Total Government Grants</b>		<b>37,417</b>