



**Statement
Of
Accounts**

2010/11

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EXPLANATORY FOREWORD

1. INTRODUCTION

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

These accounts should enable the reader to find out:

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 89 to 94.

2. CHANGES IN ACCOUNTING AND PRESENTATION

The 2010/11 financial year brings into effect the implementation of International Financial Reporting Standards (IFRS). The UK public sector has moved towards these standards over the last few years with local authorities being the last to implement. The production of the accounts is governed by the CIPFA code of practice on local authority accounting (the Code) which is based on a hierarchy of accounting standards approved by the International Accounting Standards Board (IASB), the International Accounting Standards Committee (IASC), the International Financial Reporting Interpretations Committee (IFRIC), the Standing Interpretations Committee (SIC), the International Public Sector Accounting Standards Board (IPSASB), the Accounting Standards Board (ASB), the Accounting Standards Committee (ASC) and Urgent Issues Task Force's (UITF). This new Code and standards replace those under the previous Statement of Recommended Practice (SORP).

The new Code includes the replacement of the previous core financial statements with four new ones (see below) and the requirement to restate the balances and comparators for each of the new accounting statements. In addition to this, we are also required to restate the Balance Sheet as at the IFRS transition date of 1 April 2009. Therefore the Balance Sheet is presented as at 1 April 2009, 31 March 2010 and 31 March 2011. Some notes have been restated to show the comparisons within the accounts and all comparators for previous years should be considered as restated.

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Statement of Accounts consists of, amongst other things, the following financial statements and associated notes - the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund.

(a) **Explanatory Foreword (pages 2 to 10)**

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year, highlights any major events or changes in

presentation or accounting that impact on the accounts and includes a review of the year.

(b) **Statement of Responsibilities for the Statement of Accounts (page 11)**

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

(c) **Core Financial Statements (pages 12 to 65)**

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

- **Movement in Reserves Statement (page 12)**

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

- **Comprehensive Income and Expenditure Statement (page 14)**

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

- **Balance Sheet (page 15)**

The Balance Sheet shows the value, as at the Balance Sheet date, of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services.

- **Cash Flow Statement (page 16)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement

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

- **Notes to the Core Financial Statements (pages 17 to 65)**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

(d) **Supplementary Financial Statements (pages 66 to 85)**

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

- **Collection Fund (page 66 to 69)**

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

- **The Housing Revenue Account (page 70 to 76)**

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.

- **Transition to International Financial Reporting Standards (IFRS) Based Code (page 77 to 83)**

The changes to accounting introduced by the IFRS Code require restatement of the core financial statements reported in the 2009/10 accounts. The transition (the changes made) to the core financial statements are explained on these pages.

- **Charities Administered by Dover District Council (page 84 to 85)**

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

(e) **Independent Auditors' Report (page 86)**

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

(f) **Glossary (pages 89 to 94)**

This is a glossary of terms used in the Statement of Accounts.

SUMMARY OF THE 2010/11 FINANCIAL YEAR

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

Comprehensive Income and Expenditure Statement for 2010/11

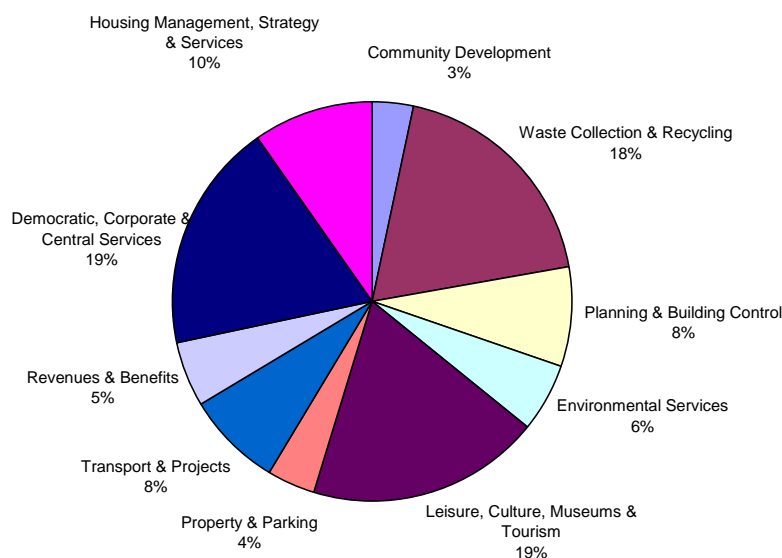
The Council's gross cost of services in 2010/11 was £164m, with gross service income of £73m leading to net expenditure of £91m. However, the expenditure includes a number of capital accounting adjustments including impairments, the loss of value in assets and depreciation that are not chargeable to the council tax payer. The Comprehensive Income and Expenditure Statement provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

Net expenditure on services 2010/11

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Community development	1,060	(470)	590
Waste collection and recycling	5,180	(1,662)	3,518
Planning and building control	2,351	(904)	1,447
Environmental services	1,198	(152)	1,046
Leisure, culture, museums and tourism	4,689	(1,205)	3,484
Property and parking	3,518	(2,813)	705
Transport and projects	1,846	(419)	1,427
Revenues and benefits	46,743	(45,802)	941
Democratic, corporate and central services	4,821	(1,363)	3,458
Housing strategy and services	2,818	(1,044)	1,774
	74,224	(55,834)	18,390
Local Authority Housing (HRA) ¹	14,819	(17,434)	(2,615)
Exceptional Items ¹			
– revaluation loss on HRA stock	82,319	0	82,319
– revaluation loss on GF stock	5,559	0	5,559
– pensions capitalised gains	(12,833)	0	(12,833)
Total	164,088	(73,268)	90,820
Adjustments for items not chargeable to the council tax payer			(72,185)
Surplus for the year			(27)
Revenue Financing Required			18,608

¹ Local Authority Housing and the Exceptional Items have been excluded from the chart below:

PERCENTAGE ALLOCATION OF EXPENDITURE



Revenue Financing

Revenue financing of £18.6m came from:

	£000	%
Council tax ¹	8,203	44.1
Revenue Support Grant ²	1,295	7.0
Non-domestic rates ³	8,919	47.9
Area Based Grant ⁴	191	1.0
Total	18,608	100.0

- (1) Council tax is paid by the residents of the district to the Council. However, only 14.0% of the council tax collected is retained by the district, of which 10.9% is for its own use as 3.1% is to meet the precepts of the various town and parish councils. 71.8% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) National non-domestic rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government for redistribution back to authorities pro-rata to population.
- (4) Area Based Grants are non-ring fenced grants paid directly to the Authority.

General Fund

The General Fund original budget forecast a deficit of £57k. During the year additional approvals were given for carry forwards of certain unspent budget items from 2009/10 and a supplementary approval to cover the licensing unmet demand survey. This resulted in an approved budget deficit of £300k.

The in year budget monitoring reports projected a deficit of £477k. Following corrective action the authority delivered a surplus on the General Fund of £27k. With carry forward requests of £219k, the underlying outturn is a deficit of £192k which is £108k lower than the total approved budget and £285k below the projected outturn position. This gives an underlying General Fund Balance of £2m.

Housing Revenue Account (HRA)

The Council maintains a housing stock of 4,461 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved an increase in the HRA balance of £650k in 2010/11 compared to the original budget that forecast an increase of £379k. The main reasons for these variances are as follows:

- An increase in dwelling rents due to reduced void levels and a lower than budgeted right-to-buy sales;
- Increased income from leaseholders due to higher than budgeted chargeable major works;
- Reduced services and facilities income due to the higher than budgeted effect of the sale of the Gateway freehold;
- Major reduction in repairs and maintenance with significant savings on term maintenance and void works;
- Increase in Corporate and Democratic Core due to costs incurred from the re-organisation necessary to accommodate the transfer of Housing to East Kent Housing
- Increase in capital expenditure financed by the Housing Revenue Account arising from the decision to retain capital receipts in the Reserve Account;
- A reduction in interest and investment income as a result of the decline in interest rates; and
- An impairment of £82.4m on dwellings. This is an accounting adjustment offset in the Statement of Movement on the HRA Balance and does not constitute a real variance.

Investment in Major Projects

The Council invested £8.7m in major projects in 2010/11, the most significant of which were:

- £494k in respect of works to progress the development of Dover Town Investment Zone and the surrounding area (this includes circa £57k in respect of Dover Sea Sports Centre and £250k contribution to the Sea Change project);
- £4.2m for Housing Revenue Account property projects;
- £2.3m on grants and loans for private sector housing;
- £266k on the building of sports and leisure facilities in Aylesham;
- £787k on the building of the new tennis centre in Deal;
- £227k on the refurbishment of play areas in Kearsney Abbey, Russell Gardens and Victoria Park;
- £146k on coast protection works; and
- The remainder has been spent on a number of smaller projects.

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

- £3.7m grants from external bodies including Homes and Communities Agency, Kent County Council, Department of Communities and Local Government, Tennis Foundation and other government departments;
- £3.2m Major Repairs Allowance grant from the Government;
- £529k capital receipts;
- £849k funding from Housing Revenue Account direct revenue financing;
- £22k funding from General Fund direct revenue financing; and
- £133k Section 106 funding.

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

Treasury Management

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

At 31 March 2011 the Council had over £12m managed by the Council's fund manager, Investec. In addition investment balances and day-to-day cash balances managed in house averaged approximately £5m in 2010/11.

The Council has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Commerzbank (formally Dresdner Bank).

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

The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover up to 95% of its £1m investment. In 2010/11 an impairment has been charged to the General Fund based on guidance received from CIPFA. As there remains uncertainty about the extent and timing of recovery and receipts from the investment an Iceland Investment Earmarked Reserve is held to mitigate any further impact.

The Council's Assets and Liabilities

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

As at 31 March	2010	2011
	£000	£000
Value of land, property and other assets	313,214	231,314
Investments held and cash at bank	25,265	20,099
Money owed to DDC for goods and services	12,881	7,549
Loans owed to DDC (short and long term)	1,579	2,381
Money owed by DDC for goods and services	(9,091)	(13,047)
Loans owed by DDC (short and long term)	(20,443)	(7,960)
Grants for assets received but not yet used	(2,305)	(1,653)
Share of pension scheme liabilities owed by DDC	(76,180)	(42,646)
Total Assets less Total Liabilities	244,920	196,037

As at 31 March	2010	2011
	£000	£000
Financed by:		
Usable reserves ¹	16,098	15,954
Unusable reserves ²	228,822	180,083
Net Worth of Council	244,920	196,037

¹Usable reserves are made up of:

Capital receipts and grants	1,763	1,744
Revenue balances	10,155	10,833
Earmarked reserves	4,180	3,377
	16,098	15,954

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010: Based on International Financial Reporting Standards (the Code)*.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance has also:

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

By signing the Statement of Accounts, the Director of Finance is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

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

Signed: 

Mike Davis CPFA
Director of Finance

Dated: 29th September 2011

Signed: 

Councillor Trevor Bartlett
Chairman, Governance Committee

Dated: 29th September 2011

MOVEMENT IN RESERVES STATEMENT

2009/10

Note	General Fund (GF) £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April	2,360	7,446	3,975	340	939	148	15,208	251,806	267,014
Comprehensive Income & Expenditure									
Surplus or (deficit) on the Provision of Services	(2,240)	4,503					2,263	0	2,263
Other Comprehensive Income & Expenditure	0	0					0	(24,357)	(24,357)
Total Comprehensive Income & Expenditure	(2,240)	4,503	0	0	0	0	2,263	(24,357)	(22,094)
Adjustments Between Accounting Basis & Funding Basis Under Regulations									
Depreciation and amortisation of non-current assets	4	1,199	0		2,156		3,355	(3,355)	0
Impairment of non-current assets	4	5	(2,489)				(2,484)	2,484	0
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)		0	(1,085)		1,085		0	0	0
MRA transferred to fund capital expenditure		0		(3,262)			(3,262)	3,262	0
Capital grants and contributions	15	(1,205)	0			859	(346)	346	0
Income & Expenditure relating to Investment Properties	5	(9)	0				(9)	9	0
Revenue expenditure funded from capital under statute	10	333	0				333	(333)	0
(Gain) or loss on disposal of non-current assets	7	8	78		951		1,037	(1,037)	0
Adjustments under statutory provisions relating to soft loans	12	842	0				842	(842)	0
Impairment of financial instruments	12	107	0				107	(107)	0
Net charges made for retirement benefits	13	550	213				763	(763)	0
Council tax income regulatory adjustment		(35)	0				(35)	35	0
Capital expenditure charged to revenue	9	(10)	(708)				(718)	718	0
Employee benefits – accrued annual leave	16	12	0				12	(12)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	17	451	0		(451)		0	0	0
Capital receipts applied	9	0	0		(683)		(683)	683	0
Net Increase or Decrease Before Transfers to/from Earmarked Reserves	8	512	0	(21)	(183)	859	1,175	(23,269)	(22,094)
Transfers to or (from) earmarked reserves	18	(171)	0	(114)	0		(285)	285	0
Increase or Decrease in Year	(163)	512	(114)	(21)	(183)	859	890	(22,984)	(22,094)
Balance at 31 March	2,197	7,958	3,861	319	756	1,007	16,098	228,822	244,920

2010/11

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		2,197	7,958	3,861	319	756	1,007	16,098	228,822	244,920
Comprehensive Income & Expenditure										
Surplus or (deficit) on the Provision of Services		3,392	(77,943)					(74,551)	0	(74,551)
Other Comprehensive Income & Expenditure		0	0						25,668	25,668
Total Comprehensive Income & Expenditure		3,392	(77,943)	0	0	0	0	(74,551)	25,668	(48,883)
Adjustments Between Accounting Basis & Funding Basis Under Regulations										
Depreciation and amortisation of non-current assets	4	1,565	0		2,230			3,795	(3,795)	0
Impairment of non-current assets	4	5,559	82,319					87,878	(87,878)	0
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)		0	(922)		922			0	0	0
MRA transferred to fund capital expenditure		0	0		(3,125)			(3,125)	3,125	0
Capital grants and contributions	15	(1,115)	0				(89)	(1,204)	1,204	0
Income & Expenditure relating to Investment Properties	5	(312)	37					(275)	275	0
Revenue expenditure funded from capital under statute	10	279	0					279	(279)	0
(Gain) or loss on disposal of non-current assets	7	(93)	(246)			1,034		695	(695)	0
Revaluation gain		(10)	0					(10)	10	0
Adjustments under statutory provisions relating to soft loans	12	445	0					445	(445)	0
Impairment of financial instruments	12	(231)	0					(231)	231	0
Net charges made for retirement benefits	13	(10,636)	(1,746)					(12,382)	12,382	0
Council tax income regulatory adjustment		19	0					19	(19)	0
Capital expenditure charged to revenue	9	(21)	(849)					(870)	870	0
Employee benefits – accrued annual leave	16	(16)	0					(16)	16	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	17	435	0			(435)		0	0	0
Capital receipts applied	9	0	0			(529)		(529)	529	0
Net Increase or Decrease Before Transfers to/from Earmarked Reserves		(740)	650	0	27	70	(89)	(82)	(48,801)	(48,883)
Transfers to or (from) earmarked reserves	18	768	0	(830)	0	0	0	(62)	62	0
Increase or Decrease in Year		28	650	(830)	27	70	(89)	(144)	(48,739)	(48,883)
Balance at 31 March		2,225	8,608	3,031	346	826	918	15,955	180,083	196,038

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2009/10 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2010/11 Gross Income £000	Net Expenditure £000
			On its services the Council spent:				
11,221	(10,113)	1,108	Central services to the public		12,214	(11,061)	1,153
16,086	(4,366)	11,720	Cultural, environmental, regulatory and planning services		17,036	(5,287)	11,749
2,742	(2,558)	184	Highways and transport services		3,349	(2,590)	759
0	0	0	Exceptional Item – revaluation (gain) or loss on GF stock		5,559	0	5,559
16,797	(17,679)	(882)	Local authority housing (HRA)		14,819	(17,434)	(2,615)
(4,144)	0	(4,144)	Exceptional Item – revaluation (gain) or loss on HRA stock		82,319	0	82,319
36,689	(34,459)	2,230	Other housing services		38,591	(36,632)	1,959
2,256	(380)	1,876	Corporate and Democratic Core		2,510	(264)	2,246
132	(2)	130	Non Distributed Costs		524	0	524
0	0	0	Exceptional Item – pension capitalised gains		(12,833)	0	(12,833)
81,779	(69,557)	12,222	Net Cost of Services		164,088	(73,268)	90,820
			Other Operating Expenditure:				
		86	(Gain) or loss on disposal of non-current assets	7			(339)
			Amounts due to precepting authorities:				
		1,731	– Town and parish councils				1,832
		60	– River Stour Drainage Board levy				59
		451	Contribution of housing capital receipts to government pool	17			435
			Financing and Investment Income & Expenditure:				
		412	Interest payable and similar charges				405
		(577)	Interest and investment income				(520)
		(9)	Income & Expenditure relating to Investment Properties	5			(275)
		169	Impairment of Icelandic investment	12			8
		(1,205)	Capital grant contributions	15			(1,115)
		3,545	Pensions interest cost & expected return on assets	13			2,135
		(756)	Exceptional Item	34			(286)
			Taxation & Non-specific Grant Income:				
		(7,939)	Demand on the Collection Fund				(8,203)
		(2,195)	Government grants (not attributable to specific services)	15			(1,486)
		(8,258)	National Non-Domestic Rate distribution				(8,919)
		(2,263)	(Surplus) or Deficit on Provision of Services				74,551
		(2,468)	(Surplus) or deficit arising on revaluation of non-current assets	26			(4,544)
		28	Deficit arising on revaluation of available for sale financial assets	12			29
		26,797	Actuarial (gains) or losses on pension fund assets and liabilities	13			(21,152)
		24,357	Other Comprehensive Income & Expenditure				(25,667)
		22,094	Total Comprehensive Income & Expenditure				48,884

CONSOLIDATED BALANCE SHEET

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000	£000
235,407	237,996	Council dwellings		157,255	
56,164	60,477	Land and buildings		58,389	
1,194	1,194	Vehicles, plant and equipment		1,222	
8,118	7,842	Infrastructure assets		7,716	
447	422	Community assets		288	
2,916	826	Assets under construction		1,875	
0	1,761	Surplus assets not held for sale		1,737	
304,246	310,518	Property Plant and Equipment	4		228,482
2,536	2,545	Investment property	5	2,667	
62	23	Intangible assets	4	56	
1,600	783	Long term investments	12	822	
999	1,579	Soft loans		2,381	
721	729	Long term debtors	19	639	
(70)	(68)	Less provision for bad debts	19	(66)	
5,848	5,591	Long Term Assets			6,499
21,058	21,126	Short term investments	12	16,640	
155	128	Stocks in hand		109	
6,284	14,272	Short term debtors	19	9,100	
(1,880)	(2,052)	Less provision for bad debts	19	(2,124)	
2,828	3,356	Cash and cash equivalents	20	2,637	
494	0	Assets held for sale	6	0	
28,939	36,830	Current Assets			26,362
0	(3,213)	Bank overdraft	20	(634)	
(3,626)	(10,127)	Short term borrowing	12	(125)	
(7,856)	(7,800)	Short term creditors	21	(11,186)	
(75)	(86)	Provisions – Employee Benefits	16	(70)	
(1,062)	(1,205)	Receipts in Advance	22	(1,791)	
(12,619)	(22,431)	Current Liabilities			(13,806)
(7,105)	(7,103)	Long term borrowing	12	(7,201)	
(3,675)	(2,305)	Capital grants received in advance	23	(1,653)	
(48,620)	(76,180)	Pensions liability	13	(42,646)	
(59,400)	(85,588)	Long Term Liabilities			(51,500)
267,014	244,920	Net Assets			196,037
2,360	2,197	General Fund Balance		2,225	
7,446	7,958	Housing Revenue Account Balance		8,608	
3,975	3,861	Earmarked reserves	18	3,031	
340	319	Housing Revenue Account reserves	18	346	
939	756	Usable Capital Receipts Reserve	17	826	
148	1,007	Capital grants unapplied		918	
15,208	16,098	Reserves Available to Fund Services			15,954
7,658	9,921	Revaluation Reserve	26	14,045	
193	165	Available-for-sale Financial Instruments Reserve	12	136	
292,977	296,246	Capital Adjustments Account	24	210,095	
(484)	(1,434)	Financial Adjustments Account	12	(1,647)	
3	1	Deferred capital receipts	17	0	
154	189	Collection Fund Adjustment Account		170	
(75)	(86)	Employee Adjustment Account	16	(70)	
(48,620)	(76,180)	Pensions Reserve	13	(42,646)	
251,806	228,822	Reserves Unavailable to Fund Services			180,083
267,014	244,920	Net Worth			196,037

CASH FLOW STATEMENT

2009/10			2010/11	
£000	£000		£000	£000
2,828		Cash & cash equivalents - 01 April	3,356	
<u>–</u>		<i>less cash overdraft</i>	<u>(3,213)</u>	
	2,828			143
(3,356)		Cash & cash equivalents - 31 March	(2,637)	
<u>3,213</u>		<i>less cash overdraft</i>	<u>634</u>	
	(143)			(2,003)
	<u>2,685</u>	Net (increase)/decrease in cash and cash equivalents		<u>(1,860)</u>
	(2,265)	Net deficit on I&E		74,551
		<u>Non(cash transactions)</u>		
(1,199)		Depreciation and amortisation	(1,565)	
2,494		Impairments	(87,593)	
(763)		Pensions	12,382	
(86)		Revaluation Gain	339	
(788)		Financial Instruments Reserve	69	
<u>(2,178)</u>		Transfer to / from earmarked reserves	<u>(2,203)</u>	
	(2,520)			(78,571)
		<u>Items on an accruals basis</u>		
(27)		Increase/ (Decrease) in Stock and Work in Progress	(19)	
3,118		Increase/ (Decrease) in Debtors	(1,104)	
6		Increase/ (Decrease) in Long-term Debtors	(92)	
(219)		Movement in provision for bad debts	(118)	
100		(Increase)/ Decrease in Creditors	(3,539)	
(144)		(Increase)/ Decrease in Receipts in Advance	(585)	
(12)		Employee benefits reserve	16	
<u>35</u>		Collection Fund adjustment account	<u>(19)</u>	
	2,857			(5,460)
		<u>Adjustments re Financing Activities</u>		
(302)		Revenue Expenditure funded from capital	(279)	
<u>1,205</u>		Capital Grant Contributions	<u>1,115</u>	
	903			836
	(1,025)	Net Cash Flows from Operating Activities		(8,644)
		<u>Investing activities</u>		
5,173		Purchase of property, plant, equipment, etc.	5,880	
581		Other payments for investing activities	804	
68		Proceeds from long and short-term investments	(4,486)	
(951)		Proceeds from the sale of non-current assets	(1,033)	
<u>498</u>		Movement in capital grants	<u>(183)</u>	
	5,369	Net Cash Flows from Investing Activities		982
		<u>Financing activities</u>		
(6,500)		Net movement in short & long-term borrowing	9,901	
4,841		Net movement in Collection Fund cash position	(4,099)	
	(1,659)	Net Cash Flows from Financing Activities		5,802
	<u>2,685</u>			<u>(1,860)</u>

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2011. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 - based on International Financial Reporting Standards. The Code is based on a hierarchy of approved accounting standards:

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

The accounting convention adopted for the preparation of these accounts is principally historical cost, modified for the revaluation of certain categories of assets and financial instruments.

(b) Qualitative Characteristics of Financial Information

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

- Materiality – an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

(c) **Accounting Concepts**

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

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

Income and expenditure of goods and services provided or received by the end of the financial year are accrued ensuring income and expenditure is accounted for in the period to which it relates. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

(e) **Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of three months or less from the Balance Sheet date.

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

The Council is a billing authority and as such is required to bill local residents and businesses for council tax and National Non-Domestic (Business) Rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, Kent Police Authority and Kent and Medway Towns Fire Authority, for council tax and the government for National Non-Domestic (Business) Rates.

As such the accounts only show the amount owed by and to taxpayers in respect of our council tax. Major precepting authorities are shown as net

debtors or creditors on the Balance Sheet. Similarly the accounts only show the net debtor or creditor in respect of National Non-Domestic (Business) Rates received and paid over to the government.

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

(g) Provisions

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

Provisions are recognised when:

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

(h) Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(i) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(j) Debt Write-Off

The Director of Finance approves and or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Director of Finance there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs the Director of Finance makes a provision for bad debt

taking into account the size and age of the debt outstanding and the likelihood of recovery.

(k) **Employee Benefits**

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

Benefits Payable during Employment

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

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

In the event of notice of termination being served on an employee the costs of such termination are accrued to the year that the notice is served except for any enhanced retirement benefits paid by the employer.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions

paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was 31 March 2010 and changes to contribution rates as a result of that valuation will take effect from 1 April 2011.

(l) **Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the accounts are authorised for issue.

The authorised for issue date can be either:

- When the responsible Financial Officer certifies that the accounts present a 'true and fair view' which should be by no later than the 30 June.
- When the accounts are approved by Members and published with the audit opinion and certificate which should be by no later than 30 September.

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

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

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

(m) **Exceptional Items**

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

Prior Period Adjustments

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

(n) **Financial Instruments**

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

Financial Assets

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

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

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

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

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's borrowings

this means that interest charged to the Comprehensive Income and Expenditure Statement represents the amounts payable for the year in accordance with the loan agreements.

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

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(p) **Long Term Contracts**

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) **Leases**

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

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

A definition of a lease includes hire purchase arrangements.

Finance Leases

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

Operating Leases

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

(r) **Non-Current Assets**

The Council has set a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level, but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

(i) Impairment of Non-Current Assets

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

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

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

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

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

Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10,000 are usually considered de-minimus and treated as revenue.

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

Land and Buildings

The Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years.

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

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

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

Vehicles, Plant and Equipment

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

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are footpaths and signage.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation. These assets are subject to straight line depreciation over a period of up to 40 years.

Community Assets

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

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

Assets under Construction

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

(v) Investment Property

Investment property is property (land and/or buildings) held solely to earn rental income or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period with gains/losses recognised in the Comprehensive Income and Expenditure Statement. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Investment property is not subject to depreciation.

(vi) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

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

(s) **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

(t) **Reserves**

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

(u) **Revenue Expenditure Funded from Capital Under Statute**

This is expenditure of a capital nature on non-current assets not owned by the Council, for example house renovation grants. Under the Code this is revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and

Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources.

(v) **Value Added Tax (VAT)**

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.2m.
Bad Debts Provisions	The Council has bad debt provisions of £2.2m for HRA, benefit overpayment, council tax (DDC share) and general debtors. This is approximately 51% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. **SEGMENTAL REPORTING**

Under the requirements of IFRS the Council is required to show the income and expenditure of the Council's services for the year based upon its management accounts used for decision-making purposes. In our case this is based upon our budget and outturn formats.

The services are broken down as follows:

- Chief Executive - this incorporates the costs of the Chief Executive Officer and associated organisational support and management of regeneration and transportation services.
- Governance – this includes costs associated with council democracy and compliance, including elections and maintaining the electoral register, remuneration of councillors, licensing and land charges, as well as support services such as legal, performance & risk, human resources and internal audit.
- Housing, Culture & Community Safety - this includes: General Fund costs related to private sector housing, homelessness, choice-based lettings and administration of housing grants; community safety partnership work aimed at reducing antisocial behaviour and crime; preservation of cultural heritage and promotion of tourism, which includes the operation of Dover Museum and the Visitor Information Centre.
- Finance and ICT – includes costs associated with financial control, compliance and processing functions, and information technology development and support services.
- Development & Public Protection - includes the costs of planning and building control services, and environmental health and control services (including inspection and enforcement).
- Property, Leisure and Waste Services – includes costs associated with the management and maintenance of the Council's assets, provision of leisure services (including parks and sports centres) and street cleansing, refuse collection and recycling.
- Business & Community Transformation - this includes the costs associated with the calculation and payment of housing and council tax benefits, customer services drop-in and call centres, and health and wellbeing initiatives for district residents.
- Housing Revenue Account – this includes costs associated with the provision and maintenance of council houses and flats, as well as any income derived from them.

Segmental Analysis

	2009/10								
	Chief Executive	Governance	Housing, Culture and Community Safety	Finance and ICT	Development and Public Protection	Property, Leisure and Waste Management	Business and Community Transformation	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income:									
Fees, charges and other service income	449	1,953	387	121	857	4,538	537	17,458	26,300
Interest and investment income	0	0	30	0	0	0	0	241	271
Government grants and contributions	25	2	1,370	234	99	180	42,577	0	44,487
Total Income	474	1,955	1,787	355	956	4,718	43,114	17,699	71,058
Expenditure:									
Employee expenses	694	2,778	961	1,467	2,096	2,856	2,845	916	14,613
Premises	131	5	117	0	1	1,473	0	921	2,648
Transport	8	44	16	9	58	119	34	35	323
Supplies and services	538	1,181	2,111	857	452	1,546	1,960	702	9,347
Third party payments	10	38	22	0	101	5,082	0	8,471	13,724
Housing benefits and council tax benefits	0	0	0	0	0	0	40,521	102	40,623
Support service recharges	375	(885)	503	(1,528)	649	(667)	(395)	1,619	(329)
Depreciation, amortisation and impairments	36	10	1,026	13	42	904	123	2,122	4,276
Total Expenditure	1,792	3,171	4,756	818	3,399	11,313	45,088	14,888	85,225
Net Cost of Services	1,318	1,216	2,969	463	2,443	6,595	1,974	(2,811)	14,167

Segmental Analysis

	2010/11								
	Chief Executive	Governance	Housing, Culture and Community Safety	Finance and ICT	Development and Public Protection	Property, Leisure and Waste Management	Business and Community Transformation	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income:									
Fees, charges and other service income	654	2,081	393	127	967	5,253	559	17,434	27,468
Interest and investment income	0	0	22	0	0	0	0	194	216
Government grants and contributions	7	0	962	573	25	21	45,833	0	47,421
Total Income	661	2,081	1,377	700	992	5,274	46,392	17,628	75,105
Expenditure:									
Employee expenses	881	3,194	1,226	1,117	2,271	3,241	2,208	1,087	15,225
Premises	108	5	122	0	1	1,468	0	879	2,583
Transport	7	46	22	7	58	110	27	27	304
Supplies and services	1,065	795	1,606	1,094	396	1,215	2,341	529	9,041
Third party payments	2	160	(9)	157	86	5,642	667	8,406	15,111
Housing benefits and council tax benefits	0	0	0	0	0	0	43,841	12	43,853
Support service recharges	402	(718)	318	(1,529)	607	(848)	(436)	1,650	(554)
Depreciation, amortisation and impairments	37	2	842	23	4	1,246	36	2,230	4,420
Total Expenditure	2,502	3,484	4,127	869	3,423	12,074	48,684	14,820	89,983
Net Cost of Services	1,841	1,403	2,750	169	2,431	6,800	2,292	(2,808)	14,878

Reconciliation to Cost of Services in the Comprehensive Income and Expenditure Statement

The table below reconciles the cost of services above to the cost of services shown within the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Cost of services in service analysis	14,167	14,878
Add: Amounts not reported to management		
Exceptional item – revaluation (gain) or loss on HRA stock	(4,144)	82,319
Other HRA impairments	1,688	0
Revaluation losses - leisure centres, museum, car parks etc	0	5,559
Pensions capitalised gain (settlements)	0	(2,941)
Pensions capitalised gain (re RPI to CPI change)	0	(9,892)
Special Projects including restructuring (reported separately in Medium Term Financial Plan)	250	703
Less: Amounts not included in Comprehensive Income and Expenditure Statement		
Direct revenue financing	(10)	(22)
Less: Items included in other operating expenditure		
Investment income received	271	216
Net Cost of Services in the Comprehensive Income & Expenditure Statement	12,222	90,820

Reconciliation of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (Subjective Analysis)

The table below reconciles the cost of services above to the Surplus or Deficit on the Provision of Services shown within the Comprehensive Income and Expenditure Statement:

Service Analysis £000	Not Reported to Management £000	2009/10 Not Included in Comp Inc & Exp Statement £000	Corporate Amounts £000	Surplus on Provision of Services £000		Service Analysis £000	Not Reported to Management £000	2010/11 Not Included in Comp Inc & Exp Statement £000	Corporate Amounts £000	Deficit on Provision of Services £000
26,300	2	0	0	26,302	Income:					
					Fees, charges & other service income	27,468	9	0	0	27,477
271	0	0	307	578	Interest & investment income	216	0	0	304	520
0	0	0	7,939	7,939	Income from council tax	0	0	0	8,203	8,203
44,487	0	0	11,659	56,146	Government grants/contributions	47,421	0	0	11,520	58,941
0	0	0	951	951	Disposal of non-current assets	0	0	0	1,033	1,033
71,058	2	0	20,856	91,916	Total Income	75,105	9	0	21,060	96,174
					Expenditure:					
14,613	0	0	3,546	18,159	Employee expenses	15,225	566	0	2,133	17,924
2,648	10	0	0	2,658	Premises	2,583	9	0	0	2,592
323	0	0	0	323	Transport	304	0	0	0	304
9,347	169	(10)	0	9,506	Supplies & services	9,041	13	(22)	0	9,032
13,724	63	0	0	13,787	Third party payments	15,111	103	0	0	15,214
0	0	0	412	412	Interest payments	0	0	0	405	405
0	0	0	1,791	1,791	Precepts & levies	0	0	0	1,891	1,891
40,623	0	0	0	40,623	Housing & council tax benefits	43,853	0	0	0	43,853
(329)	11	0	0	(318)	Support service recharges	(554)	22	0	0	(532)
4,276	1,688	0	169	6,133	Depreciation, amortisation & impairments	4,420	0	0	8	4,428
0	(4,144)	0	0	(4,144)	Revaluation (gains)/losses	0	87,878	0	0	87,878
0	(9)	0	0	(9)	Investment Property	0	(275)	0	0	(275)
0	0	0	0	0	Revaluat'ns					
0	0	0	(756)	(756)	Pensions Cap'd Gains/Settlem'ts	0	(12,833)	0	0	(12,833)
0	0	0	451	451	Exceptional Item	0	0	0	(286)	(286)
0	0	0	1,037	1,037	Housing capital receipts pool	0	0	0	435	435
0	0	0	0	0	Disposal of non-current assets	0	0	0	695	695
85,225	(2,212)	(10)	6,650	89,653	Total Expenditure	89,983	75,483	(22)	5,281	170,725
14,167	(2,214)	(10)	(14,206)	(2,263)	(Surplus) or Deficit on the Provision of Services	14,878	75,474	(22)	(15,779)	74,551

4. **PROPERTY, PLANT AND EQUIPMENT**

Movement on balances 2009/10	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	235,413	57,600	3,187	12,925	756	0	2,916	312,797
Additions – expenditure in year	4,319	444	279	0	0	0	169	5,211
Additions – transfer from WIP	0	2,162	0	0	0	0	(2,259)	(97)
Revaluation increases or decreases recognised in the Revaluation Reserve	2,260	2,544	0	0	0	0	0	4,804
Revaluation increases or decreases recognised in the (Surplus) or deficit on the Provision of Services	0	(74)	0	0	0	(1,688)	0	(1,762)
De-recognition – transfers	(3,426)	(165)	67	0	0	3,449	0	(75)
Disposals	(570)	0	(26)	0	0	0	0	(596)
At 31 March 2010	237,996	62,511	3,507	12,925	756	1,761	826	320,282
Accumulated Depreciation and Impairments								
At 1 April 2009	(6)	(1,436)	(1,993)	(4,807)	(309)	0	0	(8,551)
Depreciation charge	(1,990)	(678)	(346)	(276)	(25)	0	0	(3,315)
Other movements in depreciation and impairments	1,996	80	26	0	0	0	0	2,102
Subtotal	0	(2,034)	(2,313)	(5,083)	(334)	0	0	(9,764)
Net Book Value								
At 31 March 2010	237,996	60,477	1,194	7,842	422	1,761	826	310,518

Movement on balances 2010/11	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	237,996	62,511	3,507	12,925	756	1,761	826	320,282
Additions – expenditure in year	4,160	0	227	145	0	0	1,152	5,684
Additions – transfer from WIP	0	0	0	5	0	0	(103)	(98)
Revaluation increases or decreases recognised in the Revaluation Reserve	0	3,833	0	0	0	0	0	3,833
Revaluation increases or decreases recognised in the Surplus or deficit on the Provision of Services	(84,383)	(6,284)	0	0	0	0	0	(90,667)
De-recognition – other	0	114	0	0	(114)	0	0	0
Disposals	(518)	0	0	0	0	(24)	0	(542)
At 31 March 2011	157,255	60,174	3,734	13,075	642	1,737	1,875	238,492
Accumulated Depreciation and Impairment								
At 1 April 2010	0	(2,034)	(2,313)	(5,083)	(334)	0	0	(9,764)
Depreciation charge	(2,065)	(1,191)	(199)	(276)	(20)	0	0	(3,751)
Other movements in depreciation and impairment	2,065	1,440	0	0	0	0	0	3,505
Subtotal	0	(1,785)	(2,512)	(5,359)	(354)	0	0	(10,010)
Net Book Value								
At 31 March 2011	157,255	58,389	1,222	7,716	288	1,737	1,875	228,482
At 31 March 2010	237,996	60,477	1,194	7,842	422	1,761	826	310,518

Depreciation and Amortisation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – up to 80 years;
- Infrastructure – up to 40 years;
- Vehicles, plant, furniture & equipment – up to 12 years; and
- Intangible assets – up to 5 years

Depreciation is calculated on a straight line basis.

Tangible Non-current Assets and Depreciation

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

	2009/10 £000	2010/11 £000
General Fund	1,168	1,532
Housing Revenue Account	2,149	2,224
Total	3,317	3,756

Intangible Non-Current Assets

	2009/10 £000	2010/11 £000
Opening Net Book Value	62	23
Additions – transferred from WIP	0	41
Additions – expenditure in year	0	30
Amortisation – General Fund	(31)	(32)
Amortisation – HRA	(8)	(6)
Closing Net Book Value	23	56

Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies. The valuations this year reflect the changes in valuation reporting rules as required under the International Financial Reporting Standards (IFRS)

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. Properties of a non-specialised nature were valued to fair value by reference to the market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. The fair value of investment properties were valued by reference to their market value. Plant and machinery is included in the valuation of the buildings.

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors) on 1 April 2010. Housing Revenue Account dwellings and garages were valued on 31 March 2011.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. In liaison with the Council's Senior Valuer it was determined that the revaluation of Deal and Dover Leisure Centres and the Museum has resulted in an impairment due to a general fall in prices. Total amount impaired is £3.6million

In addition impairments of £82.4m have been charged to the Housing Revenue Account. £63.9m is as a result of the regional variation in Existing Use Value – Social Housing (EUV-SH) from 45% to 32%. This adjustment applies to all South East Authorities that maintain a Housing Revenue Account. The remaining impairment of £18.5m is due to a general fall in value.

	2009/10	2010/11
	£000	£000
General Fund		
General gain/(loss) on Other Land and Buildings	5	(6,275)
Write back depreciation	0	716
Total charged to the General Fund	5	(5,559)
Housing Revenue Account		
General gain / (loss) on Housing Stock	(2,489)	(84,383)
Write back depreciation	0	2065
Total charged to the HRA	(2,489)	(82,318)
Total charged to Income & Expenditure Account	(2,484)	(87,877)

5. INVESTMENT PROPERTIES

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

	2009/10	2010/11
	£000	£000
Rental income from investment property	269	221
Direct operating expenses arising from investment property	(118)	(80)
Net gain or loss	151	141

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

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

	2009/10	2010/11
	£000	£000
Balance at start of the year	2,536	2,545
Revaluation gains from fair value adjustments	78	418
Revaluation losses from fair value adjustments	(69)	(144)
Disposals	0	(152)
Balance at end of the year	2,545	2,667

6. ASSETS HELD FOR SALE

	2009/10	2010/11
	£000	£000
Balance at start of year	494	0
Revaluation Loss	(25)	0
Assets sold	(469)	0
Balance outstanding at year-end	0	0

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

	2009/10	2010/11
	£000	£000
Net Book Value		
HRA right-to-buy	499	444
HRA other sales	541	74
General Fund sales	25	176
Total	1,065	694
Sales Proceeds		
HRA right-to-buy	(499)	(601)
HRA other sales	(463)	(196)
General Fund sales	(25)	(263)
Total	(987)	(1,060)
Less right-to-buy admin fees	8	27
Gain or Loss on Disposal	86	(339)

8. COMMITTED CAPITAL CONTRACTS

At 31 March 2011 the Authority was contractually committed to capital expenditure amounting to £834k in respect of the following projects:

Project	Contractor	Total commitment £000	Estimated completion date
Construction of new tennis centre in Deal	WW Martin	484	June 2011

Project	Contractor	Total commitment £000	Estimated completion date
Emergency repair of Kingsdown promenade	CJ Gray	40	May 2011
Demolition of buildings in Yorkgate area	Goody Demolition	33	May 2011
Building of transport & hydrological computer simulation models	GVA Grimley	225	Oct 2011
Other capital projects	Various	52	
Total		834	

9. CAPITAL EXPENDITURE AND FINANCING

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

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	7,045	7,232
Capital Investment:		
Plant, property and equipment	5,214	5,713
Intangible assets	0	30
Revenue expenditure funded by capital	2,062	1,707
Private Sector Housing Loans	1,412	1,257
Sources of Finance:		
Capital receipts	(684)	(529)
Government grants	(3,552)	(3,276)
Other grants – Tennis Foundation	0	(400)
Major Repairs Reserve	(3,263)	(3,125)
Direct revenue financing	(718)	(871)
Section 106 funding	0	(133)
Special projects reserve	(284)	(43)
Other reserves	0	(46)
Lawn Tennis Association loan	0	(97)
Closing Capital Financing Requirement	7,232	7,419
Explanation of Movements:		
Supported Borrowing - HRA	187	187
	187	187

10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This represents capital expenditure on non-current assets not owned by the Council. The Code considers this to be revenue expenditure and as such the expenditure is

charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute allows the expenditure to be funded from capital resources but this Council funds the expenditure entirely from revenue resources.

	2009/10		2010/11	
	£000	£000	£000	£000
Gross expenditure:				
Home improvement grants	884		402	
Disabled facilities grants	670		680	
Land contamination testing	55		25	
Coastal protection	0		22	
Bleriot Memorial	181		0	
Grants/contributions to organisations	<u>272</u>		<u>578</u>	
		2,062		1,707
Grants & contributions received:				
Regional Housing Board Grant	(852)		(378)	
Disabled Facilities Grant subsidy	(408)		(430)	
Land contamination testing	(55)		(25)	
Coastal protection	0		(22)	
Grants/contributions from other organisations	(414)		(573)	
		<u>(1,729)</u>		<u>(1,428)</u>
Total		<u>333</u>		<u>279</u>

11. LEASES

Lessee – Operating Lease

The Council uses fitness equipment in the leisure centres and IT equipment financed under the terms of operating leases. The amount paid under these arrangements in 2010/11 was £43k (£64k in 2009/10).

As at 31 March 2011 the Council was committed to making payments of £98k under operating leases in future financial years.

	Vehicles, Plant & Equipment £000
Leases expiring in 2011/12	2
Leases expiring between 2012/13 and 2015/16	96
	<u>98</u>

In 2011/12 it is expected that the Council will enter into leases for IT equipment.

Lessee – Finance Lease

Under IFRIC 4 (determining whether an arrangement contains a lease) there is a lease type arrangement if a third party (such as a contractor) uses an asset mainly for the delivery of Council services. The Council has concluded that it has no material finance leases under these arrangements.

Lessor – Finance Lease

The Council does not lease out assets under a finance lease.

12. INTEREST AND INVESTMENTS

Icelandic Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £1m deposited with Landsbanki at an interest rate of 6.17% and a maturity date of 26 November 2008.

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

In April 2011 the Icelandic District Court ruled that such deposits have priority status which should aid recovery of a high proportion of the £1m deposited with Landsbanki. However, the other parties have appealed against the ruling of the Icelandic District Court and as a consequence the judgement is to be referred to the Icelandic Supreme Court. Allowing for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011.

Based on the assumption that local authority deposits do have priority status and other relevant information indicates that recovery of around 95% could be achieved over the period December 2011 to December 2018. The estimated recovery profile used in calculating the impairment is detailed below:

December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

Recovery is subject to the following uncertainties and risks:

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

Failure to secure priority status would have a significant impact upon the amount of the deposit that is recoverable. If priority status is not achieved the recoverable amount may be considerably reduced.

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

The Financial Instruments Adjustment Account in 2009/10 reflected the impaired proportion of the deposit and accrued interest on the Landsbanki deposit. In 2010/11 the impairment has been charged to the General Fund within the Movement in Reserves Statement. The impairment has been calculated by discounting the

assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered.

In accordance with the IFRS based code and advice from CIPFA part of the investment has been impaired as above. The information available is not definitive as to the amounts and timings of payments to be made by the administrators or receivers; therefore it is likely that further adjustments will be made to the accounts in future years.

The impact on the financial instruments adjustment account of the impairment is detailed below:

	2009/10	2010/11
	£000	£000
Opening Balance	125	232
Impairment charged in year	169	0
Accrued interest	(62)	0
Impairment charged to general fund	0	(232)
Total	232	0

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account reflects the impaired proportion of the deposit and accrued interest on the Landsbanki deposit as well as adjustments for soft loans and LOBO.

	2009/10	2009/10	2010/11	2010/11
	£000	£000	£000	£000
Opening balance				
LOBO (Dresdner Bank)	101		100	
Soft loans	258		1,102	
Impairment	125		232	
		484		1,434
Movement during the year				
LOBO (Dresdner Bank)	(1)		0	
Soft loans	844		445	
Impairment (Landsbanki)	107		(232)	
		950		213
Balance as at 31 March		1,434		1,647

AVAILABLE FOR SALE RESERVE

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

	2009/10	2010/11
	£000	£000
Opening balance	193	165
Unrealised profit:		
Certificate of deposits	(19)	7
Fixed securities	(9)	(37)
Closing balance	165	135

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Credit Risk

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

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

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

Short Term Investments

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

The Council's investment portfolio as at 31 March 2011 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
<u>Internal Investments:</u>			
Lloyds	22.11.2011	2,000	UK 'AAA'
Lloyds	14.12.2011	1,000	UK 'AAA'
Nat West	5.11.2011	1,000	UK 'AAA'
Total Internal Investments		4,000	

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
External Investments:			
Rabobank	5.5.2011	1,500	Netherlands 'AAA'
Credit Agricole	21.6.2011	1,600	France 'AAA'
Deutsche Bank	9.9.2011	1,300	Germany 'AAA'
Lloyds TSB	30.9.2011	2,000	UK 'AAA'
Nationwide	9.9.2011	1,400	UK 'AAA'
HSBC securities	10.8.2011	2,100	UK 'AAA'
UK gilts	7.12.2011	2,609	UK 'AAA'
GBP cash		48	
Total External Investments		12,557	
Cash and Cash Equivalents:			
Nat West	Instant Access	2,466	UK 'AA-'
Santander UK	Instant Access	125	UK 'AA-'
Bank of Scotland	Instant Access	4	UK 'AA-'
Money Market Fund (RBS)	Instant Access	40	UK 'AAA'
Total Cash and Cash Equiv		2,635	

Liquidity Risk

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

	2009/10 £000	2010/11 £000
Cash and cash equivalents	3,356	2,637
Less than 1 year	21,126	16,640
More than 1 year	783	822
Total	25,265	20,099

All trade and other payables creditors are due to be paid in less than one year.

Market Risk

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

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

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

Interest Rate Risk

The Council received interest of £286k on its investments of £20m achieving an average interest rate of 1.35%. A one percentage decrease would mean a reduction of £200k in the interest received. A one percentage increase would result in an increase of £200k on investments.

Cash Equivalents

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. The Council has decided that any internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value).

Market Valuation

IFRS require the accounts to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2011. The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing;
- LOBO debt is measured based on the contractual life and contractual cash flows and as provided by our Treasury Management advisors;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of investments and cash equivalents is shown in the table below:

	31 March 2010		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash held by external fund manager	15,579	15,579	12,613	12,613
Deposits with banks and building societies	5,547	5,602	4,027	4,045
Cash and liquid assets	3,355	3,355	2,634	2,634
Landsbanki	783	783	822	822
Total	25,264	25,319	20,096	20,114

The difference between the carrying amount and fair value is due to a higher rate of interest applying to the investments than that available in the market at 31 March 2011.

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

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB - maturity	4,084	5,492	4,084	5,032
PWLB – EIP	2	2	2	2
LOBOs	3,143	3,617	3,143	3,506
Market loans	10,000	10,000	0	0
Lawn Tennis Association Loan	0	0	97	97
Creditors	7,549	7,549	10,841	10,841
Financial Liabilities	24,778	26,660	18,167	19,478

Maturity Analysis

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

	31 March 2010	31 March 2011
	£000	£000
PWLB	4,002	4,001
Market Debt	10,000	0
Lawn Tennis Association Loan	0	97
LOBO	3,000	3,000
Creditors	7,549	10,841
Total	24,551	17,939
Less than 1 year	17,551	10,845
Between 1 and 2 years	1	7
Between 2 and 5 years	0	19
Between 5 and 10 years	0	32
More than 10 years	7,000	7,036
Total	24,551	17,939

13. PENSION COSTS

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the Local Government Pension Scheme Regulations 1997 as amended. Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The next formal valuation is due on 31 March 2013.

The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 (employee benefits) are given below:

Transactions Relating to Retirement Benefits

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	1,128	2,591
Past service costs	-	(9,892)
Curtailments and settlements	35	(2,928)
Financing and Investment Income and Expenditure		
Expected return on pension assets	(2,996)	(4,636)
Pensions interest cost	6,541	6,771
Charge to the Comprehensive Income and Expenditure Statement	4,708	(8,094)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,708)	8,094
Actual amount charged to the General Fund for pensions in the year		
Employers' contributions payable to scheme	3,348	3,697
Retirement benefits payable to pensioners	597	591
Contribution (From) or To Pensions Reserve	(763)	12,382

As required under IAS 19 the valuation method used is the projected unit method of valuation. With this method where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

Exceptional Item – Pension Capitalised Gains

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's liabilities in the Pension Fund by £9.892m, which has been reflected within Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

As a result of the East Kent Services transfer of staff to Thanet District Council during the year, liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £2,941,000.

2010/11 Exceptional Item	£000
RPI to CPI change	9,892
Transfer of staff	2,941
Total	12,833

Actuarial Gain / Loss

In addition, an actuarial gain of £21.152m in 2010/11 and a loss of £26.797m in 2009/10 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

Assets and Liabilities in Relation to Retirement Benefits

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

	2009/10	2010/11
Liabilities	£000	£000
Opening balance at 1 April	96,160	140,217
Current service costs	1,128	2,591
Interest cost	6,541	6,771
Actuarial gains (losses)	40,267	(16,755)
Gains or losses on curtailments	35	13
Liabilities extinguished on settlements	-	(8,552)
Benefits paid	(4,004)	(4,180)
Past service costs	-	(9,892)
Contributions from scheme participants	687	705
Unfunded pension payments	(597)	(591)
Closing balance at 31 March	140,217	110,327

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

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

	2009/10	2010/11
Assets	£000	£000
Opening balance at 1 April	47,540	64,037
Expected rate of return	2,996	4,636
Actuarial gains or (losses)	13,470	4,397
Employer contributions	3,945	4,288
Contributions by scheme participants	687	705
Benefits paid	(4,601)	(4,771)
Payment of bulk transfer values	-	(5,611)
Closing balance at 31 March	64,037	67,681

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

The actual return on scheme assets in the year: gain of £5.7m (2009/10: gain of £16.466m).

	2009/10	2010/11
	£000	£000
Present value of funded obligation	130,954	102,337
Fair value of scheme assets (bid price)	64,037	67,681
Sub-total	<u>66,917</u>	<u>34,656</u>
Present value of unfunded obligation	9,263	7,990
Net Pension Liability	<u>76,180</u>	<u>42,646</u>

Reconciliation of Opening & Closing Surplus or Deficit

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

	2009/10	2010/11
	£000	£000
Surplus or Deficit		
Opening balance at 1 April	(48,620)	(76,180)
Current service costs	(1,128)	(2,591)
Employer's contributions	3,348	3,697
Unfunded pension payments	597	591
Past service costs	-	9,892
Other finance income	(3,545)	(2,135)
(Losses) or gains on curtailments	(35)	2,928
Actuarial gains or (losses)	<u>(26,797)</u>	<u>21,152</u>
Closing balance at 31 March	<u>(76,180)</u>	<u>(42,646)</u>

Breakdown of Assets Held by Pension Fund shown at Fair Value

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

	31 March 2010		31 March 2011	
	Fund Value	Percentage of Fund	Fund Value	Percentage of Fund
	£000	%	£000	%
Assets				
Equities	47,388	74%	51,437	76%
Gilts	640	1%	677	1%
Bonds	8,965	14%	8,122	12%
Property	4,483	7%	6,091	9%
Cash	2,561	4%	1,354	2%
Total	<u>64,037</u>	<u>100%</u>	<u>67,681</u>	<u>100%</u>

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities	(110,960)	(99,380)	(96,160)	(140,217)	(110,327)
Scheme assets	65,630	59,210	47,540	64,037	67,681
Surplus (deficit) in the scheme	<u>(45,330)</u>	<u>(40,170)</u>	<u>(48,620)</u>	<u>(76,180)</u>	<u>(42,646)</u>

History of Experience Gains and Losses

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.6)	(17.4)	(33.0)	21.0	6.5
Experience gains and losses on liabilities	0.5	0.6	0.1	0.9	2.9

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2010.

The financial assumptions used for the purposes of IAS 19 calculations are given below.

	2009/10	2010/11
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5 Years	19.8 Years
Women	24.4 Years	23.9 Years
Longevity at 65 for future pensioners		
Men	22.6 Years	21.9 Years
Women	25.5 Years	25.8 Years
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%
Rate of Inflation - RPI	3.9%	3.5%
Rate of Inflation - CPI	-	2.7%
Rate of Increase in salary	5.4%	5.0%
Rate of Increase in pension	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.4%
Gilts	4.5%	4.4%
Bonds	5.5%	5.5%
Property	5.5%	5.4%
Cash	3.0%	3.0%
Expected return on assets	6.9%	6.9%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Council's retirement benefit liabilities as at 31 March 2011 assumes 50% of members will elect to take an increase in their lump sum payment up to HMRC limits.

Projected Pension Expense for the Year to 31 March 2012

These projections are based on the Actuary's assumptions as at 31 March 2011.

	2011/12 Projection £000
Service costs	2,053
Interest cost	6,029
Return on assets	(4,660)
Total	3,422
Employer's contributions	3,055

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

14. COUNCIL TAX INCOME

	2009/10 £000	2010/11 £000
District council's council tax	6,173	6,390
Parish councils' council tax	1,731	1,832
Prior year's actual accumulated Collection Fund surplus	(154)	(189)
Current year's actual Collection Fund surplus	189	170
Total	7,939	8,203

15. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income

	2009/10		2010/11	
	£000	£000	£000	£000
National Non-Domestic Rate distribution		8,258		8,919
General government grants:				
Revenue Support Grant	1,906		1,295	
Area Based Grant	170		191	
Local Authority Business Growth Incentive	46		0	
Housing & Planning Delivery Grant	73		0	
		<u>2,195</u>		<u>1,486</u>
Total non-specific grant income		10,453		10,405
Capital grants & contributions:				
East Kent Primary Care Trust		150		
Tennis Foundation				400
Section 106				133
Environment Agency		83		150
Growth Point				419
Other		113		101
		<u>346</u>		<u>1,203</u>
Less movement on unapplied capital grants		859		(89)
Total capital grant contributions		1,205		1,114

Credited to Services	2009/10 £000	2010/11 £000
Rent Allowance Subsidy	21,465	24,164
Council Tax Benefit Subsidy	8,569	9,296
Benefit Administration Grant	587	549
Council Tax Administration Grant	489	459
Non-HRA Rent Rebate Subsidy	404	277
HRA Rent Rebate Subsidy	10,390	10,464
Discretionary Housing Payment Contribution	57	52
Revenue & Benefits Administration Grant	25	34
Disabled Facilities Grant Subsidy	408	430
Concessionary Fares Special Grant	340	350
NNDR Cost of Collection Allowance	167	164
Local Benefits Scheme Subsidy	12	7
Homelessness Grant	77	120
Renovation Grants	852	378
Capital Grants to Organisations	414	573
Other	229	104
Total	44,485	47,421

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found on page 59 Note 23.

16. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees	
	2009/10	2010/11
£50,000-£54,999	19	25*
£55,000-£59,999	3	1
£60,000-£64,999	2	2
£65,000-£69,999	2	2
£70,000-£74,999	1	2*
£75,000-£79,999	6	0
£80,000-£84,999	0	7
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	1*	0
£110,000-£114,999	0	0
£115,000-£119,999	0	0
£120,000-£124,999	1	1
	35	40

* Figures indicate bands which include officers who have received redundancy payments.

Senior Officers' Emoluments

Under the new Accounts and Audit Regulations 2009, the Authority is required to include additional remuneration information in the Statement of Accounts about the senior officers, as shown below. These employees are included in the banding table; however, for the note there is an additional inclusion of the employer's pension contributions.

2009/10 Post holder information (Post title)	Salary (Including fees & Allowances) £000	Expense Allowances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contributions £000	Total Remuneration including pension contributions £000
Chief Executive	117	3	0	120	16	136
Head of Finance & ICT (S.151 Officer)	76	3	0	79	10	89
Head of Governance (Monitoring Officer)	76	3	0	79	10	89
Head of Property, Leisure & Waste Management	69	3	5	77	10	87
Head of Housing, Culture & Community Safety	76	3	0	79	10	89
Head of Development & Public Protection	69	3	5	77	10	87
Head of Business & Community Transformation	76	3	0	79	10	89
	559	21	10	590	76	666

2010/11 Post holder information (Post title)	Salary (Including fees & Allowances) £000	Expense Allowances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contributions £000	Total Remuneration including pension contributions £000
Chief Executive	121	3	0	124	17	141
Head of Finance & ICT (S.151 Officer)	78	3	0	81	11	92
Head of Governance (Monitoring Officer)	78	3	0	81	11	92
Head of Property, Leisure & Waste Management	72	3	6	81	11	92
Head of Housing, Culture & Community Safety	78	3	0	81	11	92
Head of Development & Public Protection	72	3	5	80	11	91

2010/11 Post holder information (Post title)	Salary (Including fees & Allow- ances) £000	Expense Allow- ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib- utions £000	Total Remuneration including pension contributions £000
Head of Business & Community Transformation	81	3	0	84	11	95
	580	21	11	612	83	695

Employee Adjustment Account (Accrued Annual Leave)

Under the IFRS Code we are required to accrue for untaken annual leave at the end of the accounting period. At the end of 2010/11 this was estimated to be £70k (£86k in 2009/10).

Termination Payments

The Council terminated the contract of three employees in 2010/11, incurring liabilities of £85,286 (one in 2009/10 incurring liabilities of £60,879).

17. CAPITAL RECEIPTS

Usable Capital Receipts

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

	2009/10 £000	2010/11 £000
Balance at 1 April	939	756
Usable capital receipts received	951	1,034
	<u>1,890</u>	<u>1,790</u>
Less: Usable capital receipts applied		
Expenditure on non-current assets	(683)	(529)
Pooled housing capital receipts	(451)	(435)
Balance at 31 March	<u>756</u>	<u>826</u>

Deferred Capital Receipts

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

	2009/10 £000	2010/11 £000
Balance at 1 April	3	1
Receipts	(2)	(1)
Balance at 31 March	<u>1</u>	<u>0</u>

Pooling of Housing Capital Receipts

In accordance with the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2010/11 £435k has been paid to the DCLG in relating to capital pooling requirements (£451k in 2009/10).

18. EARMARKED RESERVES

General Fund Earmarked Reserves:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special projects	1,310	205	(744)	771
Local Development Framework	339	0	(41)	298
Housing and Planning Delivery Grant	250	0	(79)	171
Major events	193	20	(25)	188
Cluster preparation	460	286	(277)	469
Invest to Save	205	8	(205)	8
Benefits overpayments	259	0	0	259
On-street parking	2	0	0	2
ICT equipment & servers	15	58	0	73
Concessionary fares	282	0	(120)	162
Iceland investment	450	0	0	450
Elections	96	48	0	144
Private sector housing	0	35	0	35
Total	3,861	660	(1,491)	3,030

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2010/11 totalled £744k of which £43k was for capital projects and £701k was for revenue projects. The revenue expenditure included £565k of costs associated with the Delivering Effective Services restructure that have been included in the year.

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

Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2011 represents the unspent grant that will be utilised in future years.

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

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

Invest to Save – the balance brought forward on this reserve has been transferred to the Special Projects reserve. Any such payback generated by reductions in the budget services benefiting from investment from the Special Projects reserve will be allocated back to the Invest to Save Reserve.

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

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

ICT Equipment & Servers – this reserve has been established to smooth out the budgeting impact of replacing ICT equipment, servers and software upgrades.

Concessionary Fares – the reserve was established to even out pressures in the scheme costs. The application in year was to offset the impact of successful appeals for higher reimbursement rates from the transport operators. See note 30 for further details.

Iceland Investment Reserve – this reserve was established to set aside funds to cover the risk of losses on the Icelandic Investment. An impairment has been charged to the General Fund Balance in 2010/11 and the reserve has not been utilised to fund this pressure. There remains uncertainty about the timing and value of receipts from the investment and so the reserve will be retained until further information is known.

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

Private Sector Housing – this reserve has been established to cover the future consultancy costs related to local housing market assessments and private sector stock condition surveys required to support the statutory requirement on local authorities to publish a Housing Strategy.

Housing Revenue Account:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Major Repairs Reserve	(319)	(3,152)	3,471	0
Tenant's Compact Reserve	0	(346)	0	(346)
Total	(319)	(3,498)	3,471	(346)

Major Repairs Reserve – the housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a

housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

Tenant's Compact Reserve – is a ring-fenced capital reserve which is a carry forward of any unspent capital budget not used in previous years.

19. DEBTORS

Long Term Debtors

	31 March 2010 £000	31 March 2011 £000
Housing association mortgages	58	18
Right to buy mortgages	1	0
Loans to:		
Leaseholders ¹	68	67
Local organisations	45	40
Other:-		
Housing benefit debtors ²	557	514
Total	729	639

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

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

Short Term Debtors

	31 March 2010 £000	31 March 2011 £000
General fund		
Housing benefit claimants (current & former)	411	431
Central government	3,362	1,929
Local authorities	1,630	1,456
Payments in advance	523	394
National Health Service		
Other debtors	2,743	3,356
	<u>8,669</u>	<u>7,566</u>
Collection Fund		
Council tax payers (district council's share)	520	440
Central government	5,083	1,094
	<u>5,603</u>	<u>1,534</u>
Total	14,272	9,100

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

The movement in debtors is largely due to a reduction in net Collection Fund debts owed by central Government in respect of NDR overpaid to it by the Council. These overpayments arise from payments being made to central Government based on an

estimate of gross NDR collectible from business, while changes in rateable value during the year have resulted in lower amounts becoming due for collection from some of those businesses. Central Government will refund this amount on submission of the audited NDR3 form in the next financial year.

Provision for Bad Debts

	Council Tax £000	General Debtors £000	Housing Benefits £000	HRA £000	Total £000
Balance at 1 April 2009	216	94	1,252	388	1,950
Write-offs	(8)	(11)	(94)	(85)	(198)
Contribution to provision	59	117	86	106	368
Balance at 31 March 2010	267	200	1,244	409	2,120
Write-offs	(128)	(9)	(117)	(62)	(316)
Contribution to provision	80	106	117	83	386
Balance at 31 March	219	297	1,244	430	2,190

The provision for bad debts in respect of council tax represents the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 68.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

Age of debt	At 31 March 2010			At 31 March 2011		
	General Debtors £000	HRA £000	Total £000	General Debtors £000	HRA £000	Total £000
< 1 month	330	223	553	391	226	617
1 – 3 months	43	127	170	225	150	375
3 – 6 months	37	83	120	96	222	318
6 – 12 months	67	75	142	82	56	138
1 year +	81	234	315	118	241	359
Total	558	742	1,300	912	895	1,807

Collectability of Debt

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

20. CASH & CASH EQUIVALENTS

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

	2009/10	2010/11
	£000	£000
Cash held by Authority	3	3
Bank call accounts	3,353	2,634
Bank overdraft	(3,213)	(634)
Total Cash and Cash Equivalents	143	2,003

21. SHORT TERM CREDITORS

	2010	2011
	£000	£000
As at 31 March		
General Fund		
Government departments	(2,537)	(4,094)
Other local authorities	(892)	(1,471)
Housing tenants	(84)	(100)
Other creditors – revenue	(3,207)	(4,598)
Other creditors – capital	(743)	(508)
	<u>(7,463)</u>	<u>(10,771)</u>
Collection Fund		
Local authorities	(235)	(313)
Local tax payers (DDC's share)	(102)	(102)
	<u>(337)</u>	<u>(415)</u>
Total	(7,800)	(11,186)

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

The movement in creditors is largely due to an increase in borrowing for Private Sector Housing, together with monies due for redundancy payments and actuarial strain in respect of the Delivering Effective Services restructure.

22. RECEIPTS IN ADVANCE

	2010	2011
	£000	£000
As at 31 March		
Government departments	(148)	(241)
Other local authorities	(285)	(262)
Other	(772)	(1,288)
Total	(1,205)	(1,791)

23. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2009/10 £000	2010/11 £000
Balance at 1 April	3,675	2,305
Contributions received	1,466	1,847
Applied to capital projects	(2,836)	(2,496)
Grant repaid	0	(3)
Balance at 31 March	2,305	1,653

24. CAPITAL ADJUSTMENT ACCOUNT

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

	2009/10 £000	2010/11 £000
Balance at 1 April	(292,977)	(296,246)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	3,325	3,763
Amortisation of intangible assets	30	32
Revaluation losses on property, plant and equipment	0	87,878
Revaluation gains on property, plant and equipment	(2,485)	0
Revenue expenditure funded from capital under statute	333	279
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	1,009	695
Adjusting amounts written out of the Revaluation Reserve	(174)	(430)
Net written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(683)	(529)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,263)	(3,125)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(347)	(762)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	(442)
Receipt of capital income from long term debtors	(2)	(1)
Capital expenditure charged against the General Fund and HRA balances	(718)	(870)

	2009/10	2010/11
	£000	£000
Capital expenditure charged against Earmarked Reserves	(285)	(62)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(9)	(275)
Balance at 31 March	(296,246)	(210,095)

25. DEVELOPER CONTRIBUTIONS

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

	2009/10	2010/11
	£000	£000
Balance at 1 April	766	719
Contributions received	14	170
Transfers to third parties	(45)	(28)
Applied to capital	0	(133)
Applied to revenue	(16)	(97)
Balance at 31 March	719	631

26. REVALUATION RESERVE

The revaluation reserve records unrealised revaluation gains arising (since 1 April 2007) from holding operational land and buildings. The balance on the reserve is reduced when assets with accumulated gains are revalued downwards or impaired and the gains lost; used in the provision of services and the gains consumed through depreciation; and disposed and the gains realised. Accumulated gains pre-dating 1 April 2007 were transferred to the Capital Adjustment Account.

	2009/10	2010/11
	£000	£000
Balance at 1 April	7,658	9,921
Revaluation gains	2,465	4,562
Revaluation losses	0	(8)
Revaluations relating to disposals written out	(28)	0
Historic cost depreciation written out to the capital adjustments account	(174)	(430)
Balance at 31 March	9,921	14,045

27. RELATED PARTY TRANSACTIONS

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

Two Members, both of whom stood down in the May elections, failed to provide a return, but, following a review of their previous returns and their Declarations of Interest Statements, in the opinion of the Authority, their returns would not be material.

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

Organisation	Value	Details
Gazen Salts Nature Reserve	£6,000	2 Members were appointed Trustees by Sandwich Town Council.
Sandwich Toll Bridge Fund	£32,641	Members of Sandwich Town Council are by definition Trustees of this Fund, through this, 2 Members of Dover District Council are Trustees.
Dover, Deal & district Citizens Advice Bureau	£130,500	One Member is a Trustee of this local charity.
Dover Chamber of Commerce	£11,083	One Member is an employee of the Chamber.
Action with Communities in Rural Kent	£3,267	Two Members were appointed as Representative Members by Dover District Council.

28. MEMBERS' ALLOWANCES

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

	2009/10 £000	2010/11 £000
Basic Allowance	192	189
Special Responsibility Allowance	113	116
Members' National Insurance Contributions	10	10
TOTAL	315	315

The Council also produce a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. This may be seen on notice boards at the Council's main offices and on the Council's website at: http://www.dover.gov.uk/council_democracy/councillors_decisions_meeti/councillors/allowances.aspx

29. AUDIT COMMISSION FEES

The Council's auditors are the Audit Commission, an independent body responsible for ensuring that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2010/11.

	2009/10	2010/11
	£000	£000
External audit services	123	116
Statutory inspection	9	0
Certification of grant claims and returns	51	35
Other services provided	0	0
Total	183	151

30. **CONTINGENT LIABILITIES**

Concessionary Fares

The Transport Operator, Stagecoach, has won appeals for higher reimbursement rates for the fares of concessionary travellers for the years 2007/08, 2009/10 and 2010/11 and, where not yet settled, full provision has been made in the Statement of Accounts for sums owed at the higher rates awarded. These accrued amounts, which total £345k for Dover's share, are now subject to further intended appeals by Local Authorities, who consider the awarded rates excessive, and inclusion of these costs in the accounts does not amount to acceptance by Dover District Council or other Kent Local Authorities that the claims are fair or legitimate. Dover District Council recognises a further risk that Stagecoach may appeal for the 58.8% rate awarded for 2010/11 to also be applied to the 2009/10 year, which could result in further amounts becoming payable (£145k estimated for Dover's share), which is not currently accrued in the accounts. Additionally, Dover District Council has included in its accounts additional amounts payable based on capacity claims made by Stagecoach for the years 2007/08 to 2010/11, based on two-thirds of the amounts claimed, which is the proportion deemed likely to become payable according to Kent's transport consultants, MCL. These capacity claims are the subject of ongoing negotiation, and there is a risk that a further £33k may become payable if the full value claimed by Stagecoach can be justified. These amounts of £145k and £33k make a contingent liability of £178k, which is not considered sufficiently certain for inclusion in the accounts.

Discussions with Stagecoach have continued since the balance sheet date with a view to negotiating a settlement and avoiding protracted legal proceedings. The outcome of these negotiations is yet to be finalised but indicates a potential reduction in Dover's liability. Due to the ongoing uncertainty, no changes are proposed to the statement of accounts until formal agreement has been reached and concluded with a suitable exchange of letters and legal reassurance.

Personal Search Fees

Personal search fees were discontinued following a change in legislation in 2010. Charging prior to this change is currently the subject of litigation. This is a national issue and we await the outcome of the legal process.

31. **PRIVATE FINANCE INITIATIVE**

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to

force majeure the Council will be liable for an estimated £4.48 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2011 was considered remote.

32. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2011. No events have occurred that require changes to the accounting statements, however the implementation of East Kent Housing has been detailed below for information.

EAST KENT HOUSING

EK Housing (EKH) is the trading name for the East Kent ALMO that has been set up jointly with Canterbury, Dover, Shepway and Thanet Councils to manage the housing stock for all four authorities.

EKH was incorporated with Companies House on 11 January 2011 as a private company limited by guarantee. Each of the authorities holds equal shares in the company and has equal control over the entity. EKH did not become a live entity and begin trading until 1 April 2011, when staff from all authorities transferred into the new ALMO under TUPE arrangements.

33. CHANGE IN PROVISION OF SERVICES

HUMAN RESOURCES FUNCTION

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

The Partnership is hosted by Dover District Council, and the guiding body is the HR Strategic Board which comprises one representative from each of the councils plus the Head of the Partnership. As Dover is the host, all of the EKHRP costs will pass through DDC's Income and Expenditure account, as will the charges to the other partners.

2010/11 is the first full year of the Partnership and the effect on the DDC Comprehensive Income and Expenditure Statement is material.

In 2010/11, running costs of £1.46m (2009/10 £0.71m), with a recovery from our partners of £1.19m (2009/10 £0.58m) have passed through the General Fund Income and Expenditure Account.

Also in the 2010/11 figures is the balance of the one-off initial set-up costs (£77k in total, of which our partners contributed £57k) (2009/10 £618k in total, of which our partners contributed £464k).

ICT, HOUSING BENEFITS & REVENUE & CUSTOMER SERVICES

On 1 February 2011 the ICT, Revenue & Benefits and Customer Service operations were subject to a change in method of service provision, and are now being provided as part of shared service undertakings. The objective is for future savings to accrue through the pooling of resources with other authorities and means that direct

charging against the codes will be replaced by a management fee from the new body, East Kent Services (hosted by Thanet District Council). The total management fee identified for each of these services for the months of February and March included in these accounts are as follows; and are matched by equal savings of salaries and other budgeted DDC costs:

Operation	Management Fee
ICT	£157,490
Revenues & Benefits	£455,470
Customer Services	<u>£205,850</u>
Total	<u>£818,810</u>

34. **EXCEPTIONAL ITEM**

Following the decision by the House of Lords in the Fleming and Condé Nast case, the Council has made several claims to HMRC in respect of VAT paid over during the period 1973 to 1997, which was subsequently deemed to have been collected by HMRC in error. Claims in respect of cultural services and cemeteries were agreed and settled during 2009/10 totalling £442k. HMRC also paid over £346k being interest due on these overpayments. From this income, an amount of £32k was paid to professional advisors who assisted in submitting the claims. Therefore a net £756k was reported as an exceptional item in the Comprehensive Income and Expenditure Statement in 2009/10.

Claims in respect of leisure services, bulky waste and excess car parking charges have been agreed and settled in 2010/11 totalling £151k and a further £147k has been received being interest due on these overpayments. From this income, an amount of £12k has been paid to professional advisors who assisted in submitting the claims. For consistency and comparative purposes this amount has also been shown as an Exceptional Item.

35. **ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED**

Financial Reporting Standard 30 Heritage Assets – requires the separate disclosure of Heritage Assets on the Council's Balance Sheet. A review of Dover Museum assets and Civic Regalia will be required to determine items which will fall into this category. The 2011/12 Code will provide details of the disclosures required.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The Collection Fund is consolidated with the other accounts of the billing authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11	
£000	£000		£000	£000
		Income		
		Council Tax:		
	(48,899)	Billed to council tax payers	(49,818)	
	(8,514)	Council tax benefits	(9,230)	
(57,413)				(59,048)
		Non-Domestic Rates:		
	(29,162)	Billed to NNDR payers	(29,463)	
	4,577	Exceptional Item	-	
(24,585)				(29,463)
<u>(81,998)</u>		Total Income		<u>(88,511)</u>
		Expenditure		
		Precepts and Demands:		
	40,856	Kent County Council	42,121	
	5,361	Kent Police Authority	5,575	
	2,630	Kent & Medway Fire & Rescue Authority	2,732	
	6,173	Dover District Council	6,390	
	1,731	Town and parish councils	1,832	
56,751				58,650
		Non-Domestic Rates:		
	24,426	Payment to National Pool	29,308	
	159	Cost of collection allowance	155	
24,585				29,463
60		Council tax written-off		905
360		Provision for non-payment of council tax		(360)
<u>81,756</u>		Total Expenditure		<u>88,658</u>
(242)		(Surplus) or Deficit for the Year		147
(1,106)		Balance brought forward at 1 April		(1,348)
<u>(1,348)</u>		Balance Carried Forward at 31 March		<u>(1,201)</u>

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

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

Precepts

Authorities who made a precept on the Collection Fund are:

	2009/10 £000	2010/11 £000
Kent County Council	40,856	42,121
Kent Police Authority	5,361	5,575
Kent and Medway Fire & Rescue Authority	2,630	2,732
Dover District Council	6,173	6,390
	55,020	56,818
Parish councils	1,731	1,832
Total	56,751	58,650

Council Tax Base

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

	2009/10			2010/11		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	8.25	5/9ths	4.58	7.75	5/9ths	4.31
A	5,249.99	6/9ths	3,499.99	5,278.59	6/9ths	3,519.06
B	13,921.75	7/9ths	10,828.03	13,958.45	7/9ths	10,856.57
C	11,809.20	8/9ths	10,497.07	11,876.15	8/9ths	10,556.58
D	5,993.70	9/9ths	5,993.70	6,232.86	9/9ths	6,232.86
E	3,706.75	11/9ths	4,530.47	3,747.60	11/9ths	4,580.40
F	2,038.60	13/9ths	2,944.64	2,046.60	13/9ths	2,956.20
G	1,287.60	15/9ths	2,146.00	1,281.70	15/9ths	2,136.17
H	47.70	18/9ths	95.40	47.55	18/9ths	95.10
	44,063.54		40,539.88	44,477.25		40,937.25
Estimated Collection Rate			98.20%			98.20%
Council Tax Base			39,810.15			40,200.38

Band D Council Tax

	2009/10	2010/11
	£000	£000
Kent County Council	1,026.27	1,047.78
Kent Police Authority	134.65	138.68
Kent & Medway Towns Fire Authority	66.06	67.95
Dover District Council	155.07	158.94
	<hr/>	<hr/>
	1,382.05	1,413.35
Parish councils (average)	43.48	45.58
Total	1,425.53	1,458.93

This basic amount of council tax for a Band D property of £1,458.93 for 2010/11 (£1,425.53 for 2009/10) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specifies an amount of 'rate poundage' of 41.4p (48.5p) for large businesses or 40.7p (48.1p) for small businesses in 2010/11 (2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the government.

The government redistributes the sums paid into the Pool back to local authorities on a basis determined by the Secretary of State as part of the Local Government Finance Settlement.

The NNDR income after relief and provisions of £29.463m (£24.585m) for 2010/11 (2009/10) was based on the total rateable value for the Council's area, which at the year-end was £90.930m (£73.978m in 2009/10).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2009/10			2010/11		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	1,549	163	1,712	1,909	1,094	3,003
Write-Offs	(60)	(74)	(134)	(905)	(212)	(1,117)
Contribution to Provision	420	1,005	1,425	545	130	675
Balance at 31 March	1,909	1,094	3,003	1,549	1,012	2,561

4. COLLECTION FUND SURPLUSES AND DEFICITS

The District Council was required to estimate by 26th January 2010 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, Kent Police Authority, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £nil for 2009/10, so there was no additional payment to preceptors in 2010/11. The actual surplus of £1.201m at 31 March 2011

will be taken into account when estimating the distributable surplus/deficit for 2011/12 (N.B. *Council Tax Cash* in note 5 shows cash deficits at 31/03/2010 & 31/03/2011). Each of the major precepting authorities' share of the surplus is shown in the table below.

	Surplus at 1 April 2009 £000	Movement in Year £000	Surplus at 31 March 2010 £000	Movement in Year £000	Surplus at 31 March 2011 £000
Kent County Council	(796)	(172)	(968)	107	(861)
Kent Police Authority	(105)	(23)	(128)	14	(114)
Kent & Medway Fire & Rescue Authority	(51)	(12)	(63)	7	(56)
Dover District Council	(154)	(35)	(189)	19	(170)
Total	(1,106)	(242)	(1,348)	147	(1,201)

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

Each of the major precepting authorities' share of the arrears, pre-payments/refunds and other balances, together with the balances in respect of NNDR, is shown in the table below:

	KCC £000	KPA £000	KMFRA £000	DDC £000	Gov't £000	Total £000
At 31 March 2010						
Council tax arrears	2,663	352	173	520		3,708
Council tax provision for bad debts	(1,371)	(181)	(89)	(268)		(1,909)
Council tax prepayments & refunds	(521)	(69)	(34)	(101)		(725)
Council tax cash	197	26	13	38		274
Collection Fund surplus or deficit	(968)	(128)	(63)	(189)		(1,348)
NNDR pool					9,164	9,164
NNDR arrears					2,445	2,445
NNDR provision for bad debts					(1,094)	(1,094)
NNDR prepayments & refunds					(5,432)	(5,432)
NNDR cash					(5,083)	(5,083)
Total	0	0	0	0	0	0
At 31 March 2011						
Council tax arrears	2,229	295	145	440		3,109
Council tax provision for bad debts	(1,111)	(147)	(72)	(219)		(1,549)
Council tax prepayments & refunds	(519)	(69)	(34)	(102)		(724)
Council tax cash	262	35	17	51		365
Collection Fund surplus or deficit	(861)	(114)	(56)	(170)		(1,201)
NNDR pool					722	722
NNDR arrears					2,235	2,235
NNDR provision for bad debts					(1,012)	(1,012)
NNDR prepayments & refunds					(851)	(851)
NNDR cash					(1,094)	(1,094)
Total	0	0	0	0	0	0

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.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2009/10 £000		Note	2010/11 £000
	Income		
(16,326)	Dwellings rents	9	(16,228)
(382)	Non-dwelling rents		(433)
(292)	Charges for services and facilities		(340)
(246)	Contributions towards expenditure - Supporting People		(156)
(171)	Contributions towards expenditure - leaseholders		(226)
(17,417)	Total Income		(17,383)
	Expenditure		
3,826	Repairs and maintenance		3,669
2,955	Supervision and management		2,739
88	Rent, rates, taxes and other charges		122
5,245	Negative subsidy payable to Secretary of State	10	5,386
102	Rent rebate subsidy limitation – transfer to General Fund	14	12
2,157	Depreciation	4	2,230
(4,144)	Exceptional Item – revaluation (gain) or loss on HRA stock	8	82,319
1,655	Impairment of non-current assets		0
12	Debt management expenses		23
106	Increased provision for bad or doubtful debts	12	83
12,002	Total Expenditure		96,583
	Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement		
(5,415)			79,200
382	HRA share of Corporate and Democratic Core		502
7	HRA share of other amounts included in the whole authority		(1,730)
	Net Cost of Services but not allocated to specific services		
(5,026)	Net Cost of HRA Services		77,972
78	(Gain) or loss on sales of HRA non-current assets		(246)
0	Income / expenditure in relation to Investment Properties		37
(241)	Interest and investment income		(194)
685	Pension interest costs and expected return on pensions assets	13	374
(4,504)	(Surplus) or Deficit for the year on HRA Services		77,943

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2009/10 £000		£000	2010/11 £000	£000
(7,446)	Balance on the HRA at the end of the previous year			(7,958)
<u>(4,504)</u>	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		77,943	
	Adjustments between Accounting Basis and Funding under Statute:			
2,489	Impairment of non-current assets	(82,319)		
0	Income / expenditure in relation to Investment Properties	(37)		
1,085	Excess depreciation charged to the HRA over Major Repairs Allowance	922		
(78)	Gain or (loss) on disposal of non-current assets	246		
(212)	Net charges made for retirement benefits	1,746		
708	Capital expenditure charged to revenue	849	<u>(78,593)</u>	
<u>(512)</u>	Net (increase) or decrease before transfers to or from reserves		(650)	
0	Transfers (to) or from reserves		<u>0</u>	
(512)	(Increase) or decrease in year on the HRA Balance			(650)
(7,958)	Balance on the HRA at the End of the Current Year			(8,608)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2010/11

	Stock at 1 April 2010	Sales	Transfers/ Disposals	Stock at 31 March 2011
Houses/bungalows	2,857	5	0	2,852
Flats	1,614	5	0	1,609
Total	4,471	10	0	4,461

Total Value of Assets

	1 April 2010 £000	31 March 2011 £000
Operational assets:		
Dwellings	237,996	157,255
Garages	2,186	2,983
Other land and buildings	68	70
Equipment	95	0
Non-operational assets:		
Investment properties	821	351
Surplus assets	1,737	1,737
	242,903	162,396

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2010 was £491m. The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years as at 31 March 2011 is £0k (31 March 2010 £319k).

The £319k balance as at the 31 March 2010 was ring-fenced for Tenants' Compact and transferred to a separate Tenants' Compact Reserve during 2010/11.

	2009/10 £000	2010/11 £000
Balance as at 1 April	(340)	(319)
Major Repairs Allowance:		
Depreciation	(2,156)	(2,230)
Excess Depreciation charge to HRA	(1,085)	(922)
Transfer from reserve for capital expenditure	3,262	3,125
Transfer to Tenants Compact Reserve	0	346
Balance as at 31 March	(319)	0

4. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £2,230k (2009/10 £2,157k) as detailed below.

	2009/10 £000	2010/11 £000
Council dwellings	1,990	2,065
Garages	64	64
Equipment	95	95
Intangible assets	8	6
Total	2,157	2,230

5. SUMMARY OF CAPITAL EXPENDITURE

	2009/10 £000	2010/11 £000
Capital expenditure:		
Dwellings	4,320	4,160
Total	4,320	4,160
Financed by:		
Capital receipts	(12)	0
Funded by HRA	(708)	(848)
Transfer from Major Repairs Reserve	(3,263)	(3,125)
Government supported borrowing	(187)	(187)
PCT grant - disabled adaptations	(150)	0
	(4,320)	(4,160)

6. SUMMARY OF CAPITAL RECEIPTS

	2009/10 £000	2010/11 £000
Receipts from sales during the year:		
Dwelling sales	(623)	(688)
Other HRA sales	(338)	(109)
Sub total	(961)	(797)
Amount pooled to Government *	451	434
	(510)	(363)

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

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

This relates to improvements to existing Housing Revenue Account properties, partly funded by the Housing Revenue Account as shown in note 5.

8. **EXCEPTIONAL ITEM - IMPAIRMENT**

In 2010/11 impairments of £82,319k (-£2,489k in 2009/10) were charged to the Housing Revenue Account. £63,864k is as a result of the regional variation in Existing Use Value – Social Housing (EUV-SH) from 45% to 32%. This adjustment applies to all south east authorities that maintain a Housing Revenue Account.

The remaining impairment of £18,455k is due to a general fall in value.

9. **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 2011 was £70.20, compared with £70.36 at 31 March 2010.

10. **HOUSING SUBSIDY**

The Government has notionally calculated that income from rents and investments is greater than notional expenditure, resulting in a payment of subsidy to the Government of £5,386k in 2010/11 (£5,245k in 2009/10).

	2009/10 £000	2010/11 £000
Rents	15,435	15,303
Interest on receipts	0	0
	<hr/> 15,435	<hr/> 15,303
Less:		
Management allowance	2,142	2,096
Maintenance allowance	4,752	4,617
Major repairs allowance	3,242	3,152
Debt management expenses	37	39
Subsidy capital financing Requirement	17	13
Prior year adjustment	0	0
	<hr/> 10,190	<hr/> 9,917
Subsidy Paid	<hr/> 5,245	<hr/> 5,386

11. RENT ARREARS

The position for rent arrears is shown below:

31 March 2010				31 March 2011			
Former Tenant Arrears	Current Tenant Arrears	Housing Repairs Arrears	Total Rent Arrears	Former Tenant Arrears	Current Tenant Arrears	Housing Repairs Arrears	Total Rent Arrears
£000	£000	£000	£000	£000	£000	£000	£000
117	324	205	646	134	338	212	684

12. PROVISION FOR BAD DEBTS

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

	2009/10 £000	2010/11 £000
Balance brought forward as at 1 April	388	409
Provision made in the year	106	83
Less amounts written off	(85)	(62)
Balance carried forward as at 31 March	409	430

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

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

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

The following adjustments have been made:

	2009/10 £000	2010/11 £000
HRA Income and Expenditure Statement		
Reverse actual contributions	(76)	(76)
Reverse unfunded benefits	(115)	(103)
Reverse back funding	(344)	(325)
Capitalised gain	0	(1,732)
Current service costs	55	114
Curtailments	7	2
Past service costs	0	0
Included within Net Cost of Services	(473)	(2,120)
Interest cost per actuary	1,264	1,185
Expected return on assets per actuary	(579)	(811)
Pensions Interest Cost and Expected Return on Assets	685	374

Statement of Movement on the HRA Balance		
Capitalised gain	0	1,732
Current service costs per actuary	(55)	(114)
Curtailments per actuary	(7)	(2)
Past service costs per actuary	0	0
Interest cost per actuary	(1,264)	(1,185)
Return on assets per actuary	579	811
Net Charges Made for Retirement Benefits in Accordance with FRS 17	(747)	1,242
Contributions in respect of unfunded benefits	115	103
Payments to the pension fund	420	401
Employer's Contribution Payable to the Pension Fund	535	504

14. RENT REBATE SUBSIDY LIMITATION

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

In 2010/11 average rent exceeded limit rent; this resulted in Rent Rebate Subsidy Limitation of £11.5k (£102k in 2009/10) being incurred by the General Fund that required reimbursement from the Housing Revenue Account.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASED CODE

The changes to accounting introduced by the IFRS Code require restatement of the core financial statements reported in the 2009/10 accounts. The transition (the changes made) to the core financial statements are explained and detailed below.

Capital Grants and Contributions

Under the SORP grants and contributions used to fund the purchase of non-current assets were credited to the Capital Contributions Deferred Account and amortised to the appropriate service in the Comprehensive Income and Expenditure Statement over the life of the asset, partially or fully offsetting the depreciation charged on the asset. Under the IFRS Code grants and contributions are credited to the Comprehensive Income and Expenditure Statement as non-specific grant income in the year they are recognised and written-off to the Capital Adjustment Account via the Movement in Reserves Statement.

Embedded Leases

Under the IFRS Code there is a lease type arrangement if a third party (such as a contractor) uses an asset mainly for the delivery of Council services. As such the asset is recognised in the Council's Balance Sheet and depreciated to the Comprehensive Income and Expenditure Statement as any other non-current asset. In addition, the payment to the third party for the provision of the service includes the cost of purchasing the asset through a finance lease. This cost is removed from the Comprehensive Income and Expenditure Statement and separated into the principal and interest elements. The principal, which will equate to the depreciation chargeable against such an asset, is debited to the deferred liabilities account in the Balance Sheet. The interest will be debited to the Comprehensive Income and Expenditure Statement under interest payable and similar charges. The Council has concluded that it has no contracts that contain material lease type arrangements in respect of the vehicles used by the contractor.

Asset Reclassification

Under the IFRS Code investment property is property that is solely owned for the purpose of rental income or capital gain or both. In order to comply with IFRS a review of assets has been undertaken and the reclassification has been backdated to 1 April 2009.

Accrued Annual Leave

Under the IFRS Code the Council is required to accrue for annual leave not taken by staff at the end of the accounting period.

Cash and Cash Equivalents

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. The Council has decided that any internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value).

Comprehensive Income and Expenditure Statement (Transition to IFRS based Code)

	2009/10 Net Expenditure £000	Reversal of Amortised Grants £000	Capital Grants Recognised £000	Annual Leave Accrual £000	Investment Property Depreciation / Revals £000	Transfer of Capital Admin Costs £000	2009/10 Net Expenditure Restated £000
On its services the Council spent:							
Central services to the public	1,108						1,108
Cultural, environmental, regulatory and planning services	11,606	166			(52)		11,720
Highways, roads and transport services	175	9					184
Local authority housing (HRA)	(882)						(882)
Exceptional item – impairment/(revaluation gain) on HRA stock	(4,144)						(4,144)
Other housing	2,230						2,230
Corporate and Democratic Core	1,874	2					1,876
Non Distributed Costs	41	77		12			130
Net Cost of Services	12,008	254	0	12	(52)	0	12,222
Other Operating Expenditure:							
Gain or loss on disposal of non-current assets	78					8	86
Amounts due to Precepting Authorities:							
– Town and parish councils	1,731						1,731
– River Stour Drainage Board	60						60
Amounts payable to housing capital receipts pool	451						451
Financing and Investment Income & Expenditure:							
Interest payable and similar charges	412						412
Interest and investment income	(577)						(577)
Income & expenditure relating to Investment Properties	0				(9)		(9)
(Gain) or loss on financial assets (Iceland impairment)	169						169
Capital grant contributions	0		(1,205)				(1,205)
Pensions interest cost & expected return on assets	3,545						3,545
Exceptional Item	(756)						(756)
Taxation and Non-specific Grant Income:							
Council tax income	(7,939)						(7,939)
Government grants (not attributable to specific services)	(2,195)						(2,195)
Distribution from non-domestic rate pool	(8,258)						(8,258)
Surplus or Deficit on the Provision of Services	(1,271)	254	(1,205)	12	(61)	8	(2,263)

	2009/10 Net Expenditure £000	Reversal of Amortised Grants £000	Capital Grants Recognised £000	Annual Leave Accrual £000	Investment Property Depreciation / Revals £000	Transfer of Capital Admin Costs £000	2009/10 Net Expenditure Restated £000
Surplus or deficit arising on revaluation of non-current assets	(2,544)				78		(2,466)
Surplus or deficit arising on revaluation of available-for-sale financial assets	28						28
Actuarial gains or losses on pension fund assets and liabilities	26,797						26,797
Any other gains and losses required to be included in the STRGL	8					(8)	0
Other Comprehensive Income & Expenditure	24,289	0	0	0	78	(8)	24,359
Total Comprehensive Income & Expenditure	23,018	254	(1,205)	12	17	0	22,096

Balance Sheet at 1 April 2009 (Transition to IFRS based Code)

	1 April 2009 £000	Investment Property Reclassification £000	Investment Property Depreciation / Revaluation £000	S106 Grants £000	Government Grants Deferred £000	Cash and Cash Equivalents £000	Accrued Annual Leave £000	1 April 2009 Restated £000
Council dwellings	235,407							235,407
Land and buildings	49,183	7,004	(23)					56,164
Vehicles, plant and equipment	1,194							1,194
Infrastructure assets	8,118							8,118
Community assets	447							447
Assets under construction	2,916							2,916
Surplus assets not held for sale	494	(494)						0
Property, Plant and Equipment	297,759	6,510	(23)	0	0	0	0	304,246
Investment properties	9,540	(7,004)						2,536
Intangible assets	62							62
Long term investments	1,600							1,600
Soft loans	999							999
Long term debtors	721							721
Long Term Assets	12,922	(7,004)	0	0	0	0	0	5,918
Short term investments	23,535					(2,477)		21,058
Stocks in hand	155							155
Short term debtors	6,273					11		6,284
Less provision for bad debts	(1,950)							(1,950)
Cash and cash equivalents	363					2,465		2,828
Assets held for sale	0	494						494
Current Assets	28,376	494	0	0	0	(1)	0	28,869
Short term borrowing	(3,626)							(3,626)
Short term creditors	(7,090)			(766)			(75)	(7,931)
Receipts in Advance	(1,828)			766				(1,062)
Current Liabilities	(12,544)	0	0	0	0	0	(75)	(12,619)
Long term borrowing	(7,105)							(7,105)
Capital Contributions Deferred	(17,817)				17,817			0
Capital grants received in advance	0				(3,675)			(3,675)
Pensions liability	(48,620)							(48,620)
Long Term Liabilities	(73,542)	0	0	0	14,142	0	0	(59,400)
Net Assets	252,971	0	(23)	0	14,142	(1)	(75)	267,014

	1 April 2009	Investment Property Reclassification	Investment Property Depreciation / Revaluation	S106 Grants	Government Grants Deferred	Cash and Cash Equivalents	Accrued Annual Leave	1 April 2009 Restated
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Balance	2,360							2,360
Housing Revenue Account Balance	7,446							7,446
Earmarked reserves	3,975							3,975
Major Repairs Reserve	340							340
Usable Capital Receipts Reserve	939							939
Capital grants unapplied	0				148			148
Reserves available to Fund Services	15,060	0	0	0	148	0	0	15,208
Revaluation Reserve	7,761		(103)					7,658
Available-for-sale Financial Instruments Reserve	193							193
Capital Adjustment Account (CAA)	278,904		80		13,993			292,977
Financial Instruments Adjustment Account	(484)							(484)
Deferred Capital Receipts	3							3
Collection Fund Adjustment Account	154							154
Employee Adjustment Account	0						(75)	(75)
Pensions Reserve	(48,620)							(48,620)
Reserves Unavailable to Fund Services	237,911	0	(23)	0	13,993	0	(75)	251,806
Net Worth	252,971	0	(23)	0	14,141	0	(75)	267,014

Balance Sheet at 31 March 2010 (Transition to IFRS based Code)

	31 March 2010 £000	Investment Property Reclassification £000	Investment Property Depreciation £000	Section 106 Grants £000	Government Grants Deferred £000	Cash and Cash Equivalents £000	Accrued Annual Leave £000	31 March 2010 Restated £000
Council dwellings	237,996							237,996
Land and buildings	51,025	9,492	(40)					60,477
Vehicles, plant and equipment	1,194							1,194
Infrastructure assets	7,842							7,842
Community assets	422							422
Assets under construction	826							826
Surplus assets not held for sale	1,761							1,761
Property, Plant and Equipment	301,066	9,492	(40)	0	0	0	0	310,518
Investment properties	12,037	(9,492)						2,545
Intangible assets	23							23
Long term investments	783							783
Soft loans	1,579							1,579
Long term debtors	729							729
Long Term Assets	15,151	(9,492)	0	0	0	0	0	5,659
Short term investments	24,483					(3,357)		21,126
Stocks in hand	128							128
Short term debtors	14,271					1		14,272
Less provision for bad debts	(2,120)							(2,120)
Cash and cash equivalents	0					3,356		3,356
Assets available for sale	0							0
Current Assets	36,762	0	0	0	0	0	0	36,762
Bank overdraft	(3,213)							(3,213)
Short term borrowing	(10,127)							(10,127)
Short term creditors	(7,080)			(720)			(86)	(7,886)
Receipts in Advance	(1,925)			720				(1,205)
Current Liabilities	(22,345)	0	0	0	0	0	(86)	(22,431)
Long term borrowing	(7,103)							(7,103)
Capital Contributions Deferred Account	(17,398)				17,398			0
Capital grants received in advance	0				(2,305)			(2,305)
Pensions liability	(76,180)							(76,180)
Long Term Liabilities	(100,681)	0	0	0	15,093	0	0	(85,588)
Net Assets	229,953	0	(40)	0	15,093	0	(86)	244,920

	31 March 2010 £000	Investment Property Reclassification £000	Investment Property Depreciation £000	Section 106 Grants £000	Government Grants Deferred £000	Cash and Cash Equivalents £000	Accrued Annual Leave £000	31 March 2010 Restated £000
General Fund Balance	2,197							2,197
Housing Revenue Account Balance	7,958							7,958
Earmarked reserves	3,861							3,861
Major Repairs Reserve	319							319
Usable Capital Receipts Reserve	756							756
Capital grants unapplied	0				1,007			1,007
Reserves Available to Fund Services	15,091	0	0	0	1,007	0	0	16,098
Revaluation Reserve	10,103		(182)					9,921
Available-for-sale Financial Instruments Reserve	164							164
Capital Adjustment Account (CAA)	282,018		142		14,086			296,246
Financial Instruments Adjustment Account	(1,433)							(1,433)
Deferred Capital Receipts	1							1
Collection Fund Adjustment Account	189							189
Employee Adjustment Account	0						(86)	(86)
Pensions Reserve	(76,180)							(76,180)
Reserves Unavailable to Fund Services	214,862	0	(40)	0	14,086	0	(86)	228,822
Net Worth	229,953	0	(40)	0	15,093	0	(86)	244,920

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2009/10	2010/11
	£	£
Income	438	484
Expenditure	(6,526)	(830)
Surplus or (deficit) for year	(6,088)	(346)
Fund balance 1 April	74,097	68,009
Fund balance 31 March	68,009	67,663
Represented by:		
Investments	68,009	67,663
Bank	0	0
	68,009	67,663

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2009/10	2010/11
	£	£
Income	436	1,353
Expenditure	(6,155)	(220)
Surplus or (deficit) for year	(5,719)	1,133
Fund balance 1 April	358,425	342,002
Revaluation	(10,704)	0
Fund balance 31 March	342,002	343,135
Represented by:		
Land and other buildings	174,273	174,273
Investment	179,732	181,085
Creditor	(12,003)	(12,223)
	342,002	343,135

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

THE SALTER COLLECTION CHARITY

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

	2009/10	2010/11
	£	£
Income	0	0
Expenditure	(2,008)	(1,425)
Deficit for year	(2,008)	(1,425)
Fund balance 1 April	293,701	291,693
Revaluation	0	0
Fund balance 31 March	291,693	290,268
Represented by:		
Dwellings	120,000	120,000
Collection	180,000	180,000
Creditor	(8,307)	(9,732)
	291,693	290,268

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Dover District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Dover District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Andy Mack
Officer of the Audit Commission

Audit Commission,
1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Date: 30th September 2011

GLOSSARY

ACCOUNTING PERIOD

This is the period covered by the accounts. For local authorities this is the 12 months commencing 1 April.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Accounts, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs.

ACCOUNTS

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

ACCRUALS

This is an accounting concept which ensures that income and expenditure are shown in the accounting period in which they are earned or incurred, not when cash has been received or paid.

ANNUAL GOVERNANCE STATEMENT

This Statement accompanies the Statement of Accounts, but is not part of the accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

APPOINTED AUDITORS

These are external auditors of local authorities appointed by the Audit Commission.

ASSETS

An asset is something the Council owns that has a monetary value. Assets are either current or non-current.

AUDIT COMMISSION

The Audit Commission is an independent body, established under the Local Government Finance Act 1982. The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of local authority services and defining comparative indicators of local authority performance that are published annually.

BALANCE SHEET

This is a statement of the assets, liabilities and other balances of an authority at the end of an accounting period.

BALANCES

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

BUDGET

This is a statement defining the Council's policies for a year in terms of finance.

CAPITAL ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

Annual charges to the revenue accounts of council services to cover the interest on and repayment of loans raised for capital expenditure.

CAPITAL RECEIPTS

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

CAPITAL RESERVE

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

CASH EQUIVALENTS

Cash equivalents is defined as internally managed short-term highly liquid investments of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COLLECTION FUND

This is a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the Authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own General Fund.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

An account which reports the net cost for the year of all of the functions for which the authority is responsible and how that cost has been financed from general government grants and income from local taxpayers.

CONTINGENT ASSETS

A contingent asset is defined as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

CONTINGENT LIABILITIES

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

CORE/SUPPLEMENTARY FINANCIAL STATEMENTS

The core financial statements consist of the following four statements: Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet and Cash Flow Statement. A supplementary statement: Collection Fund is also prepared. A description of each can be found in the Overview of Statement of Accounts section of the Explanatory Foreword

CREDITORS

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

CURRENT ASSETS

A current asset is one that is expected to be consumed or realised by the end of the next accounting period.

CURRENT LIABILITIES

A current liability is one that is expected to be consumed or realised by the end of the next accounting period.

DEBTORS

Debtors are sums of money due to the authority but unpaid at the Balance Sheet date.

DEPRECIATION

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

GENERAL FUND

This is the main revenue fund of the Authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

HOUSING REVENUE ACCOUNT (HRA)

This is an account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

IMPAIRMENT

Impairment is where the value of an asset exceeds the amount that could be recovered through use or sale.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

INVESTMENTS

Investments fall into two categories depending on when the investment is due to be repaid. Short term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year. Long term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES

A liability is something that Council owes that has a monetary value. Liabilities are either current or long term.

NON-CURRENT ASSETS

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the Authority, examples of intangible assets are computer software licences and patents for goods or services.

NON-OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

PRIVATE FINANCE INITIATIVE (PFI)

PFI arrangements involve the operator undertaking an obligation to provide infrastructure and/or related services that is used to provide services to the public (irrespective of who provides those services to the public). By extension, this includes providing infrastructure and/or related services for the direct use of a public sector entity where these services contribute to the provision of services to the public (e.g. office and administrative buildings).

PROVISIONS

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

RESERVES

Reserves fall into two categories - usable reserves (those that can be applied to fund expenditure including capital expenditure and/or to reduce local taxation) and unusable reserves (those that the Council is not able to use to provide services e.g. the revaluation reserve).

REVENUE/CAPITAL EXPENDITURE

Revenue expenditure is, for e.g. the running costs of a leisure centre whereas capital expenditure is the costs of building and fitting out the leisure centre.

REVALUATION RESERVE

This reserve records unrealised revaluation gains arising (since 1 April 2007) from holding non-current assets.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital payments that do not give rise to an asset such as house renovation grants.

REVENUE SUPPORT GRANT

A general grant paid by central government to local authorities to help finance the cost of services.

SUPPORT SERVICES

An allocation of the net cost of the administrative and professional departments which provide support for all the Council's services (e.g. Executive Services, Finance, Personnel), together with the costs of pooled administrative buildings.

SUSPENSE ACCOUNT

This is an account in which the costs of an activity are collected prior to their reallocation to the users of the activity. Any balance on the Balance Sheet is the amount under or over-recovered at the Balance Sheet date.

TEMPORARY LOANS

Money borrowed for an initial period of less than one year.

USABLE CAPITAL RECEIPTS

Funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

WORK IN PROGRESS

This is the cost of work done at the year-end which had not been recharged at the Balance Sheet date.