



**Statement  
Of  
Accounts**

**2012/13**

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## EXPLANATORY FOREWORD

### 1. INTRODUCTION

This foreword provides a brief summary of the Council's financial performance over the last year and its year-end position at 31 March 2013.

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

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 87 to 92.

### 2. CHANGES IN ACCOUNTING AND PRESENTATION

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. The Code is based on a hierarchy of approved accounting standards. There have been no material changes in presentation and accounting relevant to this Council in the financial year.

### 3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Statement of Accounts includes 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 11)

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 and possible issues for the future.

#### (b) Statement of Responsibilities for the Statement of Accounts (page 12)

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

#### (c) Core Financial Statements (pages 13 to 70)

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

- **Movement in Reserves Statement (page 13)**

This statement shows the movement in the year of the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation)

and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement (page 15)**

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

- **Balance Sheet (page 16)**

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

- **Cash Flow Statement (page 17)**

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 18 to 70)**

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

(d) **Supplementary Financial Statements (pages 71 to 83)**

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

- **Collection Fund (page 71 to 75)**

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

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

- **The Housing Revenue Account (page 76 to 81)**

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.

- **Charities Administered by Dover District Council (page 82 to 83)**

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

(e) **Independent Auditors' Report (page 84 to 84)**

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

(f) **Glossary (pages 87 to 92)**

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

## **SUMMARY OF THE 2012/13 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 utilised within the year and is further split between the General Fund Revenue Account and the Housing Revenue Account. The General Fund Revenue Account includes the costs of providing day-to-day services to Council Tax payers and is financed from council tax, national non-domestic rates, government grants, fees and charges, use of reserves and other income. Expenditure charged to the Housing Revenue Account is defined in legislation, and relates to the cost of managing the Council's housing stock, which is financed by rental income. 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.

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

### **GENERAL FUND REVENUE ACCOUNT**

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

In March 2012 the Council set a net revenue budget of £14.320m. This was to be met by financing of £14.299m made up of central government grant of £7.24m, council tax income of £6.61m and New Homes Bonus of £0.45m. This resulted in a forecast deficit for the year of £21,000 to be met from the General Fund Balance.

During the year the forecast budget was revised to £14.305m, a reduction of £15,000 resulting in an anticipated deficit of £6,000 to be met from the General Fund Balance. The actual net revenue spend for the year was £14.274m, £31,000 less than the forecast position. The financing received in the year was £14.276m, a reduction of £23,000 from the forecast. Overall the year-end position resulted in a £2,000 surplus for the year.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium Term Financial Plan. Details of the areas included under each directorate can be found in note 3 Segmental Reporting.

In addition Council on 25<sup>th</sup> September 2013 resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This transfer has been reflected in the accounts and is shown on the General Fund summary below and expanded further in note 24.

2011/12	GENERAL FUND BUDGET SUMMARY	2012/13		
Actual £000		Original Budget £000	Revised Budget £000	Actual £000
	<b>Director</b>			
811	Chief Executive	921	843	858
2,379	Finance, Housing & Community	2,439	2,655	2,611
5,165	Regeneration & Development	2,661	2,612	2,490
6,697	Environment & Corporate Assets	6,698	7,009	9,670
1,258	Governance	1,312	1,404	1,256
60	Special Revenue Projects	9	80	190
0	Corporate Adjustments	(45)	(4)	0
(118)	Council Tax Second Homes Income	(118)	(113)	(113)
<b>16,252</b>	<b>Net Cost of Services</b>	<b>13,877</b>	<b>14,486</b>	<b>16,962</b>
(4,046)	Depreciation & Revaluations	(1,496)	(1,527)	(4,441)
1,352	IAS19 Pension Adjustments	1,457	1,148	1,114
(12)	Accrued Annual Leave Adjustment	0	0	(15)
58	River Stour Drainage Board	64	64	64
	<u>Contribution to/(from) Reserves:</u>			
471	- Special Projects & Events	(32)	(291)	(193)
167	- Periodic Operations	54	134	447
355	- Urgent Works	360	360	348
83	- Regeneration	(191)	(102)	(76)
215	- ICT Equipment & Servers	(29)	(50)	71
<b>14,895</b>	<b>Net Service Expenditure</b>	<b>14,064</b>	<b>14,222</b>	<b>14,281</b>
	<u>Financing Adjustments</u>			
(260)	Interest & Investment Income	(149)	(153)	(143)
406	Interest Payable & Loan Repayments	405	236	260
(59)	Deferred Charges	0	0	(86)
(115)	Soft Loan Adjustments	0	0	(38)
96	Transfer to Capital Grants Unapplied	0	0	0
<b>14,963</b>	<b>Total Budget Requirement</b>	<b>14,320</b>	<b>14,305</b>	<b>14,274</b>
	<b>Financed by:</b>			
(1,915)	Revenue Support Grant	(138)	(138)	(138)
(6,195)	NDR	(7,104)	(7,104)	(7,104)
(8,110)	Total Government Grant	(7,242)	(7,242)	(7,242)
(6,395)	Council Tax	(6,608)	(6,608)	(6,608)
(160)	Council Tax Grant	0	0	0
0	New Burdens	0	0	(13)
(331)	New Homes Bonus	(449)	(449)	(413)
<b>(14,996)</b>	<b>Total Financing</b>	<b>(14,299)</b>	<b>(14,299)</b>	<b>(14,276)</b>
<b>(33)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>21</b>	<b>6</b>	<b>(2)</b>
<b>0</b>	<b>Transfer of HRA Credit Balance</b>	<b>0</b>	<b>0</b>	<b>(10,000)</b>
<b>0</b>	<b>Transfer of Housing Initiatives Reserve</b>	<b>0</b>	<b>0</b>	<b>(2,500)</b>
<b>(2,225)</b>	<b>Opening General Fund Balance</b>	<b>(2,060)</b>	<b>(2,258)</b>	<b>(2,258)</b>
<b>(2,258)</b>	<b>Leaving Year End Balances of</b>	<b>(2,039)</b>	<b>(2,252)</b>	<b>(14,760)</b>

## Major Variations

The table below provides in more detail the reasons for the some of the main variations between the original budget and the actual for the year.

	Variance £000	Budget £000
Original Budget Requirement		14,320
Reduction in car parking income	255	
Reduction in borrowing costs	(169)	
East Kent Services management fees reduced	(43)	
Savings from premises insurance new contract	(34)	
Printing and stationery savings	(19)	
Inflationary increases on waste and street cleansing contracts	97	
Reduced external audit fees following transfer to Grant Thornton	(26)	
Increased Development Management fee income	(20)	
BCCI income received	(33)	
Savings in Member and committee meeting costs	(11)	
Miscellaneous other variances	(12)	
Revised Budget Requirement		14,305
Savings in staffing costs from vacancies, post changes, etc	(176)	
Increased costs for homeless emergency accommodation	41	
Housing Strategy consultants not required	(25)	
Provision for Municipal Mutual Insurance claim	33	
Reduced Museum income Museum due to closure following flood	42	
Further reduction in car parking income	43	
Additional rental income received in year	(28)	
Reduced public convenience running and cleaning costs	(29)	
Purchase of additional and replacement refuse and recycling bins	66	
Reduced expenditure on electricity	(32)	
Additional contribution to ICT Equipment & Servers Reserve	100	
Higher level of Land Charges income	(22)	
Various savings in Whitfield Office running costs	(14)	
Miscellaneous other variances	(30)	
Actual Budget Requirement		14,274

## Financing

The financing of the budget of £14.276m came from:

	£000	%
Council tax <sup>1</sup>	6,608	46.3
Revenue Support Grant <sup>2</sup>	138	1.0
Non-domestic rates <sup>3</sup>	7,104	49.7
New Homes Bonus <sup>4</sup>	413	2.9
New Burdens <sup>5</sup>	13	0.1
<b>Total</b>	<b>14,276</b>	<b>100.0</b>

(1) Council tax is paid by the residents of the district to the Council. However, only 14.6% of the council tax collected was retained by the district, of which 11.2% was for its own use as 3.4% was to meet the precepts of the various town and parish councils. 71.3% was paid to Kent County Council with the remainder paid to The Police & Crime Commissioner for Kent and the Kent and Medway Fire & Rescue Authority.

(2) Revenue Support Grant is received directly from Central Government based on their assessment of local authorities' requirements.



- (3) National non-domestic rates are 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) The Government has introduced a New Homes Bonus Scheme which rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2012/13 was £449k. The figure included above of £413k excludes the first instalment of the 2012/13 grant awarded under the scheme as it was paid and recognised in the previous year.
- (5) The Government has provided New Burdens Grants (non-service specific) in relation to the local community's "right to bid" for assets of community value and "right to challenge" to provide services. The total received for both types of grant in 2012/13 was £13k.

### **HOUSING REVENUE ACCOUNT (HRA)**

The Council maintains a housing stock of 4,442 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £1,839k was paid off the PWLB loan principle sum during 2012/13. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2012/13 the HRA achieved an increase in the HRA balance of £3,293k compared to the original budget that forecast an increase of £534k. The main reasons for the variance are as follows:

- The effect of Housing Finance Reform (£1,923k additional surplus)
- An increase in dwelling rents due to reduced void levels and lower than budgeted right-to-buy sales;
- Reduced spend on the Capital Works Programme.

As detailed in the General Fund section above on 25<sup>th</sup> September 2013 Council resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This transfer has been reflected in the accounts and is detailed in note 24.

### **CAPITAL INVESTMENT**

The Council invested £5m in major projects in 2012/13, the most significant of which were:

- £156k in respect of works to progress the development of Dover Town Investment Zone and the surrounding area;
- £3.7m for Housing Revenue Account property projects;
- £148k on grants and loans for private sector housing;
- £184k on relocating the Dover Visitor Information Centre to the museum;
- £136k on refurbishment of the Northbourne Avenue and Elms Vale play areas;

- £491k on Disabled Facility Grants;
- £98k on coast protection works and property level flood protection;
- The remainder has been spent on a number of smaller projects.

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

- £750k grants from external bodies including Homes and Communities Agency, South East England Development Agency (now HCA), Department of Communities and Local Government, Environment Agency, Dover Town Council and other government departments;
- £3m from the Major Repairs Reserve;
- £321k capital receipts;
- £610k funding from Housing Revenue Account direct revenue financing;
- £65k funding from General Fund direct revenue financing; and
- £264k funding from other reserves.

Overall, the capital programme is within budget; however, a low level of funding sources including low council house sales continues to limit the Council's ability to finance new projects.

Towards the end of 2011/12 the Government announced initiatives to encourage additional Right to Buy sales. Although it is too early to judge the long term effect of these initiatives overall sales were lower in 2012/13 than in 2011/12.

## **OTHER KEY FINANCIAL AREAS**

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

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

## **TREASURY MANAGEMENT**

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

At 31 March 2013 the Council had over £12m of investments managed by the Council's fund manager, Investec. In addition, investment balances and day-to-day cash balances managed in-house averaged approximately £6m in 2012/13.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 1.26% for the year. The investments with the investment managers, Investec, also outperformed the benchmark and achieved an average of 1.01% for the year.

The total interest received for the year was approximately £350k. This was higher than the original budget of £287k, which was almost entirely due to in-house investments (a mix of some special rate deals obtained and additional cash flow funds held in call accounts/money market funds). Investments with the investment managers marginally exceeded the 1.00% forecast.

The Council has remained within its Treasury Management and Prudential Code guidelines during the period.

The Council has just under £93m of borrowing from the Public Works Loans Board (PWLB). This includes £90m of borrowing that was undertaken in 2011/12 for payment of the Self-Financing Determination under Housing Finance Reform. £1.8m of the housing finance reform loan has been repaid in 2012/13. The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

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 (like a number of other public sector bodies) had money invested in one of the Icelandic banks that in October 2008 went into administration. At the time, the Council held a £1m investment with the Icelandic bank Landsbanki, made on 26/11/07 for a period of one year, which was in compliance with the Council's approved policy for treasury management. UK local authorities' claims have been recognised as deposits with priority status. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers. Further information relating to the impairment is included in Note 12 on page 42.

## BALANCE SHEET – The Council's Assets and Liabilities

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

<b>As at 31 March</b>	<b>2012</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Value of land, property and other assets	229,252	228,823
Investments held and cash at bank	21,088	25,820
Money owed to DDC for goods and services	5,909	6,029
Loans owed to DDC (short and long term)	2,608	2,748
Money owed by DDC for goods and services	(11,688)	(10,628)
Loans owed by DDC (short and long term)	(97,863)	(96,024)
Grants for assets received but not yet used	(604)	(825)
Share of pension scheme liabilities owed by DDC	(57,419)	(64,198)
<b>Total Assets less Total Liabilities</b>	<b>91,283</b>	<b>91,745</b>
<b>Financed by:</b>		
Usable reserves <sup>1</sup>	18,683	24,237
Unusable reserves <sup>2</sup>	72,600	67,508
<b>Net Worth of Council</b>	<b>91,283</b>	<b>91,745</b>
<sup>1</sup> Usable reserves are made up of:		
Capital receipts and grants	1,986	3,796
Revenue balances	9,623	10,419
Earmarked reserves	7,074	10,022
	<b>18,683</b>	<b>24,237</b>

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

## **PENSION FUND**

The Council is a member of the Local Government Pension Scheme administered by Kent County Council. This Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits). IAS19 does not have an impact on the level of employer contribution rates paid by the Council. The Employers' contributions are determined by triennial valuations by the actuary, based on the Funds' actual investment strategy. The outcome of the recent formal valuation on 31 March 2013 is awaited.

The net liability at 31 March 2013 was £64.2m (£57.4m at 31 March 2012). The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities and market expectations of inflation. Bond yields have mainly fallen during the year and the market currently expects inflation to increase leading to an increase in liabilities. Scheme assets increased steadily over the year to give a positive return to offset in part the increase in liabilities.

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

## **MEDIUM TERM FINANCIAL PLAN**

The Council's Medium Term Financial Plan (MTFP) 2013/14 – 2015/16 was approved in March 2013. The MTFP covers both revenue and capital budgets for the General Fund and the Housing Revenue Account over a three-year forecasting period. The main features of the MTFP are:

- Balanced General Fund budget for 2013/14;
- Reduction in budget from 2012/13 to 2013/14 of £305k;
- Prudent General Fund balances maintained in 2013/14;
- Savings target of £800k for 2014/15 and a further £650k for 2015/16 required;
- Ring-fenced Housing Revenue Account Reserves of over £10m;
- Financed 2013/14 capital programme;
- Significant risks and budget volatility in 2014/15 and 2015/16.

## **THE FUTURE**

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

- Development and regeneration of the local economy;
- On-going impacts following the implementation of localisation of Council Tax support;
- On-going impact of the Business Rates Retention Scheme;
- Welfare Reform and cessation of the administration of housing benefits over a transitional period ending 2017/18;
- On-going reviews of local government financing and expected further cuts in government funding;
- On-going impact of the economic climate;
- Implications of the Localism Act.

## 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, Housing and Community;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

### The Director of Finance, Housing and Community's Responsibilities

The Director of Finance, Housing and Community is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)*.

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


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

The Director of Finance, Housing and Community has also:

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

By signing the Statement of Accounts, the Director of Finance, Housing and Community is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

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

Signed:   
Mike Davis CPFA  
Director of Finance, Housing and Community

Dated: 26 September 2013

Signed:   
Councillor Trevor Bartlett  
Chairman, Governance Committee

Dated: 26 September 2013

## MOVEMENT IN RESERVES STATEMENT

		2011/12									
	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	
<b>Balance at 1 April</b>		<b>2,225</b>	<b>8,608</b>	<b>3,031</b>	<b>346</b>	<b>826</b>	<b>918</b>	<b>15,954</b>	<b>183,934</b>	<b>199,888</b>	
<b>Comprehensive Income &amp; Expenditure</b>											
Surplus or (deficit) on the provision of services		(1,085)	(91,997)					(93,082)	0	(93,082)	
Other comprehensive income & expenditure								0	(15,523)	(15,523)	
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(1,085)</b>	<b>(91,997)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(93,082)</b>	<b>(15,523)</b>	<b>(108,605)</b>	
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>											
Depreciation and amortisation of non-current assets	4	1,493			1,486			2,979	(2,979)	0	
Impairment of non-current assets	4	2,555	5,618					8,173	(8,173)	0	
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA		(1,741)		1,741			0	0	0	
MRA transferred to fund capital expenditure	3				(3,227)			(3,227)	3,227	0	
Capital grants and contributions	21	(1,248)					(293)	(1,541)	1,541	0	
Changes in the value of Investment Properties	5	(106)						(106)	106	0	
Revenue expenditure funded from capital under statute	11	59						59	(59)	0	
(Gain) or loss on disposal of non-current assets	8	(311)	(67)			1,787		1,409	(1,409)	0	
Revaluation gain	33	(1)						(1)	1	0	
Adjustments under statutory provisions relating to soft loans	16	(60)						(60)	60	0	
Self Financing Determination	43		90,473					90,473	(90,473)	0	
Net charges made for retirement benefits	19	(195)	(530)					(725)	725	0	
Council tax income regulatory adjustment	20	(37)						(37)	37	0	
Capital expenditure charged to revenue	10	(267)	(499)					(766)	766	0	
Employee benefits – accrued annual leave	22	12						12	(12)	0	
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	515				(515)		0	0	0	
Capital receipts applied	10					(737)		(737)	737	0	
<b>Net Increase or Decrease before Transfers to/from Earmarked Reserves</b>		<b>1,324</b>	<b>1,257</b>	<b>0</b>	<b>0</b>	<b>535</b>	<b>(293)</b>	<b>2,823</b>	<b>(111,428)</b>	<b>(108,605)</b>	
Transfers to or (from) earmarked reserves	25	(1,291)	(2,500)	1,197	2,500			(94)	94	0	
<b>Increase or Decrease in Year</b>		<b>33</b>	<b>(1,243)</b>	<b>1,197</b>	<b>2,500</b>	<b>535</b>	<b>(293)</b>	<b>2,729</b>	<b>(111,334)</b>	<b>(108,605)</b>	
<b>Balance at 31 March</b>		<b>2,258</b>	<b>7,365</b>	<b>4,228</b>	<b>2,846</b>	<b>1,361</b>	<b>625</b>	<b>18,683</b>	<b>72,600</b>	<b>91,283</b>	

## MOVEMENT IN RESERVES STATEMENT

		2012/13									
	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	
<b>Balance at 1 April</b>		<b>2,258</b>	<b>7,365</b>	<b>4,228</b>	<b>2,846</b>	<b>1,361</b>	<b>625</b>	<b>18,683</b>	<b>72,600</b>	<b>91,283</b>	
<b>Comprehensive Income &amp; Expenditure</b>											
Surplus or (deficit) on the provision of services		(2,850)	2,132					(718)		(718)	
Other comprehensive income & expenditure									1,179	1,179	
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(2,850)</b>	<b>2,132</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(718)</b>	<b>1,179</b>	<b>461</b>	
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>											
Depreciation and amortisation of non-current assets	4	1,614	0		1,483			3,097	(3,097)	0	
Impairment of non-current assets	4	2,597	5,681					8,278	(8,278)	0	
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA	0	(3,390)		3,390			0	0	0	
MRA transferred to fund capital expenditure	3	0	0		(4,873)			(4,873)	4,873	0	
Capital grants and contributions	21	(588)	0				355	(233)	233	0	
Changes in the value of Investment Properties	5	(51)	0					(51)	51	0	
Revenue expenditure funded from capital under statute	11	86	0					86	(86)	0	
(Gain) or loss on disposal of non-current assets	8	(431)	(443)			1,982		1,108	(1,108)	0	
Revaluation gain	33	(7)	0					(7)	7	0	
Adjustments under statutory provisions relating to soft loans	16	(250)	0					(250)	250	0	
Loan Principal Repayments	13	(24)	0					(24)	24	0	
Net charges made for retirement benefits	19	390	(76)					314	(314)	0	
Council tax income regulatory adjustment	20	(43)	0					(43)	43	0	
Capital expenditure charged to revenue	10	(66)	(610)					(676)	676	0	
Employee benefits – accrued annual leave	22	15	0					15	(15)	0	
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	207	0			(207)		0	0	0	
Capital receipts applied	10	0	0			(320)		(320)	320	0	
<b>Net Increase or Decrease before Transfers to/from Earmarked Reserves</b>		<b>599</b>	<b>3,294</b>	<b>0</b>	<b>0</b>	<b>1,455</b>	<b>355</b>	<b>5,703</b>	<b>5,242</b>	<b>461</b>	
Transfers to or (from) earmarked reserves	25	(597)	0	541	(93)	0	0	(149)	149	0	
Transfers to or (from) HRA Balances / reserves	24	12,500	(10,000)	0	(2,500)	0	0	0	0	0	
<b>Increase or Decrease in Year</b>		<b>12,502</b>	<b>6,706</b>	<b>541</b>	<b>(2,593)</b>	<b>1,455</b>	<b>355</b>	<b>5,554</b>	<b>5,093</b>	<b>461</b>	
<b>Balance at 31 March</b>		<b>14,760</b>	<b>659</b>	<b>4,769</b>	<b>253</b>	<b>2,816</b>	<b>980</b>	<b>24,237</b>	<b>67,508</b>	<b>91,745</b>	

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2011/12 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2012/13 Gross Income £000	Net Expenditure £000
			<b>Continuing Operations</b>				
11,963	(10,564)	1,399	Central Services to the Public		12,313	(10,785)	1,528
4,464	(1,166)	3,298	Cultural and Related Services		4,479	(616)	3,863
9,812	(4,835)	4,977	Environmental and Regulatory Services		10,510	(5,677)	4,833
3,535	(1,370)	2,165	Planning and Development Services		3,748	(1,966)	1,782
1,330	(2,333)	(1,003)	Highways and Transport Services		1,714	(2,380)	(666)
2,555	0	2,555	Exceptional item – revaluation (gain) or loss on GF stock	43	0	0	0
19,843	(18,308)	1,535	Local Authority Housing (HRA)		14,489	(19,325)	(4,836)
90,473	0	90,473	Exceptional item – Self-Financing Determination	43	0	0	0
39,470	(38,488)	982	Other Housing Services		45,194	(41,632)	3,562
1,729	(263)	1,466	Corporate and Democratic Core		1,808	(161)	1,647
153	0	153	Non-distributed costs		282	(167)	115
<b>185,327</b>	<b>(77,327)</b>	<b>108,000</b>	<b>Net Cost of Services</b>		<b>94,537</b>	<b>(82,709)</b>	<b>11,828</b>
			<b>Other Operating Expenditure:</b>				
		(378)	(Gain) or loss on disposal of fixed assets	8			(874)
		1,920	Amounts due to precepting authorities:				2,014
		58	– Town and Parish Councils				64
		515	– River Stour Drainage Board Levy				207
			Contribution of Housing Capital Receipts to Central Government Pool	23			
			<b>Financing and Investment Income &amp; Expenditure:</b>				
		406	Interest payable and similar charges				3,268
		(529)	Interest and investment income				(631)
		(106)	Changes in the value of Investment Properties	5			(51)
		(110)	Impairment of Icelandic investment	12			(19)
		1,410	Pensions interest cost & expected return on assets	19			1,832
			<b>Taxation &amp; Non-specific Grant Income:</b>				
		(8,353)	Demand on the Collection Fund	20			(8,665)
		(2,405)	Government grants (not attributable to specific services)	21			(563)
		(1,152)	Capital Grant Contributions	21			(588)
		(6,195)	National Non-Domestic Rate distribution	21			(7,104)
		<b>93,081</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>718</b>
		38	(Surplus) or deficit arising on revaluation of fixed assets	35			(7,669)
		(12)	(Surplus) or deficit on revaluation of available-for-sale financial assets	17			0
		0	Transfer of Capital Grant to Long Term Borrowing				25
		15,498	Actuarial (gains) or losses on pension fund assets and liabilities	19			6,465
		<b>15,524</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(1,179)</b>
		<b>108,605</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(461)</b>



## CONSOLIDATED BALANCE SHEET

Restated 31 March 2012 £000		Notes	31 March 2013 £000	£000
153,563	Council dwellings		149,902	
57,226	Land and buildings		61,155	
1,118	Vehicles, plant and equipment		1,171	
7,665	Infrastructure assets		7,386	
204	Community assets		193	
1,606	Assets under construction		1,794	
0	Surplus assets not held for sale		495	
<b>221,382</b>	<b>Property, Plant and Equipment</b>	4		<b>222,096</b>
4,113	Heritage Assets	7	4,127	
2,567	Investment property	5	2,317	
66	Intangible assets	4	118	
415	Long term investments	12	362	
2,608	Soft loans	16	2,748	
392	Long term debtors	26	730	
(66)	Less provision for bad debts	26	(66)	
<b>10,095</b>	<b>Long Term Assets</b>			<b>10,336</b>
18,576	Short term investments	12	19,073	
137	Stocks in hand		165	
7,642	Short term debtors	26	7,501	
(2,059)	Less provision for bad debts	26	(2,136)	
2,097	Cash and cash equivalents	27	6,385	
987	Assets held for sale	6	0	
<b>27,380</b>	<b>Current Assets</b>			<b>30,988</b>
(1,078)	Short term borrowing	13	(2,070)	
(9,789)	Short term creditors	28	(9,320)	
0	Provisions	29	(33)	
(1,899)	Receipts in advance	30	(1,275)	
<b>(12,766)</b>	<b>Current Liabilities</b>			<b>(12,698)</b>
(96,785)	Long term borrowing	13	(93,954)	
(604)	Capital grants received in advance	32	(825)	
(57,419)	Pensions liability	19	(64,198)	
<b>(154,808)</b>	<b>Long Term Liabilities</b>			<b>(158,977)</b>
<b>91,283</b>	<b>Net Assets</b>			<b>91,745</b>
2,258	General Fund balance	24	14,760	
7,365	Housing Revenue Account balance	24	659	
4,228	Earmarked reserves	25	4,769	
2,846	Housing Revenue Account reserves	25	253	
1,361	Usable capital receipts reserve	23	2,816	
625	Capital grants unapplied	31	980	
<b>18,683</b>	<b>Reserves Available to Fund Services</b>			<b>24,237</b>
17,554	Revaluation reserve	35	24,836	
148	Available-for-sale financial instruments reserve	17	148	
113,779	Capital adjustments account	33	107,907	
(1,587)	Financial adjustments account	15	(1,337)	
207	Collection Fund adjustment account	20	250	
(82)	Employee adjustment account	22	(98)	
(57,419)	Pensions reserve	19	(64,198)	
<b>72,600</b>	<b>Reserves Unavailable to Fund Services</b>			<b>67,508</b>
<b>91,283</b>	<b>Net Worth</b>			<b>91,745</b>

## CASH FLOW STATEMENT

2011/12			2012/13	
£000	£000		£000	£000
2,003		Cash & cash equivalents – at 1 April	2,097	
2,097		Cash & cash equivalents – at 31 March	6,385	
	<u>(94)</u>	<b>Net (increase) or decrease in Cash &amp; Cash Equivalents</b>		<u>(4,288)</u>
	93,082	<b>Net deficit on Income &amp; Expenditure</b>		
		<u>Non-cash transactions:</u>		
(1,493)		Depreciation and amortisation	(1,615)	
(8,067)		Impairments	(8,226)	
725		Pension adjustments	(314)	
378		Revaluation gain	874	
157		Financial instruments adjustments	245	
0		Provisions	(33)	
<u>(1,486)</u>		Transfer to/from earmarked reserves	<u>(1,483)</u>	
	(9,786)			(10,552)
		<u>Items on an accruals basis:</u>		
28		Increase or (decrease) in stock and work in progress	28	
(541)		Increase or (decrease) in debtors	(486)	
(247)		Increase or (decrease) in long term debtors	339	
68		Movement in provision for bad debts	(23)	
2,149		(Increase) or decrease in creditors	194	
(108)		(Increase) or decrease in receipts in advance	625	
<u>37</u>		Collection Fund adjustment account	<u>43</u>	
	1,386			720
		<u>Adjustments re financing activities:</u>		
(59)		Revenue expenditure funded from capital	(86)	
<u>1,248</u>		Capital grant contributions	<u>588</u>	
	1,189			502
	<b>85,871</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(8,612)</b>
		<u>Investing activities:</u>		
6,097		Purchase of property, plant, equipment, etc.	4,824	
167		Other payments for investing activities	(86)	
(7,308)		Proceeds from long and short term investments	(8,196)	
8,500		Purchase of long and short term investments	8,500	
(1,787)		Proceeds from the sale of non-current assets	(1,982)	
<u>(113)</u>		Movement in capital grants	<u>(790)</u>	
	5,556	<b>Net Cash Flows from Investing Activities</b>		2,270
		<u>Financing activities:</u>		
(90,536)		Net movement in short & long term borrowing	1,864	
<u>(985)</u>		Net movement in Collection Fund cash position	<u>190</u>	
	(91,521)	<b>Net Cash Flows from Financing Activities</b>		2,054
	<u>(94)</u>			<u>(4,288)</u>

## **NOTES TO FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **(a) General**

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. Those Regulations require the Statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

#### **(c) Accounting Concepts**

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

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

Income and expenditure 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 date of acquisition of the investment.

(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, The Police & Crime Commissioner for Kent and Kent Fire and Rescue 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 years' estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

(g) **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

(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, Housing and Community 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, Housing and Community there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs a provision is made for bad debt taking into account the size and age of the debt outstanding and the likelihood of recovery.

(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 the "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 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.

### 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 took effect from 1 April 2011. The next formal valuation of the Pension Fund for funding purposes runs from 31 March 2013.

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

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

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

(n) **Prior Period Adjustments**

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

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

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

(o) **Financial Instruments**

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

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

Financial Assets

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

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market; these are 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.

### Soft Loans

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

### Financial Liabilities

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

#### (p) **Foreign Currency Transactions**

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



(q) **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.

(r) **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.

(s) **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.

## (t) **Non-Current Assets**

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

### (i) Impairment of Non-Current Assets

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

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

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

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

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

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

The net gain or loss on disposals has no impact on taxation

requirements as the financing of non-current assets is provided for under separate arrangements.

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

• Land and Buildings

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

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

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

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

- Vehicles, Plant and Equipment

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

- Infrastructure Assets

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

Investment 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.

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.

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(u) **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 Service Reporting Code of Practice 2012/13 (SerCOP). 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 SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

(v) **Reserves**

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

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

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

(x) **Value Added Tax (VAT)**

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

(y) **Critical Judgements in Applying Accounting Policies**

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

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

- Further expected cuts in government grant funding will not be significantly different to that reflected in the Council's Medium Term Financial Strategy;
- The cost of the localised council tax support scheme can largely be met, if not in full, by the terms of the local Council Tax Support scheme and the grant from the Department for Work and Pensions;
- The Council anticipates that it will be in the "safety net" under the Business Rates Retention Scheme and will therefore have less funding than under the current formula government grant funding arrangements;
- The New Homes Bonus Scheme where councils receive finances for the delivery of new homes in their area will continue in some form until at least 2016/17;
- Income from the Council's major income streams will not fall significantly further than current income levels;
- It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Shepway, Dover and Kent County councils, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the appropriate service lines in the Comprehensive Income and Expenditure Statement; and
- The council has a 25% interest in East Kent Housing which has been classified as a joint venture with three other local authorities. Having due regard to both the quantitative and qualitative aspects of materiality the council has concluded that the preparation of group accounts is not required.

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:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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.
Property, Plant and Equipment	Asset valuations are calculated on a 5-year cycle with the exception of Housing Revenue Account dwellings and garages which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.5m change in the balance sheet values, equating to approximately £350 per dwelling. There would also be an impact of approximately £15k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.5m.
Bad Debts Provisions	The Council has bad debt provisions of £2m for HRA, benefit overpayment, council tax (DDC share) and general debtors. This is approximately 30% 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 the case of Dover District Council this is based upon budget and outturn formats.

The services are broken down as follows:

- Chief Executive – this incorporates the costs of the Chief Executive Officer, associated organisational support and the management of inward investment.
- Finance, Housing and Community – includes costs associated with financial control, compliance and processing functions, private sector housing, homelessness, choice-based lettings, administration of housing grants and payment of housing and council tax benefits (and the receipt of related subsidies). It also includes the Council's share of internal audit and management fees paid to East Kent Services for managing the ICT, customer services and revenues and benefits functions.
- Regeneration and Development – includes the costs of planning and building control services, management of regeneration activities and preservation of cultural heritage and promotion of tourism, which includes the operation of Dover Museum and the Visitor Information Centre.
- Environmental and Corporate Assets – includes costs associated with the management and maintenance of the Council's assets, including parks and sports centres, as well as licensing, street cleansing, refuse collection and recycling. It also includes community safety partnership work aimed at reducing antisocial behaviour and crime, and environmental health and control services (including inspection and enforcement).
- Governance – includes costs associated with council democracy and compliance, including elections and maintaining the electoral register, remuneration of councillors, and land charges, as well as support services such as legal, performance & risk and the Council's share of human resources.
- Shared services (DDC-hosted) – includes costs of the East Kent Audit Partnership and East Kent Human Resources, which are internally hosted by the Council.
- 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

2011/12

	Chief Executive	Finance, Housing & Community	Regeneration & Development	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income:</b>								
Fees, charges and other service income	(7)	(821)	(934)	(8,500)	(338)	(1,765)	(18,308)	(30,673)
Interest and investment income	0	(7)	0	0	0	0	(198)	(205)
Government grants and contributions	0	(48,300)	(3)	(115)	(14)	0	0	(48,432)
<b>Total Income</b>	<b>(7)</b>	<b>(49,128)</b>	<b>(937)</b>	<b>(8,615)</b>	<b>(352)</b>	<b>(1,765)</b>	<b>(18,506)</b>	<b>(79,310)</b>
<b>Expenditure:</b>								
Employee expenses	679	1,477	2,044	3,011	1,422	1,663	(185)	10,111
Premises	11	8	113	1,505	7	0	887	2,531
Transport	7	16	42	99	18	21	(2)	201
Supplies and services	172	1,637	487	1,270	665	94	369	4,694
Third party payments	(106)	3,346	1	7,925	0	177	11,161	22,504
Housing Benefits and Council Tax Benefits	0	46,041	0	0	0	0	29	46,070
Support service recharges	55	(1,296)	623	295	(503)	(189)	478	(537)
Depreciation and amortisation	0	160	238	1,207	1	0	1,486	3,092
<b>Total Expenditure</b>	<b>818</b>	<b>51,389</b>	<b>3,548</b>	<b>15,312</b>	<b>1,610</b>	<b>1,766</b>	<b>14,223</b>	<b>88,666</b>
<b>Net Cost of Services (excl. impairments)</b>	<b>811</b>	<b>2,261</b>	<b>2,611</b>	<b>6</b>	<b>1,258</b>	<b>1</b>	<b>(4,283)</b>	<b>9,356</b>

## Segmental Analysis

2012/13

	Chief Executive	Finance, Housing & Community	Regeneration & Development	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income:</b>								
Fees, charges and other service income	(11)	(976)	(1,091)	(9,261)	(307)	(1,624)	(19,325)	(32,595)
Interest and investment income	0	(4)	0	0	0	0	(214)	(218)
Government grants and contributions	0	(50,423)	(35)	(101)	(34)	0	0	(50,593)
<b>Total Income</b>	<b>(11)</b>	<b>(51,403)</b>	<b>(1,126)</b>	<b>(9,362)</b>	<b>(341)</b>	<b>(1,624)</b>	<b>(19,539)</b>	<b>(83,406)</b>
<b>Expenditure:</b>								
Employee expenses	626	1,529	2,010	3,144	1,495	1,482	249	10,535
Premises	1	17	97	1,607	8	0	773	2,503
Transport	5	25	33	84	14	21	0	182
Supplies and services	125	2,137	592	1,407	603	117	370	5,351
Third party payments	0	3,375	1	8,439	0	217	5,245	17,277
Housing Benefits and Council Tax Benefits	0	48,097	0	0	0	0	21	48,118
Support service recharges	112	(1,368)	599	248	(523)	(214)	660	(486)
Depreciation and amortisation	0	89	252	1,302	1	1	1,483	3,128
<b>Total Expenditure</b>	<b>869</b>	<b>53,901</b>	<b>3,584</b>	<b>16,231</b>	<b>1,598</b>	<b>1,624</b>	<b>8,801</b>	<b>86,608</b>
<b>Net Cost of Services (excl. impairments)</b>	<b>858</b>	<b>2,498</b>	<b>2,458</b>	<b>6,869</b>	<b>1,257</b>	<b>0</b>	<b>(10,738)</b>	<b>3,202</b>

## 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.

	2011/12 £000	2012/13 £000
<b>Cost of services in service analysis</b>	<b>9,356</b>	<b>3,202</b>
<b>Add: Amounts not reported to management</b>		
HRA reform refinancing	90,473	0
Revaluation loss on HRA stock	5,618	5,686
Revaluation loss on General Fund assets	2,554	2,598
Special Projects, incl. Restructuring – reported separately in Medium Term Financial Plan	61	190
<b>Less: Amounts not included in Comprehensive Income and Expenditure Statement</b>		
Direct revenue financing	(267)	(66)
<b>Add back: Items included in other operating expenditure</b>		
Investment income received	205	218
<b>Net Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>108,000</b>	<b>11,828</b>

## 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	Not Reported to Management	2011/12			Total		2012/13			Total
		Included in Comp Inc & Exp Statement	Corporate Amounts	£000			Service Analysis	Not Reported to Management	Included in Comp Inc & Exp Statement	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
(30,673)	0	0	0	(30,673)	Income:	(32,595)	0	0	0	(32,595)
(205)	0	0	(324)	(529)	Fees, charges & other service income	(218)	0	0	(412)	(630)
0	0	0	(8,353)	(8,353)	Interest & investment income	0	0	0	(8,665)	(8,665)
(48,432)	0	0	(9,752)	(58,184)	Income from council tax	(50,593)	0	0	(8,256)	(58,849)
0	0	0	(1,787)	(1,787)	Government grants/contributions	0	0	0	(1,982)	(1,982)
<b>(79,310)</b>	<b>0</b>	<b>0</b>	<b>(20,216)</b>	<b>(99,526)</b>	Disposal of non-current assets	<b>(83,406)</b>	<b>0</b>	<b>0</b>	<b>(19,315)</b>	<b>(102,721)</b>
					<b>Total Income</b>					
					Expenditure:					
10,111	0	0	1,410	11,521	Employee expenses	10,535	139	0	1,832	12,506
2,531	17	0	0	2,548	Premises	2,503	6	0	0	2,509
201	0	0	0	201	Transport	182	0	0	0	182
4,694	0	(267)	0	4,427	Supplies & services	5,351	44	(66)	0	5,329
22,504	33	0	0	22,537	Third party payments	17,277	1	0	0	17,278
0	0	0	406	406	Interest payments	0	0	0	3,268	3,268
0	0	0	1,977	1,977	Precepts & levies	0	0	0	2,078	2,078
46,070	0	0	0	46,070	Housing & council tax benefits	48,118	0	0	0	48,118
(537)	11	0	0	(526)	Support service recharges	(486)	0	0	0	(486)
3,092	0	0	(109)	2,983	Depreciation, amortisation & impairments	3,128	0	0	(19)	3,109
0	90,473	0	0	90,473	HRA reform refinancing	0	0	0	0	0
0	8,172	0	0	8,172	Revaluation (gains)/losses	0	8,284	0	0	8,284
0	(106)	0	0	(106)	Investment Property Revaluations	0	(51)	0	0	(51)
0	0	0	515	515	Housing capital receipts pool	0	0	0	207	207
0	0	0	1,409	1,409	Disposal of non-current assets	0	0	0	1,108	1,108
<b>88,666</b>	<b>98,600</b>	<b>(267)</b>	<b>5,608</b>	<b>192,607</b>	<b>Total Expenditure</b>	<b>86,608</b>	<b>8,423</b>	<b>(66)</b>	<b>8,474</b>	<b>103,439</b>
<b>9,356</b>	<b>98,600</b>	<b>(267)</b>	<b>(14,608)</b>	<b>93,081</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>3,202</b>	<b>8,423</b>	<b>(66)</b>	<b>(10,841)</b>	<b>718</b>

4. **PROPERTY, PLANT AND EQUIPMENT**

<b>Movement on Balances 2011/12</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
At 1 April 2011	157,255	59,996	3,734	13,059	574	1,737	1,875	238,230
Additions – expenditure in year	3,727	2,005	0	241	0	0	550	6,523
Additions – transfer from WIP	0	819	0	0	0	0	(819)	0
Revaluation increases or decreases recognised in the Revaluation reserve		7	0	0	0	0	0	7
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	(7,005)	(2,630)	0	0	0	0	0	(9,635)
De-recognition – other	0	0	0	0	0	(987)	0	(987)
Disposals	(414)	(59)	0	0	0	(750)	0	(1,223)
<b>At 31 March 2012</b>	<b>153,563</b>	<b>60,138</b>	<b>3,734</b>	<b>13,300</b>	<b>574</b>	<b>0</b>	<b>1,606</b>	<b>232,915</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	0	(1,785)	(2,512)	(5,359)	(354)	0	0	(10,010)
Depreciation charge	(1,387)	(1,178)	(105)	(276)	(15)	0	0	(2,961)
Disposals	0	18	0	0	0	0	0	18
Other movements in depreciation and impairment	1,387	32	0	0	0	0	0	1,419
<b>Subtotal</b>	<b>0</b>	<b>(2,913)</b>	<b>(2,617)</b>	<b>(5,635)</b>	<b>(369)</b>	<b>0</b>	<b>0</b>	<b>(11,534)</b>
<b>Net Book Value</b>								
At 31 March 2012	153,563	57,226	1,118	7,665	204	0	1,606	221,382
At 31 March 2011	157,255	58,211	1,222	7,700	220	1,737	1,875	228,220

<b>Movement on Balances 2012/13</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>								
At 1 April 2012	153,563	60,138	3,734	13,300	574	0	1,606	232,915
Additions – expenditure in year	3,716	186	148	0	0	0	246	4,296
Additions – transfer from WIP	0	(22)	0	0	0	0	(57)	(79)
Revaluation increases or decreases recognised in the Revaluation reserve	0	8,054	0	0	0	0	0	8,054
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	(7,064)	(3,861)	0	0	0	0	0	(10,925)
De-recognition – other	0	(1)	0	0	1	495	0	495
Disposals	(313)	(3)	0	0	0	0	0	(316)
<b>At 31 March 2013</b>	<b>149,902</b>	<b>64,491</b>	<b>3,882</b>	<b>13,300</b>	<b>575</b>	<b>495</b>	<b>1,794</b>	<b>234,439</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	0	(2,913)	(2,617)	(5,635)	(369)	0	0	(11,534)
Depreciation charge	(1,384)	(1,294)	(94)	(279)	(13)	0	0	(3,063)
Disposals	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	1,384	869	0	0	0	0	0	2,253
<b>Subtotal</b>	<b>0</b>	<b>(3,337)</b>	<b>(2,711)</b>	<b>(5,914)</b>	<b>(382)</b>	<b>0</b>	<b>0</b>	<b>(12,344)</b>
<b>Net Book Value</b>								
At 31 March 2013	149,902	61,153	1,171	7,386	193	495	1,794	222,095
At 31 March 2012	153,563	57,226	1,118	7,665	204	0	1,606	221,382

## 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:

	2011/12 £000	2012/13 £000
General Fund	1,475	1,876
Housing Revenue Account	1,486	1,483
<b>Total</b>	<b>2,961</b>	<b>3,359</b>

## Intangible Non-Current Assets

	2011/12 £000	2012/13 £000
Opening Net Book Value	56	66
Additions – transferred from WIP	0	57
Additions – expenditure in year	28	29
Amortisation – General Fund	(18)	(34)
<b>Closing Net Book Value</b>	<b>66</b>	<b>118</b>

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2012. Housing Revenue Account dwellings and garages were valued as at 31 December 2012 and the valuation was valid for the 3 months to 31 March 2013.

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

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

## Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. The main charge to the General Fund in 2012/13 relates to the revaluation of Dover Town Hall. In addition an impairment of £7m has been charged to the Housing Revenue Account which is due to a general fall in value.

	2011/12 £000	2012/13 £000
<b>General Fund</b>		
General gain/(loss) on other land and buildings	(2,630)	(3,855)
Losses written out of revaluation reserve	0	1,247
Write back depreciation	31	11
<b>Total charged to the General Fund</b>	<b>(2,599)</b>	<b>(2,597)</b>
<b>Housing Revenue Account</b>		
General gain/(loss) on housing stock	(7,005)	(7,064)
Write back depreciation	1,387	1,384
<b>Total charged to the HRA</b>	<b>(5,618)</b>	<b>(5,681)</b>
<b>Total charged to Property, Plant &amp; Equipment</b>	<b>(8,217)</b>	<b>(8,278)</b>
Impairments charged to Revaluation Reserve	44	0
<b>Total charged to Income &amp; Expenditure Account</b>	<b>(8,173)</b>	<b>(8,278)</b>

## 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:

	2011/12 £000	2012/13 £000
Rental income from investment property	274	236
Direct operating expenses arising from investment property	(22)	(88)
<b>Net gain or loss</b>	<b>252</b>	<b>148</b>

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.

	2011/12 £000	2012/13 £000
<b>Balance at start of the year</b>	2,667	2,567
Revaluation gains from fair value adjustments	165	92
Revaluation losses from fair value adjustments	(61)	(41)
Disposals	(204)	(300)
<b>Balance at end of year</b>	<b>2,567</b>	<b>2,317</b>

## 6. ASSETS HELD FOR SALE

	2011/12 £000	2012/13 £000
<b>Balance at start of year</b>	0	987
Assets newly classified as held for sale	987	0
Assets sold	0	(492)
Transferred to Surplus Assets	0	(495)
<b>Balance outstanding at year end</b>	<b>987</b>	<b>0</b>



## 7. HERITAGE ASSETS

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

	At 31 March 2012 £000	At 31 March 2013 £000
Historic Buildings	196	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
<b>Total</b>	<b>4,113</b>	<b>4,127</b>

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

	2011/12 £000	2012/13 £000
<b>Net Book Value</b>		
HRA right-to-buy	371	271
HRA other sales	796	537
General Fund sales	242	300
<b>Total</b>	<b>1,409</b>	<b>1,108</b>
<b>Sales Proceeds</b>		
HRA right-to-buy	(712)	(498)
HRA other sales	(531)	(753)
General Fund sales	(565)	(750)
<b>Total</b>	<b>(1,808)</b>	<b>(2,001)</b>
Less admin fees	21	19
<b>Gain or Loss on Disposal</b>	<b>(378)</b>	<b>(874)</b>

## 9. COMMITTED CAPITAL CONTRACTS

At 31 March 2013 the Authority was contractually committed to capital expenditure amounting to £236k in respect of the following projects:

Project	Contractor	Total commitment £000	Estimated completion date
Refurbishment of East Cliff Public Conveniences	DJ Fisher	74	Aug 2013
Regeneration of Aylesham village	BBP/Denton	12	Ongoing
Purchase of land at Whitfield Court for sustainable transport connections	Royal Bank of Scotland	145	May 2013
Other Capital Projects	Various	5	
<b>Total</b>		<b>236</b>	

## 10. CAPITAL EXPENDITURE AND FINANCING

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

	2011/12 £000	2012/13 £000
<b>Opening Capital Financing Requirement</b>	<b>7,516</b>	<b>98,233</b>
<b>Capital Investment:</b>		
Plant, property and equipment	6,523	4,296
Intangible assets	28	29
Revenue expenditure funded by capital	587	641
Private sector housing loans	239	79
HRA Self-Financing Determination	90,473	0
<b>Sources of Finance:</b>		
Capital receipts	(737)	(321)
Government grants	(2,309)	(675)
Other grants – Dover Town Council Contribution	0	(75)
Major repairs reserve	(3,227)	(3,034)
Direct revenue financing	(766)	(676)
Section 106 funding	0	(116)
Special projects reserve	(35)	(56)
Other reserves	(59)	(92)
<b>Closing Capital Financing Requirement</b>	<b>98,233</b>	<b>98,233</b>
<b>Explanation of Movements:</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(90,717)	0
	<b>(90,717)</b>	<b>0</b>

## 11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2011/12		2012/13	
	£000	£000	£000	£000
Gross expenditure:				
Home improvement grants	63		69	
Disabled facilities grants	435		491	
Land contamination testing	19		0	
Coastal protection	56		0	
Property Level Flood Protection	0		60	
Electronic Booking System	0		19	
Grants/contributions to organisations	14		1	
		587		640

	2011/12		2012/13	
	£000	£000	£000	£000
Grants & contributions received:				
Regional Housing Board Grant	(18)		(3)	
Disabled Facilities Grant subsidy	(435)		(491)	
Land contamination testing	(19)		0	
Coastal protection	(56)		0	
Environment Agency	0		(60)	
		(528)		(554)
<b>Total</b>		<b>59</b>		<b>86</b>

## 12. INVESTMENTS

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

### Short Term Investments

	2011/12	2012/13
	£000	£000
Investments managed by Investec	12,811	12,915
In-house managed investments	5,558	6,075
Icelandic impaired investment	200	75
Deposit held in Icelandic Krona	7	8
<b>Total</b>	<b>18,576</b>	<b>19,073</b>

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

### Long Term Investments

	2011/12	2012/13
	£000	£000
Icelandic impaired investment	403	355
Stocks	12	7
<b>Total</b>	<b>415</b>	<b>362</b>

### Investment Portfolio

The Council's investment portfolio as at 31 March 2013 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
<u>Internal Investments:</u>			
Lloyds	17.12.2013	3,000	UK 'AA+'
Lloyds	11.04.2013	2,000	UK 'AA+'
Bank of Scotland	07.11.2013	1,000	UK 'AA+'
<b>Total Internal Investments</b>		<b>6,000</b>	
<u>External Investments:</u>			
<u>Certificates of Deposit</u>			
Deutsche Bank	15.05.2013	2,500	Germany 'AAA'
Nordea Group	02.04.2013	1,300	Sweden 'AAA'
Barclays Bank	26.06.2013	1,300	UK 'AA+'

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
ING Bank	15.05.2013	400	UK 'AA+'
Nordea Group	15.05.2013	1,200	Sweden 'AAA'
Nationwide	10.05.2013	1,500	UK 'AA+'
Svenska Handelsbanken	31.05.2013	1,500	Sweden 'AAA'
Svenska Handelsbanken	20.06.2013	700	Sweden 'AAA'
HSBC Securities	13.04.2013	900	UK 'AA+'
Rabobank	16.08.2013	1,200	Netherlands 'AAA'
<u>Fixed Interest Securities</u>			
European Bank of Reconstruction		315	'AAA'
<u>Deposits</u>			
Bank of Nova Scotia		74	Canada 'AAA'
Rabobank		8	Netherlands 'AAA'
GBP Cash – Settled Balance		2	UK AA+'
<b>Total External Investments</b>		<b>12,899</b>	
Cash and Cash Equivalents:			
Cash at bank	Instant Access	3	UK 'AA+'
Nat West	Instant Access	779	UK 'AA+'
Santander UK	Instant Access	0	UK 'AA+'
Bank of Scotland	Instant Access	2,048	UK 'AA+'
Barclays	Instant Access	3,505	UK 'AA+'
Money Market Fund (RBS)	Instant Access	50	UK 'AA+'
<b>Total Cash and Cash Equivalents</b>		<b>6,385</b>	

In addition the Council has £500k deposited with the Icelandic Bank Landsbanki as detailed below.

### **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.

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

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the

winding up board made a distribution to creditors in a basket of currencies in February 2012.

The winding up board published details of LBI's (formerly Landsbanki) financial position as at 31<sup>st</sup> December 2012. This showed that LBI's assets, including partial payments already made in respect of priority claims were greater than the sum of the priority claims. It is therefore still considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

To date the Council has received approximately 50% of total sum due.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland. This is earning interest at the following rate for 2012/13:

1 April 2012 to 20 May 2012	3.59%
21 May 2012 to 20 June 2012	3.93%
21 June 2012 to 31 March 2013	4.17%

This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 100p in the £.

December 2013	7.5%	December 2017	7.5%
December 2014	7.5%	December 2018	7.5%
December 2015	7.5%	December 2019	5.35%
December 2016	7.5%		

Recovery is subject to 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.

In 2010/11 an impairment was charged to the General Fund based on the calculated discounted 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. These calculations have been revised for 2012/13 based on current forecasts of cash flows from the investment. This has resulted in a reduction of £19k of the impairment in the 2012/13 Comprehensive Income and Expenditure Account.

In accordance with the IFRS based code and advice from CIPFA part of the investment has been impaired as above.

### 13. **BORROWING**

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
<u>Short term borrowing</u>		
Accrued Interest	157	157
PWLB repayments	912	1,898

LTA loan repayments	9	9
Salix loan repayments	0	6
<b>Total Short Term Borrowing</b>	<b>1,078</b>	<b>2,070</b>

<u>Long term borrowing</u>		
PWLB	93,562	90,737
LOBO	3,101	3,101
Salix loan	0	3
LTA Loan	122	113
<b>Total Long Term Borrowing</b>	<b>96,785</b>	<b>93,954</b>

Repayments made in 2012/13 – Salix loan £15k, Lawn Tennis Association (LTA) loan 9k total £24k. PWLB HRA self-financing loan £1.8m.

#### 14. FINANCIAL INSTRUMENTS

##### 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 2013. The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rate used is the rate for new borrowing;
- Lender Option Borrower Option (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 financial assets and liabilities is shown in the table below:

## Financial Assets

Balance as at:	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b><u>Short term Assets</u></b>				
Cash held by external fund manager	12,811	12,811	12,915	12,915
Deposits with banks and building societies	5,558	5,593	6,075	6,104
Landsbanki	207	207	83	83
<b>Total Short Term Investments</b>	<b>18,576</b>	<b>18,611</b>	<b>19,073</b>	<b>19,103</b>
Debtors	3,861	3,861	2406	2406
Cash and liquid assets	2,097	2,097	6,385	6,385
<b>Total short term assets</b>	<b>24,534</b>	<b>24,569</b>	<b>27,864</b>	<b>27,893</b>
<b><u>Long term Assets</u></b>				
Long Term Debtors	148	148	120	120
Stocks	12	12	7	7
Landsbanki	403	403	355	355
Soft Loans	2,608	2,608	2,748	2,748
<b>Total long term assets</b>	<b>3,171</b>	<b>3,171</b>	<b>3,230</b>	<b>3,230</b>
<b>Total Financial Assets</b>	<b>27,705</b>	<b>27,740</b>	<b>31,094</b>	<b>31,123</b>

## Financial Liabilities

Balance as at:	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b><u>Short Term Liabilities</u></b>				
Accrued Interest	157	157	157	157
PWLB repayments due	912	912	1,898	1,898
Lawn Tennis Association Loan	9	9	9	9
Salix Loan	0	0	6	6
<b>Total Short Term Borrowing</b>	<b>1,078</b>	<b>1,078</b>	<b>2,070</b>	<b>2,070</b>
Creditors	8,778	8,778	8,282	8,282
<b>Total Short Term Liabilities</b>	<b>9,856</b>	<b>9,856</b>	<b>10,352</b>	<b>10,352</b>
<b><u>Long Term Liabilities</u></b>				
PWLB – maturity	4,001	5,735	4,001	6,110
PWLB – Annuity	89,561	80,417	86,736	83,950
LOBOs	3,101	3,265	3,101	3,373
Salix loan	0	0	3	3
Lawn Tennis Association Loan	122	122	113	113
<b>Total Long Term Liabilities</b>	<b>96,785</b>	<b>89,539</b>	<b>93,954</b>	<b>93,549</b>
<b>Total Financial Liabilities</b>	<b>106,641</b>	<b>99,395</b>	<b>104,306</b>	<b>103,901</b>

## Maturity Analysis

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

	31 March 2012		31 March 2013	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,001	4,084	4,001	4,084
PWLB – HRA Self Financing	90,473	90,504	88,634	88,665
Salix Loan	0	0	9	9
Lawn Tennis Association Loan	131	131	122	122
LOBO	3,101	3,143	3,101	3,143
Creditors	8,778	8,778	8,282	8,282
<b>Total</b>	<b>106,484</b>	<b>106,641</b>	<b>104,149</b>	<b>104,306</b>
Less than 1 year	9,699	9,856	10,195	10,352
Between 1 and 2 years	2,837	2,837	2,978	2,978
Between 2 and 5 years	6,095	6,095	6,388	6,388
Between 5 and 10 years	11,526	11,526	12,081	12,081
More than 10 years	76,326	76,326	72,506	72,506
<b>Total</b>	<b>106,484</b>	<b>106,641</b>	<b>104,149</b>	<b>104,306</b>

#### 15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account reflects adjustments for soft loans and LOBO. The Impairment and accrued interest for the Landsbanksi investment was charged to the General Fund in 2010/11.

	2011/12		2012/13	
	£000	£000	£000	£000
Opening balance				
LOBO (Dresdner Bank)	100		100	
Soft loans	1,547		1,487	
		1,647		1,587
Movement during the year				
Soft loans		(60)		(250)
<b>Balance at 31 March</b>		<b>1,587</b>		<b>1,337</b>

#### 16. SOFT LOANS

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

	2011/12	2012/13
	£000	£000
Opening balance	2,381	2,608
Advances in year	238	79
Repayments in year	(71)	(164)
Financial instruments adjustments	60	250
Amounts Written off	0	(25)
<b>Closing balance</b>	<b>2,608</b>	<b>2,748</b>



## 17. 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.

<b>Available for sale reserve</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Opening balance	136	148
Unrealised profit/(loss):		
Certificate of deposits	2	2
Fixed securities	10	(2)
<b>Closing balance</b>	<b>148</b>	<b>148</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

### **Credit Risk**

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

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

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

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

## Liquidity Risk

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

	2011/12	2012/13
	£000	£000
Cash and cash equivalents	2,097	6,385
Less than 1 year	18,576	19,073
More than 1 year	415	362
<b>Total</b>	<b>21,088</b>	<b>25,820</b>

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.

## Foreign Exchange Risk

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls.

The Council has no other 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 £345k on its investments of £26.6m achieving an average interest rate of 1.15%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £266k in the interest received.

The Council paid interest on its borrowings of £3.3m based on an average rate of 3.37%. The loans associated with this borrowing are held at fixed interest rates and therefore there is no associated interest rate risk with the existing commitments.

## 19. PENSION COSTS

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

Government Pension Scheme Regulations 2007/08, as amended. Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The next formal valuation runs from 31 March 2013.

### Transactions Relating to Retirement Benefits

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

	2011/12 £000	2012/13 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current service costs	1,411	1,706
Past service costs	0	0
Curtailments and settlements	(83)	2
<b>Financing and Investment Income and Expenditure</b>		
Expected return on scheme assets	(4,374)	(3,663)
Interest cost	5,784	5,495
<b>Charge to the Surplus or Deficit on the Provision of Services</b>	<b>2,738</b>	<b>3,540</b>
<b>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial gains and (losses)	(15,498)	(6,465)
<b>Total charges to the Comprehensive Income and Expenditure Statement</b>	<b>(12,760)</b>	<b>(2,925)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,738)	(3,540)
<b>Actual amount charged to the General Fund for pensions in the year</b>		
Employers' contributions payable to scheme	2,866	2,604
Retirement benefits payable to pensioners	597	622
<b>Contribution (From) or To Pensions Reserve</b>	<b>725</b>	<b>(314)</b>

As required under IAS 19 the valuation method used is the projected unit method of valuation.

### Actuarial Gain/Loss

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was a loss of £6.465m in 2012/13 (a loss of £15.498m in 2011/12).

### Assets and Liabilities in Relation to Retirement Benefits

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

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
<b>Liabilities</b>		
Opening balance at 1 April	110,327	121,854
Current service costs	1,411	1,706
Interest cost	5,784	5,495
Actuarial gains / (losses)	12,696	11,968
Gains or losses on curtailments	383	2
Liabilities extinguished on settlements	(3,771)	0
Benefits paid	(4,863)	(4,693)
Past service costs	0	0
Contributions by scheme participants	484	460
Unfunded pension payments	(597)	(622)
<b>Closing balance at 31 March</b>	<b>121,854</b>	<b>136,170</b>

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:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
<b>Assets</b>		
Opening balance at 1 April	67,681	64,435
Expected rate of return	4,374	3,663
Actuarial gains or (losses)	(2,802)	5,503
Employer contributions	3,463	3,226
Contributions by scheme participants	484	460
Benefits paid	(5,460)	(5,315)
Payment of bulk transfer values	(3,305)	0
<b>Closing balance at 31 March</b>	<b>64,435</b>	<b>71,972</b>

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 £9.165m (2011/12: gain of £1.573m).

### **Net Pension Liability**

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

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Present value of funded obligation	113,351	127,086
Fair value of scheme assets (bid price)	(64,435)	(71,972)
<b>Net Liability</b>	<b>48,916</b>	<b>55,114</b>
Present value of unfunded obligation	8,503	9,084
<b>Net Liability in Balance Sheet</b>	<b>57,419</b>	<b>64,198</b>

### **Reconciliation of Opening & Closing Surplus or Deficit**

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

	<b>2011/12</b>	<b>2012/13</b>
<b>Surplus or Deficit</b>	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	(42,646)	(57,419)
Current service costs	(1,411)	(1,706)
Employer's contributions	2,866	2,604
Unfunded pension payments	597	622
Past service costs	0	0
Other finance income	(1,410)	(1,832)
(Losses) or gains on curtailments	83	(2)
Actuarial gains or (losses)	(15,498)	(6,465)
<b>Closing balance at 31 March</b>	<b>(57,419)</b>	<b>(64,198)</b>

### 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:

	<b>31 March 2012</b>		<b>31 March 2013</b>	
	<b>Fund Value</b>	<b>Percentage of Fund</b>	<b>Fund Value</b>	<b>Percentage of Fund</b>
<b>Assets</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	47,682	74%	51,100	71%
Gilts	644	1%	0	0%
Bonds	6,444	10%	9,356	13%
Property	5,799	9%	5,758	8%
Cash	2,577	4%	2,879	4%
Target Return Portfolio	1,289	2%	2,879	4%
<b>Total</b>	<b>64,435</b>	<b>100%</b>	<b>71,972</b>	<b>100%</b>

### Scheme History

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(96,160)	(140,217)	(110,327)	(121,854)	(136,170)
Scheme assets	47,540	64,037	67,681	64,435	71,972
<b>Surplus or (deficit) in the scheme</b>	<b>(48,620)</b>	<b>(76,180)</b>	<b>(42,646)</b>	<b>(57,419)</b>	<b>(64,198)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £64m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(33.0)	21.0	6.5	(4.3)	7.6
<b>Experience gains and losses on liabilities</b>	<b>0.1</b>	<b>0.9</b>	<b>2.9</b>	<b>(0.2)</b>	<b>(0.4)</b>

### 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 IAS19 calculations are given below:

	2011/12	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.0 Years	20.1 Years
Women	24.0 Years	24.1 Years
Longevity at 65 for future pensioners		
Men	22.0 Years	22.1 Years
Women	25.9 Years	26.0 Years
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%
Rate of inflation – RPI	3.3%	3.3%
Rate of inflation – CPI	2.5%	2.5%
Rate of increase in salary	4.7%	4.7%
Rate of increase in pension	2.5%	2.5%
Rate for discounting scheme liabilities	4.6%	4.1%
Long-term expected rate of return on assets in the scheme:		
Expected return on assets	5.8%	5.8%

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 2013 assumes members will exchange half their commutable pension for cash at retirement.

### Projected Pension Expense for the Year to 31 March 2014

The International Accounting Standards Board have published a final version of the revised IAS19 standard which will apply for accounting periods beginning on or after 1 January 2013. The Projected Pension Expense for the year to 31 March 2014 below is provided in line with the revised standard.

**2013/14  
Projection  
£000**

Service cost	2,015
Net interest on the defined liability (asset)	2,579
Administration expenses	59
<b>Total</b>	<b>4,653</b>
Employer's contributions	2,692

### Further Information

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

## 20. COUNCIL TAX INCOME

	2011/12 £000	2012/13 £000
District council's council tax	6,396	6,608
Parish councils' council tax	1,920	2,014
Prior year's actual accumulated Collection Fund surplus	(170)	(207)
Current year's actual Collection Fund surplus	207	250
<b>Total</b>	<b>8,353</b>	<b>8,665</b>

## 21. GRANT INCOME

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

### Credited to Taxation and Non-Specific Grant Income

	2011/12		2012/13	
	£000	£000	£000	£000
National non-domestic rate distribution		6,195		7,104
General government grants:				
Revenue Support Grant	1,915		138	
New Burdens Grant	0		13	
Council Tax Freeze Grant	160		0	
New Homes Bonus	330		412	
		2,405		563
<b>Total non-specific grant income</b>		<b>8,600</b>		<b>7,667</b>

### Capital Grants & Contributions

	2011/12 £000	2012/13 £000
SEEDA	853	0
Dover Town Council	0	75
Section 106	0	116
Environment Agency	240	38
Growth Point	373	0
Other	75	4
	<b>1,541</b>	<b>233</b>
Movement on unapplied capital grants	(293)	355
Grant included in Net Cost of Services	(96)	0
<b>Total capital grant contributions</b>	<b>1,152</b>	<b>588</b>

## Credited to Services

	2011/12 £000	2012/13 £000
Rent Allowance Subsidy	25,785	27,155
Council Tax Benefit Subsidy	9,414	9,558
Benefit Administration Grant	502	424
Council Tax Administration Grant	419	455
Non-HRA Rent Rebate Subsidy	116	124
HRA Rent Rebate Subsidy	11,067	11,616
Discretionary Housing Payment Contribution	70	114
Disabled Facilities Grant Subsidy	532	491
Concessionary Fares Special Grant	29	0
NNDR Cost of Collection Allowance	155	153
Council Tax Reform Grant	0	84
Local Benefits Scheme Subsidy	10	48
Neighbourhood Planning Grant	0	35
Homelessness Grant	182	167
Renovation Grants	19	3
Coast Protection Grant	56	65
Crime and Disorder Grant	36	36
Other	40	65
<b>Total</b>	<b>48,432</b>	<b>50,593</b>

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in note 31 on page 62.

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

Remuneration Band	Number of Employees	
	2011/12	2012/13
£50,000-£54,999	14	12
£55,000-£59,999	10	10
£60,000-£64,999	1	1
£65,000-£69,999	3	2
£70,000-£74,999	0	1
£75,000-£79,999	2	1
£80,000-£84,999	4	0
£85,000-£89,999	0	5
£120,000-£124,999	1	1
£130,000-£134,999	0	1
	<b>35</b>	<b>34</b>



## Exit Packages

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

2011/12 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	3	2	5	£49,531	£1,200
20-40	-	-	-	-	-
40-60	1	-	1	£52,815	-
60-80	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>£102,346</b>	<b>£1,200</b>

2012/13 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	3	1	4	£18,410	-
20-40	1	-	1	£13,742	£15,200
40-60	1	-	1	£48,772	-
60-80	1	-	1	£60,548	£1,186
<b>Total</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>£141,472</b>	<b>£16,386</b>

## 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.

2011/12 Post holder information (Post title)	Salary (Including fees & Allow- ances) £000	Expense Allow- ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib- utions £000	Total Remuneration including pension contributions £000
Chief Executive	121	3	0	124	18	142
Dir of Finance, Housing & Comm (S.151 Officer)	81	3	0	84	10	94
Dir of Governance (Monitoring Officer)	81	3	0	84	10	94
Dir of Environment & Corp Assets	78	0	6	84	10	94
Dir of Housing, Culture & Community Safety *	67	0	0	67	0	67
Dir of Community & Development	77	0	1	78	10	88
Head of Inward Investment	72	0	4	76	10	86
	<b>577</b>	<b>9</b>	<b>11</b>	<b>597</b>	<b>68</b>	<b>665</b>

\* The Director of Housing, Culture and Community Safety was made redundant on 6 April 2011. The above salary figure includes the exit package paid to the employee.

<b>2012/13</b> Post holder information (Post title)	<b>Salary</b> (Including fees & Allow- ances) <b>£000</b>	<b>Expense</b> <b>Allow-</b> <b>ances</b> (Including Fuel) <b>£000</b>	<b>Car</b> <b>Allowance</b> (eg Benefits in Kind or Cash) <b>£000</b>	<b>Total</b> <b>Remuneration</b> excluding pension contributions <b>£000</b>	<b>Pension</b> <b>contrib-</b> <b>utions</b> <b>£000</b>	<b>Total</b> <b>Remuneration</b> including pension contributions <b>£000</b>
Chief Executive	122	3	0	125	13	138
Dir of Finance, Housing & Comm (S.151 Officer)	84	3	0	87	11	98
Dir of Governance (Monitoring Officer)	84	3	0	87	11	98
Dir of Environment & Corp Assets	81	0	6	87	11	98
Dir of Community & Development*	131	0	0	131	9	140
Head of Inward Investment	64	0	5	69	10	79
	<b>566</b>	<b>9</b>	<b>11</b>	<b>586</b>	<b>65</b>	<b>651</b>

\* The Director of Community & Development was made redundant on 31 March 2013. The above salary figure includes the exit package paid to the employee.

### **Employee Adjustment Account (Accrued Annual Leave)**

Under the IFRS Code Dover District Council is required to accrue for untaken annual leave at the end of the accounting period. At the end of 2012/13 this was estimated to be £98k (£82k in 2011/12).

## **23. 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.

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
Balance at 1 April	826	1,361
Usable capital receipts received	1,787	1,982
	<u>2,613</u>	<u>3,343</u>
Less: usable capital receipts applied		
Expenditure on non-current assets	(737)	(321)
Pooled housing capital receipts	(515)	(207)
<b>Balance at 31 March</b>	<b><u>1,361</u></b>	<b><u>2,816</u></b>

## 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 2012/13 £207k has been paid to the DCLG in relation to capital pooling requirements (£515k in 2011/12).

## 24. GENERAL FUND AND HRA BALANCES

The introduction of HRA self-financing in 2012/13 was accompanied by the abolition of housing subsidy in the HRA. Schedule 4, Part III, paragraph 2 of the 1989 Local Government and Housing Act has always provided as follows:

*“A local housing authority to whom no Housing Revenue Account subsidy is payable for any year may carry the whole or part of any credit balance shown in their Housing Revenue Account for that year to the credit of some other revenue account of theirs”.*

Council on 25<sup>th</sup> September 2013 resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance in the 2012/13 accounts.

The primary benefits to the Council are flexibility and sustainability. If the balances were to remain within the HRA then they could only be used for the specific purposes of the HRA. By transferring the balances to the general fund, they can be applied to the whole range of General Fund purposes.

The HRA's baseline budget is robust and is operating at a surplus which, with rent convergence and capped debt charges to the PWLB, is forecast to be maintained and to grow. Therefore, no detrimental service impacts to HRA tenants or additional rent increases will arise as a direct result of this proposal.

<b>Impact on Balances</b>	<b>Opening Balance £000</b>	<b>Surplus in year £000</b>	<b>Transferred in year £000</b>	<b>Closing Balance £000</b>
General Fund	2,258	2	12,500	14,760
Housing Revenue Account	7,365	3,294	(10,000)	659
<b>Total</b>	<b>9,623</b>	<b>3,296</b>	<b>2,500<sup>1</sup></b>	<b>15,419</b>

<sup>1</sup> £2.5m has been transferred to the General Fund Balance from the Housing Initiatives reserve as detailed below.

## 25. EARMARKED RESERVES

### General Fund Earmarked Reserves:

	<b>Opening Balance £000</b>	<b>Receipts in year £000</b>	<b>Applied in year £000</b>	<b>Closing Balance £000</b>
Special Projects & Events	1,404	246	(645)	1,005
Periodic Operations	608	468	(21)	1,055
Urgent Works	765	363	(15)	1,113
Regeneration	552	23	(99)	476
ICT Equipment & Servers	287	258	(37)	508
Business Rates & Council Tax	612	0	0	612
<b>Total</b>	<b>4,228</b>	<b>1,358</b>	<b>(817)</b>	<b>4,769</b>

A detailed review of earmarked reserves has been undertaken in 2012/13 to ensure the reserves are held at appropriate levels for planned purposes. The following reserves are now held:

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

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

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

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

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

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

**Housing Revenue Account:**

	<b>Opening Balance £000</b>	<b>Receipts in year £000</b>	<b>Applied in year £000</b>	<b>Closing Balance £000</b>
Major Repairs Reserve	0	(4,873)	4,873	0
Tenant’s Compact Reserve	(345)	0	92	(253)
Housing Initiatives	(2,500)	0	2,500	0
<b>Total</b>	<b>(2,845)</b>	<b>(4,873)</b>	<b>7,465</b>	<b>(253)</b>

**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.

**Housing Initiatives Reserve** – Council on 25<sup>th</sup> September 2013 resolved to transfer the balance on this reserve to the General Fund balance.

## 26. DEBTORS

<b>Long Term Debtors</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Loans to:		
Leaseholders <sup>1</sup>	113	91
Local organisations	35	29
Other:		
Housing benefit debtors <sup>2</sup>	244	610
<b>Total</b>	<b>392</b>	<b>730</b>

<sup>1</sup> **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.

<sup>2</sup> **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 2013 which is expected to be recovered after one year.

<b>Short Term Debtors</b>	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
General Fund		
Housing rents and other charges	432	429
Central Government	270	1,043
Local Authorities	1,591	1,288
Payments in Advance	263	383
Other debtors	4,268	3,008
	<b>6,824</b>	<b>6,151</b>
Collection Fund		
Council tax payers (district council's share)	445	514
Central Government	373	836
	<b>818</b>	<b>1,350</b>
<b>Total</b>	<b>7,642</b>	<b>7,501</b>

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 relatively small, but comprises a significant increase in Central Government debts, largely due to underpayment of benefits subsidies by Central Government in 2012/13 (a debtor of £781k) instead of an overpayment in 2011/12 (a creditor of £61k), offset by a decrease in Other General Fund Debtors, including debtors system balances and other sundry debtors. There is also an increase in net Collection Fund debts owed by Central Government, largely in respect of NNDR arrears from business rates customers. The increased arrears have mainly arisen from upwards revaluations made by the Valuation Office late in the year, leaving insufficient time to collect the debts before closure of the accounts.

<b>Provision for Bad Debts</b>	<b>Council Tax</b>	<b>General Debtors</b>	<b>Housing Benefits</b>	<b>HRA</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2011	219	297	1,244	430	2,190
Write-offs	(21)	(56)	113	(56)	(20)
Contribution to provision	24	(73)	(59)	63	(45)
<b>Balance at 31 March 2012</b>	<b>222</b>	<b>168</b>	<b>1,298</b>	<b>437</b>	<b>2,125</b>
Write-offs	(26)	0	(200)	(64)	(290)
Contribution to provision	80	15	208	64	367
<b>Balance at 31 March 2013</b>	<b>276</b>	<b>183</b>	<b>1,306</b>	<b>437</b>	<b>2,202</b>

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 73.

### 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 2012			At 31 March 2013		
	General Debtors £000	HRA £000	Total £000	General Debtors £000	HRA £000	Total £000
< 1 month	1,142	207	1,349	554	221	775
1 – 3 months	95	128	223	48	118	166
3 – 6 months	62	62	124	20	67	87
6 – 12 months	30	96	126	88	56	144
1 year +	118	367	485	113	354	467
<b>Total</b>	<b>1,447</b>	<b>860</b>	<b>2,307</b>	<b>823</b>	<b>816</b>	<b>1,639</b>

### 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.

## 27. 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.

	2011/12 £000	2012/13 £000
Cash held by Authority	3	3
Bank call accounts	2,094	6,382
<b>Total Cash and Cash Equivalents</b>	<b>2,097</b>	<b>6,385</b>

## 28. SHORT TERM CREDITORS

	2011/12 £000	2012/13 £000
As at 31 March		
General Fund		
Government departments	(4,118)	(3,794)
Other local authorities	(278)	(416)
Housing tenants	(180)	(177)
Other creditors – revenue	(3,502)	(3,453)
Other creditors – capital	(1,030)	(510)
	<u>(9,108)</u>	<u>(8,350)</u>
Collection Fund		
Local Authorities	(568)	(833)
Local tax payers (DDC's share)	(113)	(137)
	<u>(681)</u>	<u>(970)</u>
<b>Total</b>	<b><u>(9,789)</u></b>	<b><u>(9,320)</u></b>

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

Other creditors – revenue value has been restated for 2011/12 to include the provision for annual leave accrual (previously shown as a separate line Provision – Employee Benefits).

The net decrease in creditors is largely due to a reduction in pooling of 'right to buy' receipts (within 'Government departments') and a reduction in capital creditors (mainly HRA capital repairs programme due to the timing and scale of projects), offset by an increase in cash within the collection fund owed to other local authorities.

## 29. PROVISIONS

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years' insurance cover will be met from the company's assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims. As at 31 March 2013 the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £182,782 less £50,000. The scheme administrator has indicated that a levy of between 9.5% and 28% is required to achieve a projected solvent run off. A provision of 25% of the claim payment has therefore been made.

## 30. RECEIPTS IN ADVANCE

	2011/12 £000	2012/13 £000
As at 31 March		
Government departments	(350)	(156)
Other local authorities	(456)	(406)
Other	(1,093)	(713)
<b>Total</b>	<b><u>(1,899)</u></b>	<b><u>(1,275)</u></b>

## 31. CAPITAL GRANTS UNAPPLIED

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

	2011/12 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>918</b>	<b>625</b>
Contributions received	96	849
Applied to capital projects	(389)	(494)
<b>Balance at 31 March</b>	<b>625</b>	<b>980</b>

### 32. 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.

	2011/12 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>1,653</b>	<b>604</b>
Contributions received	412	497
Applied to capital projects	(1,461)	(266)
Deposit moved to Capital Receipts	0	(10)
<b>Balance at 31 March</b>	<b>604</b>	<b>825</b>

### 33. 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.

	2011/12 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(210,098)</b>	<b>(113,779)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	2,961	3,063
Amortisation of intangible assets	18	34
Revaluation losses on property, plant and equipment	8,173	8,278
Revaluation gains on property, plant and equipment	(1)	(7)
Revenue expenditure funded from capital under	59	86



	2011/12 £000	2012/13 £000
statute		
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	1,407	1,108
Adjusting amounts written out of the Revaluation Reserve	(299)	(389)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(737)	(321)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,227)	(3,034)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,152)	(113)
Application of grants to capital financing from the Capital Grants Unapplied Account	(389)	(120)
Capital expenditure charged against the General Fund and HRA balances	(766)	(676)
Capital expenditure charged against Earmarked Reserves	(94)	(148)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(106)	(51)
Loan Repayments Made	0	(1,863)
Loan Raised Transferred to Long Term Borrowing	0	25
Exceptional item – Self-Financing Determination Loan	90,473	0
<b>Balance at 31 March</b>	<b>(113,779)</b>	<b>(107,907)</b>

#### 34. DEVELOPMENT CONTRIBUTIONS

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

	2011/12 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>631</b>	<b>599</b>
Contributions received	67	185
Transfers to third parties	(13)	0
Applied to revenue	(86)	(353)
<b>Balance at 31 March</b>	<b>599</b>	<b>431</b>

#### 35. 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.

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	17,893	17,554
Revaluation gains	7	8,919
Revaluation losses	(45)	(1,247)
Revaluations relating to disposals written out	(2)	(1)
Historic cost depreciation written out to the capital adjustments account	(299)	(389)
<b>Balance at 31 March</b>	<b>17,554</b>	<b>24,836</b>

### 36. RELATED PARTY TRANSACTIONS

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

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

<b>Organisation</b>	<b>Value</b>	<b>Details</b>
Gazen Salts Nature Reserve	£4,500	One Member appointed Trustee by Sandwich Town Council.
Deal Town Council	£5,000	Four Members also Town Councillors.
Sandwich Toll Bridge Fund	£22,523	Members of Sandwich Town Council are by definition Trustees of this Fund, through this, two Members of Dover District Council are Trustees.
Dover, Deal & District Citizens Advice Bureau	£97,000	One Member is a Trustee of this local charity.
Action with Communities in Rural Kent	£2,500	One Member was appointed as Representative Rural Member by Dover District Council.
Welcome Me As I Am CIC	£1,015	One Member is a CIC Director
Dover Town Team	£1,000	One Member is a member of the Town Team
Deal Town Team	£1,000	Two Members are members of the Town Team
5 <sup>th</sup> Deal Scout Group	£2,221	One Member is a committee member for the group
Sandwich Town Cricket Club	£10,000	One Chief Officer is parent of junior member of club
Royal Cinque Ports Yacht Club	£500	Two Members are members of the yacht club

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the

Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 21 on reporting for resources allocation decision. Grant receipts outstanding at 31 March 2013 are shown in Note 26.

The Council is joint owner of East Kent Housing Ltd, an arms length management organisation, owning 25% of the company. 2012/13 was the second year of operation.

In 2012/13 £2,036,491 was paid to East Kent Housing in respect of management fees. A further £158 was paid in respect of sundry costs. Charges from DDC to East Kent Housing in respect of services supplied totalled £410,998. Balances due to/from East Kent Housing at 31 March 2013 were nil and £10,765 respectively.

### 37. MEMBERS' ALLOWANCES

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

	2011/12 £000	2012/13 £000
Basic Allowance	179	175
Special Responsibility Allowance	92	88
Members' National Insurance Contributions	9	4
<b>Total</b>	<b>280</b>	<b>267</b>

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

### 38. EXTERNAL AUDIT FEES

The Council's auditors Grant Thornton were appointed for 2012/13 by the Audit Commission which is 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 2012/13.

	2011/12 £000	2012/13 £000
External audit services	108	63
Statutory inspection	7	0
Certification of grant claims and returns	44	36
<b>Total</b>	<b>159</b>	<b>99</b>

## 39. CONTINGENT LIABILITIES

### **Personal Search Fees**

Dover District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £29,500 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £117,500 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

### **Munich Municipal Insurance (MMI)**

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years' insurance cover will be met from the company's assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims. As at 31 March 2013 the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £182,782 less £50,000. A provision of 25% of the claim has been made in the balance sheet and the balance of the claim remains as a contingent liability.

### **East Kent Housing Pension Deficit**

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

East Kent Housing Ltd's total pension liability has reduced from £5.1m to £4.4m at 31 March 2013, of which Dover District Council's share would be £1.1m. However, the company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension contributions.

Revised future contribution rates will not be set until 2014/15, meaning that the company should be able to meet its current pension obligations at least up to that point. The impact of any increase to its future contribution rate may have to be assessed within the context of future management fees.

### **Rent Deposit Scheme**

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £236k.

40. **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 2013 was considered remote.

41. **POST BALANCE SHEET EVENTS**

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2013. Other than the Council decision to transfer reserves from the HRA to the General Fund on 25 September 2013 as detailed in note 24 which has been reflected in the financial statements, no events have occurred that require changes to the accounting statements.

42. **INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council, together with Canterbury City Council, Shepway District Council and Thanet District Council, jointly owns East Kent Housing Ltd (EKH), an Arms Length Management Organisation, whose principal activity is to manage each of the four authorities' council housing stock. For financial accounting purposes, EKH is regarded as being a joint venture under joint control and each authority holds an equal 25% share in the company.

Under the Code authorities with interests in joint ventures shall prepare Group Accounts in addition to their single entity accounts, unless their interest is considered not material. This Council considers that its' interest in EKH is not material and that Group Accounts do not need to be prepared.

The financial (unaudited) results of EKH for 2012/13 and the Council's share are as follows:

<b>East Kent Housing Ltd</b>	<b>DDC share 25%</b>		<b>East Kent Housing Ltd</b>	<b>DDC share 25%</b>	
<b>2011/12</b>	<b>2011/12</b>		<b>2012/13</b>	<b>2012/13</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	
(8,625)	(2,156)	Turnover	(8,173)	(2,043)	
8,341	2,085	Expenses	8,479	2,120	
(284)	(71)	Operational profit	306	(77)	
1,350	338	Profit/(loss) after taxation	363	91	
3,277	819	Other comprehensive income and (expenditure)	(1,160)	(290)	
4,627	1,157	Total comprehensive income and (expenditure)	(797)	(199)	

-	-	Non-current assets	-	-
(1,518)	(380)	Current assets	(945)	(236)
1,079	270	Current liabilities	402	100
5,066	1,267	Non-current liabilities	4,373	1,093
439	110	Profit and loss reserve	543	136
(5,066)	(1,267)	Pensions reserve	(4,373)	(1,093)

Note 36, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2012/13. Note 39, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

#### 43. **EXCEPTIONAL ITEMS**

##### Net Cost of Services – Revaluation Loss on General Fund Stock

In 2011/12 revaluation losses of £2,555k, in relation to Dover Town Investment Zone properties, charged to the General Fund were classed as Exceptional.

##### Net Cost of Services – Self-Financing Determination

From 1 April 2012 the Housing Subsidy system, under which this Council made an annual negative subsidy payment, was replaced by a system of self-financing with repayment of debt and related interest.

The Settlement Payment Determination 2012 set out the amount each local authority was to pay / to receive from the Secretary of State in order to exit the subsidy system. For Dover District Council the payment to the Secretary of State was £90,473k. This payment was required by the 28 March 2012 and was financed by a 30-year repayment loan from the Public Works Loan Board.

In accordance with guidance our payment to Central Government has been recorded on the face of the Comprehensive Income and Expenditure Statement and has been reversed out through the Movement in Reserves Statement as the transaction is defined by statute to be capital expenditure.

#### 44. **ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED**

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted. For 2012/13 the following accounting policy changes that need to be reported relate to:

- Amendments to IFRS 7 Financial Instruments: Disclosures

The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 27 provides a breakdown of this item.

- Amendments to IAS 19 Employee Benefits

The International Accounting Standards Board has published a final version of the revised IAS19 standard, which will apply for accounting periods beginning on or after 1 January 2013. In summary, the main changes that affect the Profit and Loss Charge are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit and Loss charge e.g. “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

Administration expenses are now accounted for within the Profit and Loss charge; previously a deduction was made to the actual and expected returns on assets.

The table below shows the Profit and Loss figures had the revised standard applied for this period.

	<b>2012/13</b>
	<b>£000</b>
Service cost	1,708
Net interest on the defined liability (asset)	2,568
Administration expenses	56
<b>Total</b>	<b><u>4,332</u></b>
Actual return on scheme assets	9,221

## 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 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

2011/12			2012/13	
£000	£000		£000	£000
		<b>Income</b>		
		Council tax:		
(49,790)		Billed to council tax payers	(50,227)	
(9,336)		Council tax benefits	(9,484)	
	(59,126)			(59,711)
		Non-domestic rates:		
(31,507)		Billed to NNDR payers	(33,033)	
-		Exceptional item	-	
	(31,507)			(33,033)
	<b><u>(90,633)</u></b>	<b>Total Income</b>		<b><u>(92,744)</u></b>
		<b>Expenditure</b>		
		Precepts and demands:		
42,161		Kent County Council	42,109	
5,580		Kent Police Authority	5,573	
2,734		Kent & Medway Fire & Rescue Authority	2,731	
6,396		Dover District Council	6,608	
1,920		Town and parish councils	2,014	
	58,791			59,035
		Non-domestic rates:		
31,355		Payment to National Pool	32,883	
152		Cost of collection allowance	150	
	31,507			33,033
	146	Council tax written-off		173
	(29)	Provision for non-payment of council tax		277
	<b><u>90,415</u></b>	<b>Total Expenditure</b>		<b><u>92,518</u></b>
	<b>(218)</b>	<b>(Surplus) or Deficit for the Year</b>		<b>(226)</b>
	(1,201)	Balance brought forward at 1 April		(1,419)
	<b><u>(1,419)</u></b>	<b>Balance Carried Forward at 31 March</b>		<b><u>(1,645)</u></b>



## 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, The Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the District Council, and dividing this by the council tax base.

#### Precepts

Authorities who made a precept on the Collection Fund are:

	2011/12 £000	2012/13 £000
Kent County Council	42,161	42,109
Police and Crime Commissioner for Kent	5,580	5,573
Kent and Medway Fire & Rescue Authority	2,734	2,731
Dover District Council	6,396	6,608
	56,871	57,021
Parish councils	1,920	2,014
<b>Total</b>	<b>58,791</b>	<b>59,035</b>

#### 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:

	2011/12			2012/13		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	8.00	5/9ths	4.44	13.75	5/9ths	7.63
A	5,400.82	6/9ths	3,600.55	5,450.50	6/9ths	3,633.67
B	14,058.12	7/9ths	10,934.09	14,046.55	7/9ths	10,925.09
C	11,829.86	8/9ths	10,515.43	11,825.54	8/9ths	10,511.59
D	6,143.98	9/9ths	6,143.98	6,037.22	9/9ths	6,037.22
E	3,734.60	11/9ths	4,564.51	3,717.10	11/9ths	4,543.12
F	2,065.15	13/9ths	2,982.99	2,055.15	13/9ths	2,968.55
G	1,269.80	15/9ths	2,116.33	1,263.54	15/9ths	2,105.90
H	46.40	18/9ths	92.80	60.80	18/9ths	121.60
	44,556.73		40,955.12	44,470.15		40,854.37
Estimated Collection Rate			98.25%			98.37%
<b>Council Tax Base</b>			<b>40,238.41</b>			<b>40,188.44</b>

## Band D Council Tax

	2011/12	2012/13
	£000	£000
Kent County Council	1,047.78	1,047.78
Police and Crime Commissioner for Kent	138.68	138.68
Kent and Medway Fire & Rescue Authority	67.95	67.95
Dover District Council	158.94	164.43
	<u>1,413.35</u>	<u>1,418.84</u>
Parish councils (average)	47.71	50.11
<b>Total</b>	<b><u>1,461.06</u></b>	<b><u>1,468.95</u></b>

This basic amount of council tax for a Band D property of £1,468.95 for 2012/13 (£1,461.06 for 2011/12) 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 45.8p (43.3p) for large businesses or 45.0p (42.6p) for small businesses in 2012/13 (2011/12) 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 Central Government. Central 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.

From April 2013 business rates income collected above or below a pre-determined baseline funding level will be shared between central government, the billing authority and other major precepting authorities covered by the Business Rates Retention scheme subject to safety net and levy arrangements.

Dover's share of NNDR for 2013/14 is estimated to be below the safety net level, and it will therefore receive additional funding up to the safety net. While approximately one quarter of rateable value is currently under appeal, the safety net means that there will be no further impact if appeals are successful that reduce business rates income further.

The NNDR income, after reliefs and provisions of £33.033m (£31.507m) for 2012/13 (2011/12), was based on the total rateable value for the Council's area, which at the year-end was £92.929m (£91.354m in 2011/12).

## 3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2011/12			2012/13		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	1,549	1,012	2,561	1,520	1,752	3,272
Write-Offs	(146)	(55)	(201)	(173)	(265)	(438)
Contribution to Provision	117	795	912	450	362	812
<b>Balance at 31 March</b>	<b><u>1,520</u></b>	<b><u>1,752</u></b>	<b><u>3,272</u></b>	<b><u>1,797</u></b>	<b><u>1,849</u></b>	<b><u>3,646</u></b>

#### 4. COLLECTION FUND SURPLUSES AND DEFICITS

The District Council was required to estimate by 16 January 2013 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, The Police and Crime Commissioner for Kent, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £0 for 2011/12, so there was no additional payment to major preceptors in 2012/13. The distributable surplus for 2012/13 was estimated as £254k and will be distributed to major preceptors during 2013/14. The actual surplus of £1.645m at 31 March 2013 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2013/14 (N.B. "Council Tax Cash" in note 5 shows cash surpluses at 31 March 2012 and 2013, but these surpluses are mainly due to prepayments on account of the following years' debts). Each of the major precepting authorities' share of the surplus is shown in the table below.

	Surplus at 31 March 2011 £000	Movement in Year £000	Surplus at 31 March 2012 £000	Movement in Year £000	Surplus at 31 March 2013 £000
Kent County Council Police and Crime Commissioner for Kent Kent & Medway Fire & Rescue Authority	(861)	(151)	(1,012)	(151)	(1,163)
Dover District Council	(114)	(20)	(134)	(23)	(157)
	(56)	(10)	(66)	(9)	(75)
	(170)	(37)	(207)	(43)	(250)
<b>Total</b>	<b>(1,201)</b>	<b>(218)</b>	<b>(1,419)</b>	<b>(226)</b>	<b>(1,645)</b>

#### 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 below:

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council tax arrears	2,172	287	141	445		3,045
Council tax provision for bad debts	(1,084)	(144)	(70)	(222)		(1,520)
Council tax prepayments & refunds	(551)	(72)	(36)	(113)		(772)
Council tax cash	475	63	31	97		666
Collection Fund surplus or deficit	(1,012)	(134)	(66)	(207)		(1,419)
NNDR pool					461	461
NNDR arrears					2,609	2,609
NNDR provision for bad debts					(1,752)	(1,752)
NNDR prepayments & refunds					(945)	(945)
NNDR cash					(373)	(373)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

At 31 March 2013

	<b>KCC £000</b>	<b>PCCK £000</b>	<b>KMFRA £000</b>	<b>DDC £000</b>	<b>Gov't £000</b>	<b>Total £000</b>
Council tax arrears	2,370	320	154	514		3,358
Council tax provision for bad debts	(1,269)	(171)	(82)	(275)		(1,797)
Council tax prepayments & refunds	(633)	(85)	(42)	(137)		(897)
Council tax cash	695	93	45	148		981
Collection Fund surplus or deficit	(1,163)	(157)	(75)	(250)		(1,645)
NNDR pool					8	8
NNDR arrears					3,456	3,456
NNDR provision for bad debts					(1,849)	(1,849)
NNDR prepayments & refunds					(779)	(779)
NNDR cash					(836)	(836)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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

2011/12 £000		Note	2012/13 £000
	<b>Income</b>		
(17,078)	Dwellings rents	11	(18,139)
(428)	Non-dwelling rents		(437)
(288)	Tenant charges for services and facilities		(277)
(242)	Leaseholder charges for services and facilities		(179)
(271)	Contributions towards expenditure		(292)
<b>(18,307)</b>	<b>Total Income</b>		<b>(19,324)</b>
	<b>Expenditure</b>		
3,301	Repairs and maintenance		3,495
3,324	Supervision and management		3,248
113	Rent, rates, taxes and other charges		66
5,941	Negative subsidy payable to Secretary of State		0
29	Rent rebate subsidy limitation	12	21
90,473	Exceptional Item – Self-Financing Determination	13	0
1,486	Depreciation and impairment of fixed assets	6	1,483
5,618	Revaluation loss on HRA stock	10	5,686
48	Debt management expenses		37
64	Increase in impairment of debtors	15	64
<b>110,397</b>	<b>Total Expenditure</b>		<b>14,100</b>
	<b>Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		
92,090			(5,224)
315	HRA share of corporate and democratic core		388
(397)	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0
<b>92,008</b>	<b>Net Cost of HRA Services</b>		<b>(4,836)</b>
(67)	(Gain) or loss on sales of HRA non-current assets		(443)
0	Interest payable and similar charges		3,032
(198)	Interest and investment income		(214)
254	Pension interest costs and expected return on pensions assets	16	330
<b>91,997</b>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<b>(2,131)</b>

## MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12		2012/13	
£000		£000	£000
<b>(8,608)</b>	Balance on the HRA at the end of the previous year		<b>(7,365)</b>
91,997	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(2,131)
	Adjustments between Accounting Basis and Funding under Statute:		
(5,618)	Impairment of non-current assets	(5,681)	
(90,473)	Transfer of Self-Financing Determination to Capital	0	
1,741	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,390	
67	Gain on disposal of non-current assets	443	
530	Net charges made for retirement benefits	76	
499	Capital expenditure funded by the HRA	610	(1,162)
<u>(1,257)</u>	Net increase before transfers to or from reserves		<u>(3,293)</u>
2,500	Transfers to earmarked reserves (note 5)		0
0	Transfer to General Fund balance (note 4)		10,000
<b>1,243</b>	(Increase) or decrease in year on the HRA Balance		<b>6,707</b>
<b><u>(7,365)</u></b>	<b>Balance on the HRA at the End of the Current Year</b>		<b><u>(658)</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPES OF DWELLING

#### Movement in Housing Stock 2012/13

	Stock at 1 April 2012	Sales	Stock at 31 March 2013
Houses/bungalows	2,843	7	2836
Flats	1,607	1	1606
<b>Total</b>	<b>4,450</b>	<b>8</b>	<b>4442</b>

#### Total Value of Assets

	1 April 2012 £000	31 March 2013 £000
Operational assets:		
Dwellings	153,563	149,902
Garages	2,881	3,191
Other land and buildings	78	60
Non-operational assets:		
Investment properties	355	370
Surplus assets	0	495
Assets held for sale	987	0
	<b>157,864</b>	<b>154,018</b>

### 2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2013 was £468m (£480m as at 31 March 2012). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to government of providing council housing at less than open market rents.

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

The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. 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 2013 is £0k (31 March 2012 £0k).

	2011/12 £000	2012/13 £000
<b>Balance as at 1 April</b>	<b>0</b>	<b>0</b>
Major Repairs Allowance:		
Depreciation	(1,486)	(1,483)
Voluntary Excess Depreciation charge to HRA	(1,741)	(3,390)
Transfer from reserve for capital expenditure	3,227	3,034
Repayment of principal on loan	0	1,839
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

### 4. TRANSFER OF HRA BALANCE

On 25<sup>th</sup> September 2013 Council resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance as detailed in note 24 to the main financial statements.

## 5. OTHER EARMARKED RESERVES

### Tenants Compact

This reserve is earmarked for estate improvement works and had a balance of £253k at 31 March 2013 (£346k 31 March 2012).

### Housing Initiatives

As detailed above on 25<sup>th</sup> September 2013 Council resolved to transfer the £2.5m balance on this reserve to the General Fund balance.

## 6. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,483k (2011/12 £1,486k) as detailed below.

	2011/12 £000	2012/13 £000
Council dwellings	1,387	1,384
Garages	99	99
<b>Total</b>	<b>1,486</b>	<b>1,483</b>

## 7. SUMMARY OF CAPITAL EXPENDITURE

	2011/12 £000	2012/13 £000
Capital expenditure:		
Dwellings	3,727	3,716
Other Land & Buildings	0	20
<b>Total</b>	<b>3,727</b>	<b>3,736</b>
Financed by:		
Funded by HRA	(499)	(610)
Transfer from Major Repairs Reserve	(3,227)	(3,034)
Transfer from Tenants Compact Reserve	(1)	(92)
	<b>(3,727)</b>	<b>(3,736)</b>

## 8. SUMMARY OF CAPITAL RECEIPTS

	2011/12 £000	2012/13 £000
Receipts from sales during the year:		
Dwelling sales	(712)	(498)
Other HRA sales	(531)	(753)
Sub total	(1,243)	(1,251)
Amount pooled to Government	515	207
	<b>(728)</b>	<b>(1,044)</b>

## 9. CAPITAL EXPENDITURE FUNDED BY THE HRA

£610k (£499k in 2011/12) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in note 6.



10. **REVALUATION LOSS ON HRA STOCK**

The loss of £5,686k is due to a general fall in value (£5,618k loss in 2011/12).

11. **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 2013 was £78.67, compared with £73.95 at 31 March 2012.

12. **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 2012/13 average rent exceeded limit rent; this resulted in Rent Rebate Subsidy Limitation of £21k (£29k in 2011/12) that required reimbursement from the Housing Revenue Account.

13. **EXCEPTIONAL ITEMS – HOUSING FINANCE REFORM**

From 1 April 2012 the Housing Subsidy system, under which this council made an annual negative subsidy payment, was replaced by a system of self financing with repayment of debt and related interest.

The Settlement Payment Determination 2012 set out the amount each local authority was to pay to/receive from the Secretary of State in order to exit the subsidy system. For Dover District Council the payment to the Secretary of State was £90,473k. This payment was required by the 28 March 2012 and was financed by a 30-year repayment loan from the Public Works Loan Board.

In accordance with guidance our payment to Government was recorded on the face of the Housing Revenue Statement and reversed out through the Movement in the Housing Revenue Account Statement as the transaction was defined by statute to be capital expenditure.

No equivalent entries were required for 2012/13.

14. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2012				31 March 2013			
Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Housing Repairs Arrears	Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Housing Repairs Arrears
£000	£000	£000	£000	£000	£000	£000	£000
114	330	444	205	104	319	423	222

15. **IMPAIRMENT OF DEBTORS**

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

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward as at 1 April	430	438
Provision made in the year	64	64
Less amounts written off against provision	(56)	(64)
<b>Balance carried forward at 31 March</b>	<b>438</b>	<b>438</b>

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

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

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

The following adjustments have been made:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
<b>HRA Income and Expenditure Statement</b>		
Reverse unfunded benefits	(107)	(112)
Reverse back funding	(279)	(293)
Capitalised gain	(466)	0
Curtailments	69	0
<b>Included within Net Cost of Services</b>	<b>(783)</b>	<b>(405)</b>
Interest cost per actuary	1,041	989
Expected return on assets per actuary	(787)	(659)
<b>Pensions Interest Cost and Expected Return on Assets</b>	<b>254</b>	<b>330</b>
<b>Statement of Movement on the HRA Balance</b>		
Capitalised gain	466	0
Curtailments per actuary	(69)	0
Interest cost per actuary	(1,041)	(989)
Return on assets per actuary	787	659
<b>Net Charges Made for Retirement Benefits in Accordance with FRS 17</b>	<b>143</b>	<b>(330)</b>
Contributions in respect of unfunded benefits	107	112
Payments to the pension fund	279	293
<b>Employer's Contribution Payable to the Pension Fund</b>	<b>386</b>	<b>405</b>

## 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:

	2011/12	2012/13
	£	£
Income	511	513
Expenditure	(65)	(124)
Surplus or (deficit) for year	446	389
Fund balance at 1 April	67,663	68,109
<b>Fund balance at 31 March</b>	<b>68,109</b>	<b>68,498</b>
Represented by:		
Investments	68,109	68,498
	<b>68,109</b>	<b>68,498</b>

### 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:

	2011/12	2012/13
	£	£
Income	1,275	1,241
Expenditure	(124)	(83)
Surplus or (deficit) for year	1,151	1,158
Fund balance at 1 April	343,135	344,286
<b>Fund balance at 31 March</b>	<b>344,286</b>	<b>345,444</b>
Represented by:		
Land and other buildings	174,273	174,273
Investment	181,085	181,085
Creditor	(11,072)	(9,913)
	<b>344,286</b>	<b>345,444</b>

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

## THE SALTER COLLECTION CHARITY

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

	2011/12	2012/13
	£	£
Income	72	652
Expenditure	(3,394)	(70)
Surplus or (deficit) for year	(3,322)	582
Fund balance at 1 April	290,268	269,446
Revaluation	(17,500)	0
<b>Fund balance at 31 March</b>	<b>269,446</b>	<b>270,028</b>
Represented by:		
Collection	180,000	180,000
Investment	89,446	90,028
	<b>269,446</b>	<b>270,028</b>

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL**

### **Opinion on the Authority financial statements**

We have audited the financial statements of Dover District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Housing, Finance and Community and auditor**

As explained more fully in the Statement of the Director of Housing, Finance and Community's Responsibilities, the Director of Housing, Finance and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Director of Housing, Finance and Community; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2013 and of its expenditure and income 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 2012/13.

## **Opinion on other matters**

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

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and the auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in

place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 ended 31 March 2013.

### **Certificate**

We certify that we have completed the audit of the financial statements 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.

Emily Hill  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

27<sup>th</sup> September 2013

## **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.

### **AMORTISATION**

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

### **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.

### **ASSETS**

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

### **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 tangible 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.

## **INDEPENDENT AUDITOR'S REPORT**

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. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

## **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 the following 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.
- Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.
- 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 the Council owes that has a monetary value. Liabilities are either current or long term.

## **NON-CURRENT ASSETS**

Tangible assets are those that yield benefits to the local authority and the services it provides for a period of more than one year. Classes of non-current assets held are property, plant and equipment; council dwellings; other land and buildings; vehicles, plant and equipment; infrastructure assets; community assets; assets under construction; surplus assets not held for sale; Heritage Assets and Investment property.

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

## **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**

These are 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).

## **REVALUATION RESERVE**

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

## **REVENUE/CAPITAL EXPENDITURE**

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

## **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.