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23 July 2018

Dear Councillor

I am now able to enclose, for consideration at the meeting of the **GOVERNANCE COMMITTEE** on Monday 30 July 2018 at 6.00 pm, the following reports that were unavailable when the agenda was printed.

4 **AUDIT FINDINGS REPORT** (Pages 2 - 25)

To consider the report of Grant Thornton (External Auditors).

5 **FINANCIAL OUTTURN 2017/18** (Pages 26 - 41)

To consider the report of the Director of Finance, Housing and Community.

6 **STATEMENT OF ACCOUNTS 2017/18** (Pages 42 - 143)

To consider the report of the Director of Finance, Housing and Community.

7 **TREASURY MANAGEMENT YEAR END REPORT** (Pages 144 - 162)

To consider the report of the Director of Finance, Housing and Community.

Yours sincerely

Chief Executive

Grant Thornton

Audit Findings

Year ending 31 March 2018

Dover District Council

July 2018

Agenda Item No 4

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B. Audit adjustments

C. Fees

D. Audit Opinion

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Dover District Council ('the Council') and the preparation of your financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • your financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting; • other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements	Our audit work was completed on site during June and July 2018. Our findings are summarised on pages 4 to 11. We have identified a number of adjustments to the financial statements that are detailed in Appendix B. None of the adjustments identified have impacted on the reported deficit for the year or General Fund position for the Council. We have also raised one recommendation for management as a result of our audit work in Appendix A. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting and the completion of our closedown procedures, as detailed in Appendix D. These outstanding items are listed on page 4. We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of your value for money arrangements. We have concluded that Dover District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified 'except for' value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 12 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Director of Finance, Housing and Community.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based, and in particular included:

- an evaluation of your internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 30 July 2018, as detailed in Appendix D. These outstanding items include:

- completion of sample testing of non-pay expenditure, debtors, expenditure completeness and creditors;
- completion of testing of senior officer remuneration disclosures;
- completion of testing of exit packages;
- completion of review of the bad debt provision;
- review of members allowances disclosures;
- receipt of management representation letter;
- receipt and review of the final set of financial statements;
- final senior management and quality reviews; and
- review of your Whole of Government Accounts consolidation pack.

Please note, additional queries may arise from the completion of the above matters.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table opposite our assessment of materiality for Dover District Council.

	Council Amount (£)
Materiality for the financial statements	£1,584,000
Performance materiality	£1,188,000
Trivial matters	£79,000
Materiality for specific transactions, balances or disclosures - Cash and cash equivalents	£500,000

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Dover District Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for your audit.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness; – obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and – evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to out attention during the course of the audit. • Our audit work has not identified any material issues in respect of this risk.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** You revalue your land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit. .	**Auditor commentary** • We undertook the following procedures in relation to this risk: – reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; – considered the competence, expertise and objectivity of valuation experts used by management; – discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions; – reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; – tested revaluations made during the year to ensure they have been input correctly into your asset register; and – evaluated the assumptions made by management for those assets not revalued during the year to verify how management have satisfied themselves that these are not materially different to their current value. • Our audit work has not identified any material issues in respect of this risk.
4	**Valuation of pension fund net liability** Your pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; – evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; – gained an understanding of the basis on which the valuation was carried out; – undertook procedures to confirm the reasonableness of the actuarial assumptions made; and – checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary, Barnett Waddingham. • Our audit work has not identified any material issues in respect of this risk.

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Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Employee remuneration** Payroll expenditure represents a significant percentage (21%) of your operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of payroll expenditure for appropriateness; – gained an understanding of your system for accounting for payroll expenditure and evaluate the design of the associated controls; and – tested payroll expenditure for the year by completing a substantive analytical review of payroll expenditure for the year. • Our audit work has not identified any material issues in respect of this risk.
6	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage (32%) of your operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of creditors as a risk requiring particular audit attention.	• We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of non-pay expenditure for appropriateness; – gained an understanding of your system for accounting for non-pay expenditure and evaluate the design of the associated controls; and – tested a sample of post-year end payments to test completeness of expenditure recorded in the financial statements. • Our audit work has not identified any material issues in respect of this risk.

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Your management have assessed that you remain a going concern on the basis that you have prepared a balanced Medium Term Financial Plan (MTFP) for the next four years (2018-19 to 2021-22).	• We have reviewed the significant assumptions upon which your Medium Term Financial Plan is based and have satisfied ourselves that those assumptions are reasonable. • We note that you continue to face pressure on your financial position as a result of reductions in funding from central government. It is therefore important that you continue to maintain appropriate budgetary control and that you continue to identify and deliver recurrent and sustainable savings so that you remain a going concern over the longer tem.

Conclusion	Auditor commentary
	• We have concluded that management’s judgement that you remain a going concern is reasonable and that there is no material uncertainty around going concern that we would be required to report.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• You have four principal revenue streams: – taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied; – grant income is recognised in accordance with the terms of the grant, whether specific or non-specific – income from social housing dwelling rents is recognised evenly over the period to which it relates; and – income from fees and charges in the provision of services is recognised when the service has been provided or when the title to goods has passed.	We have no material concerns with your revenue recognition policies or with the application of those policies. The revenue recognition policies adopted are in line with the CIPFA Code of Practice.	Green
Judgements and estimates	• Key estimates and judgements include: – Useful life of Property, Plant and Equipment – Revaluations – Impairments – Valuation of the net pension fund liability – Non-domestic rates appeals provision – Provision for doubtful debts – Expenditure accruals – Financial instrument fair value disclosures	• We have reviewed and tested all of the material areas of estimation and judgement that are reflected within your financial statements. • You estimated the fair value of long term Public Works Loans Board (PWLB) borrowings, disclosed in Note 14 'Financial instruments', as £92.7m and £98.1m as at 31 March 2018 and 31 March 217 respectively. You took these estimates from the fair values confirmed to you by the PWLB, however these fair values were not calculated in a manner that is consistent with the CIPFA Code of Practice. You have subsequently estimated that the fair values of your long term PWLB liabilities as at 31 March 2018 and 31 March 2017 should be £86.4m and £91.9m respectively. We are satisfied the appropriateness of your revised fair value estimates. • We have noted no other material issues or concerns to report to you.	Medium

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies (continued)

Accounting area	Summary of policy	Comments	Assessment
Other critical policies	• You have adopted accounting policies that you consider to be consistent with the CIPFA Code of Practice.	We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.	Green

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Governance Committee in our Audit Plan dated 16 March 2018 and been made aware of frauds identified from the work of internal audit, none of which are significant to the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We identified from review of Companies House related party interests for three members and one officer that had not been disclosed on their annual declarations. We identified that there had been transactions with one of these related parties, being a £5k grant paid to Gazen Sales Nature Reserve. You have updated Note 37 'Related Party Transactions' to provide disclosure of this transaction. • We are not aware of any other related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences of non-compliance with laws and regulations from our audit work performed.
4	**Written representations**	• A standard letter of representation has been requested from you, which is included in the Governance Committee papers alongside this report
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests in respect of your bank balances, investments and loans as at 31 March 2018. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6	**Disclosures**	• Our review found no material omissions in the financial statements. We identified a number of immaterial disclosure adjustments, which are set out in Appendix B.
7	**Matters on which we report by exception**	• We have not identified any issues we would be required to report by exception in relation to the following: – if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and – the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of your financial position and performance acquired in the course of performing our audit, or otherwise misleading.
8	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As your financial statements exceed the specified group reporting threshold of £500m we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed and we plan to undertake this work in August in accordance with the deadline set by the National Audit Office.

Value for Money

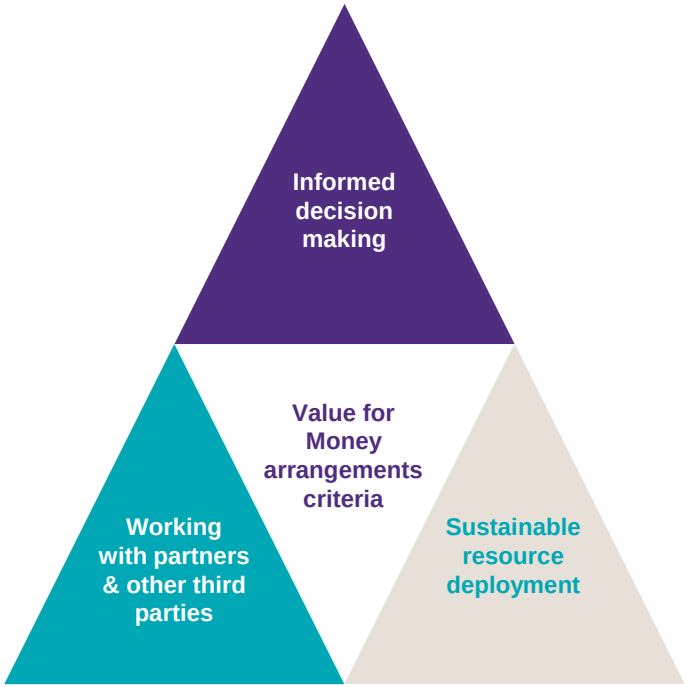
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2018 and identified one significant risks in respect of a specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risks to you in our Audit Plan dated 16 March 2018. The risks that we identified was as follows:

- Budget position and medium term financial planning.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, our main considerations were:

- you have a good track record of delivery of budgeted savings in recent years and you attained a balanced budget position in 2017/18, delivering a small £6k deficit for the general fund;
- you have prepared a Medium Term Financial Plan up to 2021/22 based on reasonable assumptions that indicates you will continue to deliver a balanced budget over that period; and
- you have implemented a Property Investment Strategy to invest up to £200m in commercial and residential property with a view to increasing economic regeneration and generating returns. As part of this Strategy, during 2017/18, you invested £21.75m on the acquisition of B&Q, Whitfield and Whitfield Court.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 14 to 15.

Overall conclusion

Based on the work we performed to address the identified significant risks, we have concluded that:

- you have proper arrangements in all significant respects.

We therefore propose to give an unqualified conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment:

Significant risk	Findings
Budget position and medium term financial planning The national local government settlement has placed further pressure on your finances and your medium financial plan includes the need for significant savings over the next few years. There is therefore a risk that you will not be able to achieve the forecast savings and continue to deliver a balanced budget over the medium term horizon. We have reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which your medium term financial planning has been based. We have also reviewed your plans to deliver savings over the period covered by the medium term financial plan.	**Outturn for 2017/18** Despite the challenging funding settlement for local authorities nationally, you have continued your good track record of delivery of services within budget and attainment of planned savings and income generation targets, delivering an outturn position for 2017/18 of a small deficit of £6k. You also reported a surplus of on the Housing Revenue Account (HRA) for the year, which has enabled you to achieve a £2.2m increase in HRA and earmarked HRA reserves. This is a healthy outturn position and demonstrates that you have applied appropriate budget management during 2017/18. Your outturn position also reflects an improvement in performance from the forecast deficit for 2017/18 of £61k that you projected in your original 2017/18 budget A major area of budget pressure in 2017/18 has been a £569k overspend due to increased costs of emergency accommodation for the homeless, which has been offset by savings elsewhere in the Council and in particular from your treasury management activities.. **2018/19 budget and medium term financial sustainability** The Medium Term Financial Plan (MTFP) approved by the Council in February 2018 covers the four year period to 2021/22. The MTFP reflects an anticipated loss in Revenue Support Grant funding available to you of £1.3m by 2020/21 compared to 2017/18 levels, on top of significant funding reductions that you have already faced in recent years. You plan to offset these challenges through growth in your Council Tax base and rate, anticipated increases in business rates funding, additional revenues from commercial property regeneration initiatives and via savings realised through your externalisation of revenues and benefits and customer services to Civica. Your MTFP recognises you face pressures in maintaining a balanced budget for the Housing Revenue Account (HRA) as a result of the Government requirement to reduce rents by 1% per annum for the period 2016/17 to 2019/20, and also due to the impact of increased levels of Right to Buy sales in recent years. These have resulted in reductions in your revenue at a time when the HRA is also facing general inflationary pressure on its expenditure. You have forecast that you will continue to deliver a balanced budget for the HRA over the medium term despite these challenges and we are satisfied that your projections are based on reasonable assumptions. While attaining budget savings to mitigate reductions in central government funding on the scale forecast within your MTFP will continue to be challenging, we note that your MTFP is based upon reasonable assumptions and that you have appropriate arrangements in place for identifying and implementing appropriate savings to allow this plan to be achieved. Your savings plans have been developed as part of an incremental process throughout the year and have been subject to detailed member scrutiny and challenge. You also have the infrastructure in place to support these savings including regular budget monitoring and through your investment in a “Delivering Effective Services” (DES) team to review services to identify efficiencies, savings and alternative delivery models. You have spent considerable effort seeking to mitigate the risks to the delivery your medium term financial plans and, whilst the medium term outlook remains challenging, you have demonstrated a history of being able to meet these challenges and in delivering planned financial targets.

Significant risk	Findings
1 **Budget position and medium term financial planning** Continuation of risk noted on page 14.	**Reserves position** As at 31 March 2018, you had general fund reserves of £2.5m and earmarked general fund reserves of £25.9m, compared to £2.5m and £24.3m respectively as at 31 March 2017 and £3.0m and £24.1m as at 31 March 2016. This indicates that your general fund reserves have remained at a consistent level over the last two years despite the budget pressures you have faced. Your HRA and earmarked HRA reserves were £15.7m as at 31 March 2018, compared to £13.5m as at 31 March 2017 and £9.4m as at 31 March 2016. Your general fund reserves level as they currently stand provides you with a cushion to weather the financial challenges that you face over the medium term. However, you only have finite reserves available and it is important that you continue to maintain appropriate budgetary control going forward. **Property Investment Strategy**. In November 2016 you launched your Property Investment Strategy, which approved investing up to £200m in commercial and residential property. Under this strategy, you have acquired a portfolio of property assets to generate an income stream and to increase economic regeneration across Dover. There are risks inherent in this strategy, for example the risk of the properties acquired becoming vacant, and you have mitigated these through your use of professional advisers to support the identification and evaluation of potential purchase opportunities. During 2017/18, you invested £21.7m in the acquisition of new properties, including the purchase of Whitfield Court and the B&Q retail warehouse at the White Cliffs Business Park. Your investment property portfolio was valued at £24.0m as at 31 March 2018, compared to £2.6m as at 31 March 2017, and the portfolio generated £1.0m of rental income during the year. This has made a sizeable contribution to supporting your revenue outturn position and supporting the services that you provide. Overall, we have noted no concerns in relation to the arrangements supporting your property investment strategy. You have undertaken property investments in a reasonable and measured way, with an appropriate due process supporting the acquisition including a clear consider of the risks and appropriate signoff by the Cabinet on all key investment decisions. **Conclusion** You have delivered a balanced budget in 2017/18 and you have set a Medium Term Financial Plan that indicates that you will continue to deliver a balanced budget through to the end of 2021/22. You continue to face financial risk over the medium term, however you have clear plans in place to mitigate this risk. **On the basis of the work completed we have concluded that the risk that we identified in respect of your funding pressures has been sufficiently mitigated and that you have proper arrangements.**

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Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of the pooling of housing capital receipts return	£1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £53,685 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees.

Action plan

We have identified 2 recommendations for you as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	Low	• You have a process whereby journal postings to the general ledger are reviewed on a monthly basis to check that they are appropriate. However, no formal documentation is retained to evidence that these reviews have taken place.	• You should ensure that the process of review of journal postings on a monthly basis is formally documented. **Management response** • We agree the recommended action and will implement this change for 2018/19.
1	Low	• Under section 12 of the Audit and Accounts Regulations 2015, the Annual Governance Statement (AGS) should be published on your website from 1st June from 2017/18. • While your draft AGS was published on your website on 24th May within the papers for your Cabinet meeting on 4th June, the AGS was not published on the 'Accounts and Budgets' page on your website on 6th July. • Though you have complied with the legal requirement to publish on your website a draft or approved AGS by 1st June, we would advise that going forward you publish the draft AGS on the 'Accounts and Budgets' on your website by 1st June to make it easier for a local elector seeking to review the AGS to find it on your website.	• You should ensure in future periods that the draft Annual Governance Statement is published on the 'Accounts and Budgets' page on your website by 1st June, alongside the draft financial statements. **Management response** • We agree the recommended action and will implement this change for 2018/19.

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements
All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Other omissions	Detail	Adjusted?
Comprehensive Income and Expenditure Statements (CIES)	• Within the Comprehensive Income and Expenditure Statement, no sub-headings showing the classification of movements in Other Comprehensive Income between “Will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services” and “Will be reclassified subsequently to Surplus or Deficit on the Provision of Services when specific requirement are met”.	✓
Movement in Reserves Statement (MIRS)	• In the Movement in Reserves Statement, Total Comprehensive Income and Expenditure under the “Unusable Reserves” heading were stated as £116.4m but should have been stated as £16.2m. This reflects a casting error in the subtotal within the MIRS and has no impact on the bottom line position.	✓

Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Income and Expenditure Analysed By Type	Within Note 4 'Income and Expenditure Analysed By Type', fees charges and other service income were disclosed as £8.3m, but per the prior year accounts should be £8.5m.	✓
Capital Expenditure and Capital Financing	In the calculation of your Capital Financing Requirement disclosed in Note 10 'Capital Expenditure and Capital Financing', investment property additions of £21.7m were incorrectly included within the line item disclosing property, plant and equipment additions. In addition, £0.1m of property, plant and equipment additions were incorrectly classified within the note as 'revenue expenditure funded by capital' additions.	✓
Financial Instruments	Within Note 14 'Financial Instruments', £2.6m of prepayments were incorrectly included within the disclosure of financial instrument debtors.	✓
Financial Instruments	No disclosure was provided within Note 14 'Financial Instruments' of the financial instruments categories into which each class of financial asset and financial liability fall.	✓
Financial Instruments	No fair value hierarchy disclosures were provided within Note 14 'Financial Instruments' in respect of your available for sale financial assets.	✓
Financial Instruments	You estimated the fair value of long term Public Works Loans Board (PWLB) borrowings, disclosed in Note 14 'Financial instruments', as £92.7m and £98.1m as at 31 March 2018 and 31 March 217 respectively. You took these estimates from the fair values confirmed to you by the PWLB, however these fair values were not calculated in a manner that is consistent with the CIPFA Code of Practice. You have subsequently estimated that the fair values of your long term PWLB liabilities as at 31 March 2018 and 31 March 2017 should be £86.4m and £91.9m respectively.	✓
Financial Instruments	Within Note 14 'Financial Instruments', in the disclosure of a maturity analysis of borrowings, a £1.0m PWLB borrowings was incorrectly analysed within the 'More than 10 years' category rather than the 'Between 5 and 10 years' category.	✓
Pension Costs	Within Note 19 'Pension Costs', the Rate of inflation – RPI and Rate of inflation – CPI assumptions made by the actuary in estimating your net pension liability were disclosed as 3.5% and 2.6% respectively but should be 2.6% and 3.5% respectively.	✓
Related Party Transactions	No disclosure was provided in Note 37 'Related Party Transactions' of £5k of grants paid to Gazen Sales Nature Reserve, and £3k payment to Aylesham and District Community Workshop Trust, both of which are a related parties of the Council.	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£53,685	£53,685
Grant Certification	£16,558	£16.558
Total audit fees (excluding VAT)	**£70,243**	**£70,243**

The proposed audit fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of the pooling of housing capital receipts return	£1,500
	£1,500

Audit opinion

We anticipate we will provide you with an unmodified audit report.

Independent auditor's report to the members of Dover District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dover District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Housing Revenue Account Income and Expenditure Statement, the Movement in the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Housing and Community's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Housing and Community has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance, Housing and Community is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 93, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance, Housing and Community and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, 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. The Director of Finance, Housing 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Housing and Community is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

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Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

St John's House
Haslett Avenue West
Crawley
West Sussex
RH10 1HS

Subject:	**FINANCIAL OUTTURN 2017/18**
Meeting and Date:	**Cabinet – 2 July 2018** **Governance – 30 July 2018**
Report of:	**Mike Davis, Director of Finance, Housing and Community**
Portfolio Holder:	**Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance**
Decision Type:	**Non-Key**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the financial outturn for 2017/18.
Recommendation:	Members receive and note the report.

1. Summary

1.1 This report has been produced in order to provide Members with:

- An explanation of the outturn and the financial standing of the Council;
- Details of changes to the accounts; and
- A condensed version of the information included in the accounts.

1.2 The report should be considered in conjunction with both the Statement of Accounts and the Audit Findings Report (to be included in full on the Governance agenda)[1].

1.3 The accounts are a long and complex document that Members may not find easily accessible. The key points in the financial outturn for the year are:

- The General Fund was broadly balanced for the year, showing a small deficit of £6k. This leaves the year-end General Fund balance at £2.5m;
- HRA balances (including earmarked HRA reserves) have been increased by £2.2m;
- The capital and major revenues projects have stayed within budget, although resources for further projects remain limited;
- The total interest received for the year was approximately £525k, split between General Fund (£507k) and HRA (£18k). This was higher than the original budget of £305k, a favourable variance of £220k in total.
- No new borrowing was undertaken.
- The Council has complied with the Prudential Code and its own Treasury Management guidelines during the year;
- When considering this report and the Statement of Accounts, Members are reminded that the final accounts, budget and Medium Term Financial Plan (MTFP) should not be considered in isolation. Together they form a continuous process of financial management, and so the outturn will feed into budget monitoring and the next MTFP.

2. Purpose of the Accounts

2.1 The accounts are a statutory requirement and have a role in providing information to stakeholders and interested parties on the stewardship and management of public monies.

[1] Please note due to revised timings for the approval of the Statement of Accounts this report is being presented to Cabinet based on the draft, unaudited Statement of Accounts. Some changes may be required to the Governance version of the report following the completion of the audit process.

2.2 However, the accounts are a long and complex document which may not be easily accessible to Members, the public and other stakeholders. Therefore, in order to further promote accountability, this outturn report is also produced.

3. Changes to the Accounts

3.1 The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards. There have been no changes to the presentation of the accounts for 2017/18.

4. General Fund Revenue Outturn

4.1 The starting point for considering the financial outturn is the 2017/18 Original budget which is shown, together with the 2017/18 Projected Outturn and the 2017/18 Outturn, at Appendix 1.

4.2 In March 2017 the Council approved the 2017/18 budget, forecasting a deficit of £61k. The latest projection of the budget, following various changes in the year, was a deficit of £97k. The outturn, after transfers to earmarked reserves, was a deficit of £6k, which is £91k better than the forecast position.

4.3 The main variances during the year are as follows:

	£000
Original Budget Deficit	**61**
Homelessness - increased costs of emergency accommodation	745
Staff - recognition of costs to implement 18/19 restructure savings	85
Business Rates Income - reduced S31 grant due to lower Small Business Rates Relief than budgeted	51
Bank Charges - increase in volume of card transactions and charge rates	43
Printing & postage savings	(15)
Universal Credit - additional grant from DWP towards pilot scheme	(19)
Business Rates Income - Enterprise Zone relief income re prior year	(25)
Regulatory services - increased income from licensing, food safety, port health, etc	(46)
Waste Income - increases in sales of bins, special collections & highway income	(49)
Parking Income - increased parking fees and PCNs, less reduced season tickets	(54)
Net excess of vacancy savings achieved after reserve transfer for GDPR regulations	(58)
Investment Income - increase due to use of pooled funds and GF/HRA split	(284)
Internal Recharges - net increase in recharges recovered	(301)
Miscellaneous other variances (net)	(37)
Revised Budget Deficit	**97**
Transfer to Regeneration Reserve	200
Transfer to ICT Equipment & Server Reserve	200
Refuse collection - additional net contract costs relating to 16/17	89
Transfer to Periodic Operations Reserve	50
Reduced rental income due to reduction in East Kent Housing use of office space	34
Deal Pier - reduced fishing and rental income	32
NNDR - Bus Shelters - reduction as new contractor's liability	(11)
Further printing & postage savings	(13)
Parks - inspection of play areas now provided in-house	(15)
Public Conveniences - lower cleaning and sewerage/waste utility costs	(16)
Electoral Registration - additional grant for Individual Electoral Registration	(21)

	£000
Regulatory services - increased income from licensing, port health, etc	(25)
Additional management fees saving from East Kent Services re 2016/17 released	(30)
Internal Recharge variances - additional net favourable variance	(41)
Street Cleansing - reduced need for traffic management and litter bin provision	(41)
Staff - further excess of vacancy savings achieved	(54)
Grounds maintenance - increased external income	(92)
Council Tax - excess costs recovery after allowing for bad debts	(103)
Homelessness - reduction in net emergency accommodation overspend	(176)
Miscellaneous other variances (net)	(58)
Actual Budget Deficit	**6**

4.4 The key points to note from the variances are:

- Increased costs:
  - (i) Overall increased cost of homelessness of £569k (initially forecast at £745k in the revised budget but reduced by £176k in the final outturn);
  - (ii) Transfer of £200k to the Regeneration Reserve;
  - (iii) Transfer of £200k to the ICT Equipment and Server Reserve.
- Offset by:
  - (i) Increased investment income £284k;
  - (ii) Increased "income" from internal recharges £301k;
  - (iii) Increased Council tax costs recovery £103k;
  - (iv) Grounds maintenance external income £92k.

5. General Fund Reserves and Balances

5.1 General Fund reserves are "cash backed" reserves and are available for the Council to use. For management and planning purposes they are split into "General Balances" and "Earmarked General Reserves".

5.2 General Balances are held at a prudent level in order that the Council can cope with unanticipated variations in spend. Earmarked General Reserves are funds set aside for planned purposes. The protocols for the application of these reserves is set out in the MTFP, and their anticipated use is generally included in the revenue or capital budgets.

5.3 As reported above, the 2017/18 Outturn was a deficit of £6k. This was after transfers made to earmarked reserves and the use of those reserves for agreed purposes.

Movement in General Fund Balances	
	£000
Balance at start of the year	**(2,533)**
Deficit for 2016/17	6
Balance at the end of the year	**(2,527)**

5.4 The Opening Balance of £2,533k and the year-end balance of £2,527k can be found in Appendix 1 to this report and also within the Statement of Accounts (in the "Movement in Reserves Statement").

5.5 Note 26 to the Core Financial Statements in the draft Statement of Accounts provides a complete breakdown of the Earmarked Reserves, also shown at Appendix 2 to this report. Contributions to and from the Earmarked Reserves have been managed in

order to ensure there are sufficient reserves to meet anticipated commitments. The reserves held are:

- Special Projects & Events Reserve – 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 is used for both revenue and capital projects.
- Periodic Operations Reserve - 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 Reserve - This reserve is set aside to fund urgent works on corporate assets and for other urgent business requirements, for example 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.
- Dover Regeneration Reserve - In order to support the Local Development Framework process and associated regeneration projects a Dover Regeneration Reserve has been established.
- ICT Equipment & Servers Reserve – 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 Support Reserve – This reserve has been 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, such as the unknown collection rates achievable and the level of business rates appeals, etc., this reserve has been retained and will be reviewed on an annual basis.
- District Regeneration & Economic Development Reserve - This reserve is to be applied to support the Council's regeneration plans. An element of the reserve has been allocated to fund new Leisure Centre provision and improvements to Dover Town Hall.

5.6 In considering the earmarked reserves and general balances, Members are reminded that there is an "opportunity cost" of maintaining these reserves and balances when the resources could be applied to meet service or capital investment requirements. At the same time, maintaining cash backed reserves generates additional income from interest on cash balances, which is used as an additional income stream. However, the key judgement is to ensure that the reserves are set at levels that facilitate the prudent financial management of the authority, provide sufficient resources to meet anticipated future demands, and to provide for a margin for unanticipated variation.

5.7 It is the view of the Director of Finance, Housing and Community (Section 151 officer) that the estimated General Fund balances and reserves are adequate for the Council's current spending plans. However, these remain under regular review due to the ongoing changes to Local Government finance and the uncertain economic climate.

6. Housing Revenue Account Outturn

6.1 In 2017/18 the HRA outturn was a deficit of £35k compared to the original budget forecast of a surplus of £38k, an adverse variance of £73k. The main reasons for the variance are as follows:

- Increased transfer to the Housing Initiatives Reserve – £1.1m
- Reduced spend on the capital works programme due to re-phasing of works - (£1.03m)

- Reduction expenditure in revenue maintenance budgets (£688k)
- Loss of income following the approved appropriation of HRA garages to the General Fund - £495k
- Higher rent income than forecast due to reduced void levels and periods than forecast – (£372k)

6.2 The HRA working balance was maintained at £1m.

6.3 In 2017/18 £1.4m was spent from the Housing Initiatives reserve to fund approved projects including the refurbishment of Folkestone Rd properties, the buy-back of ex-stock properties to be used for interim housing and design and associated works for the refurbishment of Norman Tailyour House and further interim housing schemes. £3.6m was transferred to the reserve in the year. The balance at the end of 2017/18 on the reserve was £14.5m to be used to continue to provide funding for investment in future housing initiatives in the district.

7. Collection Fund Outturn

7.1 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 (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. These are explained in more detail in the Collection Fund section of the Statement of Accounts. The surpluses and deficits on the collection account are shared between the major preceptors (KCC, Police, Fire and DDC) pro rata and so are not borne totally by DDC and do not have a direct or immediate impact on DDC's finances.

7.2 The Collection Fund shows a total surplus of £65k at 31 March 2018. This is split between Council Tax (a surplus of £1,998k) and NDR (a deficit of £1,933k). Any surplus balance on the fund is distributed to the precepting authorities (Dover District Council, Kent County Council, Kent and Medway Fire Authority and Kent Police Authority (Council Tax only)) in proportion to their respective precept amounts. However surpluses are on an accruals basis and are not fully cash backed and calculations for distribution of the surplus form part of the following year's budget process. Separately, deficits have to be contributed back to the fund by preceptors.

7.3 The Council Tax surplus of £2.0m will be distributed to preceptors during future years, of which £0.97m will be distributed in 2018/19 based on the amount estimated in January 2018, as required under legislation (DDC's share £141k or 14.5%). The remaining undistributed amount of £1.03m, which was not represented fully by available cash at that time, will form part of the surplus estimate to be calculated in January 2019 for distribution in 2019/20 and subsequent years.

7.4 The calculation and forecasting of NDR income, and the accounting treatment for it, have to reflect the legislative and other government requirements, and these have made it unduly complex. Additionally there was a revaluation of the rateable values of business premises at 1st April 2017 (The '2017 revaluation'). The following notes and Table provide a simplified summary.

Business Rates Collection Fund	Budget per NNDR1 2017/18	Major Rate Payer 2017 RV Change	Other Changes	Actual Outturn 2017/18
	£000	£000	£000	£000
Estimated / Final Rateable Value	**111,362**	**(7,000)**	**629**	**104,991**
Gross Rates Yield	**(51,895)**	**3,262**	**(9)**	**(48,642)**
Enterprise Zone Relief given	2,654	0	243	2,897
Transitional Protection Relief given	4,615	(3,262)	(51)	1,302
Small Business Rates Relief given	4,237	0	(544)	3,693
Small Business Rates Supplement	(1,076)	91	1	(984)
Other Reliefs	3,995	0	119	4,114
Net Rates billed to NDR Payers	**(37,470)**	**91**	**(241)**	**(37,620)**
Enterprise Zone Relief from Govt.	(1,327)	0	(121)	(1,448)
Transitional Protection from Govt.	(4,615)	3,262	51	(1,302)
Total Income	**(43,412)**	**3,353**	**(311)**	**(40,370)**
Precepts Payable	38,272	0	0	38,272
Prior year est. deficit contributed	(1,820)	0	0	(1,820)
Total Precepts & Shares	**36,452**	**0**	**0**	**36,452**
Enterprise Zone Relief Payable	1,327	0	121	1,448
Other Payments & Provisions	3,813	(882)	174	3,105
Total Other Payments & Provisions	**5,140**	**(882)**	**295**	**4,553**
Total Expenditure	**41,592**	**(882)**	**295**	**41,005**
(Surplus)/Deficit for the year	**(1,820)**	**2,471**	**(16)**	**635**
Balance Brought Forward at 1st April	1,820	0	(522)	1,298
Balance Carried Forward 31st March	**0**	**2,471**	**(538)**	**1,933**

7.5 The NDR deficit has mainly arisen due to the change in the rateable value (RV) of the Council's largest NDR payer between the date of setting the budget for 2017/18, based on the draft '2017 valuation list' supplied by the Valuation Office Agency (VOA) on 29th September 2016, and the date that the 2017 revaluation took effect (1st April 2017). The change was notified by VOA on 22nd March 2017 when the RV for this NDR payer was reduced from £35m to £28m, a decrease of £7m, which resulted in a reduction in income to the Collection Fund of £3.35m after taking into account transitional relief arrangements. We had allowed for some reduction within our projection of appeals for 2017/18 when setting the budget, but were only able to release £0.88m to offset this, due to the ongoing risk of further reductions from future appeals, leaving a net impact of £2.47m (adverse) as shown in the table above.

7.6 Separately, the preceptors contributed £1.82m to the Collection Fund in 2017/18 to cover the projected deficit at 31st March 2017. However, the actual (opening) deficit was only £1.3m (rounded), which meant an over-contribution of £0.52m was made in 2017/18 (favourable).

7.7 There are numerous other variations during the year as shown in the 'Other Changes' column on the above table, but these net down to £0.02m (rounded) or just £16k (favourable).

7.8 The impact of the reduced RV for the largest NDR Payer (£2.47m adverse), less the over-contribution towards the prior year's deficit (£0.52m favourable), less the other ups and downs (£0.02m favourable) gives the NDR Collection Fund closing balance of £1.93m (net deficit).

7.9 The NDR Deficit of £1.93m at 31/03/2018 will need to be contributed back to the Collection Fund by the preceptors. However, a lower figure of £1.51m will be contributed in 2018/19 based on the amount estimated in January 2018, as required under legislation (DDC's share £605k). The remaining underlying deficit arising from the 'contribution shortfall' of £0.42m will form part of the surplus estimate to be calculated in January 2019 for distribution in 2019/20 and subsequent years (or a deficit, if applicable on re-calculation, for contribution in 2019/20).

7.10 The Council has also had to consider the appeals provision required relating to the 2017/18 NDR liability following the '2017 revaluation' of properties (£2.2m provided at 31st March 2018), although a further small increase has also been made for prior years' appeals under the 2010 valuation (£0.6m), reflecting the expected greater complexity of those appeals remaining unresolved by the VOA at 31st March 2018. The total appeals provision stands at £4.98m at 31st March 2018, but the Council brings only its 40% share into its own balance sheet.

7.11 Few appeals have actually been lodged so far against the 2017 valuation, but this does not mean that they will not be lodged later if activity from ratings agents (who pursue appeals on behalf of businesses for a fee) increases. The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses), which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 revaluation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

7.12 While major growth projects are ongoing, the exact timing of fresh NDR income streams cannot be exactly determined, and project timing and related business rates increases are reviewed and updated during the year. However, it should be noted that there is a considerable further impact on 'in-year' NDR income when significant appeals are won that continue to erode overall income, so that growth is needed to offset the attrition, before any additional surplus (i.e. "net growth") can be achieved. The Council has set aside monies in an earmarked Business Rates & Council Tax Reserve to deal with the impact of such pressures as well as the timing differences arising from statutory arrangements for the recognition of income and deficits, and the impact of the 2017 Revaluation. There is £1.8m in this reserve at 31/03/2018 (Appendix 2).

7.13 From 2018/19 Dover has joined the Kent pilot scheme with all other Kent Authorities, under which all NDR growth is retained locally without payment of a levy. This will increase the retained NDR. The additional sum retained is subject to complex sharing arrangements, but all authorities are expected to gain.

7.14 Dover's own accounts include only its share of the NDR appeals provision, NDR Collection Fund deficit, Council Tax Collection Fund surplus and related balances.

8. Capital Programme Outturn

8.1 The Council invested £35m in major projects in 2017/18, the most significant of which were:

- £5.24m on Housing Revenue Account projects including
  - £3.17m on Housing Stock projects;
  - £1.18m on the purchase of property for social housing;
  - £534k on the refurbishment of Folkestone Rd properties for social housing;
  - £158k on the Norman Tailyour sheltered upgrade; and
  - £114k on the refurbishment of St Radigunds play area;
- £21.75m on the acquisition of properties as part of the Property Investment Strategy including
  - £17.25m on the purchase of B&Q, Whitfield, inclusive of Stamp Duty, etc.

    - £4.5m on the purchase of Whitfield Court, inclusive of Stamp Duty, etc.
  - £6.6m on the construction of the new Dover District Leisure Centre;
  - £665k on disabled facility grants;
  - £112k on grants and loans for private sector housing;
  - £113k on coast protection works in Deal;
  - The remainder has been spent on a number of smaller projects.

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

- £27.645m internal borrowing[2];
- £1.575m in grants from external bodies including KCC Better Care Fund, Sport England, and the Environment Agency;
- £2.5m from the Major Repairs Reserve;
- £1.5m from earmarked reserves;
- £776k from the Housing Revenue Account (revenue financing);
- £878k from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

8.3 Right-to-buy sales also continued at high levels, in 2017/18 36 sales were completed.

8.4 Overall, the capital programme is within budget.

9. Special Projects Outturn

9.1 The Special Projects reserve is mainly used to finance major one-off revenue projects, because, as revenue projects, they cannot be financed from the various capital financing sources listed in the section above. It is also used to provide a source of additional financing for a small number of capital projects.

9.2 The expenditure on Special Projects in the year was £1,134k. The major projects were:

- £466k on the Commonwealth War Memorial project;
- £204k on ICT equipment, systems and server projects;
- £90k on street lighting repairs & replacements; and
- £87k on the North Deal land study.

9.3 The Special Projects programme is dynamic, and is adjusted as new projects are approved. These changes are reported to Members during the year, however, "in year" variations in spend against approved budget for individual projects are mainly due to timing changes. There are no material variations to individual projects' total budget, and the whole programme is fully financed.

9.4 The main sources of financing for the programme in the year were as follows:

- £215k – Special Project Reserve;
- £203k – ICT Reserve;
- £98k – other reserves;
- £466k – HM Treasury grant;
- £81k – external contributions;
- £71k – Housing Revenue Account.

10. Treasury Management

10.1 The Council retains the services of treasury management advisers who provide market intelligence, economic forecasts, advice and opportunities for debt

[2] Internal borrowing is the use of cash balances to avoid the immediate requirement to borrow, thus postponing borrowing costs.

re-scheduling and borrowing, details of fund managers' performance, and an ad-hoc enquiries service. During the year, this function was provided by Arlingclose Ltd.

10.2 At 31st March 2018 the Council had investment balances and day-to-day cash balances managed in-house of approximately £45m. In addition, the Council held £1.9m of UK Gilts.

10.3 The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.84% for the year.

10.4 The total interest received for the year was approximately £525k. This was higher than the original budget of £305k, which is a favourable variance of £220k. This is due to a change in treasury management strategy whereby the Council invested £26m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years. In addition, the General Fund also gained from a re-calculation of the split in investment income between the GF and the HRA, leading to a net gain of £284k for the GF.

10.5 The Council had just over £82.5m of borrowing from the Public Works Loan Board (PWLB) at 31st March 2018, the bulk of which the Council was required to borrow by Government and pay over to them as part of the HRA "self-financing" initiative. The Council also had a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG.

10.6 The Council has remained within its Treasury Management guidelines, and has complied with the Prudential Code during the year.

11. Assets and Liabilities

11.1 At the year end the balance sheet is drawn up. This shows the value of Dover District Council's land and buildings and assets and liabilities. The full balance sheet is provided in the Statement of Accounts together with comprehensive explanatory notes. A summary balance sheet has been produced (see below).

As at 31 March	**2017**	**2018**
	£000	**£000**
Value of land, property and other assets	291,762	328,209
Investments held and cash at bank	66,347	46,452
Money owed to DDC for goods and services	6,626	10,955
Loans owed to DDC (short and long term)	2,074	2,101
Money owed by DDC for goods and services	(11,493)	(22,155)
Loans owed by DDC (short and long term)	(91,913)	(85,738)
Grants for assets received but not yet used	(378)	(727)
Share of pension scheme liabilities owed by DDC	(85,823)	(81,053)
Total Assets less Total Liabilities	**177,202**	**198,044**
Financed by:		
Usable reserves[1]	60,833	66,899
Unusable reserves[2]	116,369	131,145
Net Worth of Council	**177,202**	**198,044**
[1] Usable reserves are made up of:		
General Fund Balance	2,533	2,527
Housing Revenue Account Balance	1,047	1,012
General Fund Earmarked Reserves (Appendix 2)	24,274	25,903
Housing Initiatives Reserve (HRA)	12,499	14,695
Usable Capital Receipts Reserve (Appendix 3)	17,312	19,258
Capital Grants	3,168	3,504
	60,833	**66,899**

The main reasons for the increase in usable reserves are:

- £1.7m increase in GF earmarked reserves, from £24.2m to £25.9m, as detailed in appendix 2;
- £2.2m increase in the Housing Initiatives Reserve as detailed in paragraph 6.3;
- £1.9m increase in usable capital receipts as detailed at appendix 3.

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

11.2 The main points to note against the prior year comparative are:

- <u>Value of land, property and other assets</u>
  The main changes in the values are due to:
  - Disposals – council house and other sales.
  - Revaluations - council dwellings are revalued each year and other land and property are revalued on a five-year rolling programme, except that assets valued at £1m or more are now re-valued on an annual basis to ensure that assets are carried at fair value and that there are no material differences to the balance sheet.
  - Impairments – these are caused by either a general fall in property prices or specific revaluations due to clear consumption of economic benefits (e.g. through physical damage or deterioration). There were no significant impairments in the year.

- <u>Investments held and cash at bank</u>
  - The decrease in investments and cash at bank reflects a net decrease in cash, mainly due property purchases made as part of the property investment strategy and increased capital expenditure.

- <u>Money Owed to DDC for Goods and Services</u>
  - The net increase in debtors incorporates:
    - An increase in payments in advance due to early precept payments to the parish councils (£2,300k);
    - An increase in rent arrears due to Universal Credit (£340k);
    - An increase in other sundry General Fund debtors (£1,000k);
    - An increase in the Central Government debts (General Fund) which includes:
      - An increase in the Business Rates Tariff Adjustment (£1,137k);
      - Offset by a reduction in monies owed by DWP relating to the Housing Benefit subsidy (£375k);
      - Numerous other smaller variations.
  - See Note 27 of the Statement of Accounts for an analysis of this total.

- <u>Money owed by DDC for Goods and Services</u>
  - The net increase in creditors is due to changes in both DDC and Collection Fund creditors including:
    - £2.2m increase in the amount owed to DWP for Housing Benefit subsidy;
    - £528k increase in Local Authority creditors (including £225k increase in amounts owed to East Kent Services, and £161k for Council Tax Support);
    - £1,140k increase in sundry General Fund creditors (mainly goods and services received but not invoiced at year end)
    - £199k increase in HRA sundry creditors,
    - £900k increase in sundry capital creditors,
    - £176k increase in amounts owed to Sainsbury's for car parking income collected on their behalf;

    - £149k increase in retentions on building projects.
  - Additionally, there are Collection Fund increases due to:
    - An NDR transitional payment protection reduction following a significant decrease in rateable value of a major site after the submission of the NNDR1 form (£3.3m); and
    - An increase in the Collection Fund cash owed to Government (£1.1m).
  - See Note 29 of the Statement of Accounts for an analysis of this total.

- Loans owed by DDC (short and long term)
  - The net decrease relates to the principal repaid on the PWLB loan for "HRA self-financing" (£2,154k) and the repayment of a temporary loan (£4m) that was taken out in 16/17.

- Pension Scheme Liabilities
  - The Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2016. The Council's annual contribution to the scheme is in line with the levels recommended by the actuaries.
  - The net liability at 31 March 2018 was £81.1m (£85.8m at 31 March 2017).
  - The liability is a snapshot of the position if the scheme had been closed at 31st March 2018 with no further contributions. In practice this is not a realistic scenario.
  - The liability is also volatile and reflects the net effect of a range of factors, including valuation of the scheme's assets and yields on gilts as they occur on the day of valuation. An increase in interest rates will reduce the liability.
  - The scheme remains solvent and viable.

- Usable Reserves
  - The main reason for the increase in usable reserves in 2017/18 relates to the increase in HRA and General Fund Earmarked Reserves (£3.8m), and an increase in Capital Receipts & Grants held in reserve (£2.3m).
  - The main increases are due to the net transfer from the HRA to the Housing Initiatives Reserve (£2.2m) and a net contribution to the Periodic Operations Reserve (£1.8m). The latter includes the transfer of monies received for Community Housing, and a contribution made for future borrowing in relation to Property Investment Strategy purchases during 2017/18. Additionally, capital receipts have increased, mainly due to the sale of 36 council houses and flats under the "Right to Buy" scheme.
  - See Appendix 2 for further details of General Fund Earmarked Reserves.

12. Production of the Accounts

12.1 Governance Committee requires assurance that the accounts are robust and that they can place reliance upon them. The accounts will be subject to audit by Grant Thornton and their findings will be set out in the Audit Findings Report to be included on the Governance agenda. In addition, a summary of the controls operated by the Director of Finance, Housing and Community is provided at Appendix 4.

13. The Future

13.1 The Council, in common with others, will need to continue to make progress on, or give consideration to, the on-going impacts of :

- The economic climate and the impact of the EU Referendum outcome;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;

- Welfare Reform and cessation of the administration of housing benefits for working age claimants over a transitional period in the lead up to the introduction of Universal Credit;
- The sustainability of the New Homes Bonus scheme and what will follow;
- The Fair Funding Review and the result of any changes implemented from 2020/21;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the possible continuation of the 2018/19 pilot scheme into 2019/20, followed by the likely implementation of a 75% retention scheme from 2020/21;
- Further explore and develop partnership arrangements with others in order to achieve cost efficiencies.
- The "reset" of business rates baselines for 2020/21 and any resulting gains or losses, with the likely exclusion of some element of growth from retention.

14. Corporate Implications

14.1 Comment from the Section 151 Officer: Finance have no further comments to make. (SG)

14.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

14.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 http://www.legislation.gov.uk/ukpga/2010/15

15. Appendices

Appendix 1 – General Fund Budget Summary

Appendix 2 – General Fund Earmarked Reserves Summary

Appendix 3 – Useable Capital Receipts Summary

Appendix 4 - Summary of the Main Controls Applied in Production of the Accounts

16. Background Papers

Statement of Accounts 2017/18 – Governance agenda 30th July 2018

Contact Officer: Helen Lamb, extension 2063

APPENDIX 1

General Fund Summary – 2017/18 Outturn

2016/17 Actual £000		2017/18 Original Budget £000	2017/18 Revised Budget £000	2017/18 Actual £000
	Directorate			
1,000	Chief Executive	1,785	1,850	1,411
2,236	Governance	2,714	2,583	2,479
7,361	Finance, Housing & Community	7,501	8,250	7,495
4,832	Environment & Corporate Assets	4,834	4,079	3,434
186	Non-distributed costs	(48)	186	172
630	Special Revenue Projects	1,011	1,516	516
16,245	**Directorate Service Costs**	**17,797**	**18,464**	**15,507**
68	River Stour Drainage Board	70	70	70
67	Council Tax Support Funding to Towns & Parishes	39	39	39
(1,227)	Recharge Income from HRA & Capital Projects	(1,543)	(1,731)	(1,424)
113	Accrued Annual Leave Adjustment	0	0	0
	Contribution to/(from) Reserves:			
48	- Special Projects & Events Reserve	(991)	(1,496)	(195)
162	- Periodic Operations Reserve	117	175	1,054
(539)	- Urgent Works Reserve	0	0	24
466	- Dover Regeneration Reserve	(115)	(231)	(51)
(142)	- IT Equipment Reserve	58	58	54
614	- Revenue Grants in Advance Reserve	0	(60)	413
(924)	- Business Rates & Council Tax Reserve	(728)	398	466
14,951	**Net Service Expenditure**	**14,704**	**15,686**	**15,957**
	Financing Adjustments			
(263)	Interest Receivable	(229)	(516)	(507)
237	Interest Payable	238	238	236
9	Loan Principal Repayments	9	457	9
(1,099)	Revenue Expenditure Funded by Capital Under Statute	(859)	(859)	(665)
654	Direct Revenue Financing of Capital (excluding direct expenditure)	0	0	0
14,489	**Total Budget Requirement**	**13,863**	**15,006**	**15,030**
	Financed by:			
2,794	Non-Domestic Rates	2,852	3,911	4,013
1,081	Business Rates - Enterprise Zone Relief Retained	1,129	1,170	1,153
12	Business Rates - Renewable Energy Retained	84	84	84
1,758	Revenue Support Grant	1,027	1,027	1,027
6,251	Council Tax	6,600	6,600	6,600
145	Council Tax - Collection Fund Surplus	236	236	236
1,907	New Homes Bonus	1,874	1,874	1,874
529	New Burdens & Other Grants	0	7	37
14,477	**Total Financing**	**13,802**	**14,909**	**15,024**
12	**General Fund Deficit/(Surplus) for the Year**	**61**	**97**	**6**
(2,995)	**General Fund Balance at Start of Year**	**(2,689)**	**(2,533)**	**(2,533)**
450	**Transfer to Earmarked Reserves**	**0**	**0**	**0**
(2,533)	**Leaving Year End Balances of**	**(2,628)**	**(2,436)**	**(2,527)**

APPENDIX 2

Earmarked General Reserves (2017/18 Year End Position)

	Balance 2016/17 £000	Contrib-ution 2017/18 £000	Application 2017/18 £000	Balance 2017/18 £000	Contrib-ution 2018/19 £000	Application 2018/19 £000	Balance 2018/19 £000
General Fund Balance	**(2,533)**	0	6	**(2,527)**	(99)	0	**(2,609)**
Special Projects & Events Reserve	**(2,966)**	(20)	724	**(2,262)**	(670)	1,657	**(1,275)**
Periodic Operations Reserve	**(3,530)**	(2,416)	572	**(5,373)**	(415)	3,210	**(2,579)**
Urgent Works Reserve	**(1,126)**	(24)	70	**(1,080)**	0	0	**(1,080)**
Dover Regeneration Reserve	**(2,041)**	(538)	458	**(2,121)**	(125)	551	**(1,695)**
ICT Equipment & Servers	**(724)**	(258)	226	**(756)**	(115)	671	**(200)**
Business Rates & Council Tax Support	**(1,338)**	(1,381)	915	**(1,804)**	0	605	**(1,198)**
District Regen & Economic Dev Reserve	**(12,548)**	0	42	**(12,507)**	0	7,558	**(4,948)**
Earmarked Reserves Total	**(24,274)**	(4,636)	3,007	**(25,903)**	(1,325)	14,253	**(12,976)**
Total Revenue Reserves	**(26,807)**	(4,636)	3,013	**(28,430)**	(1,424)	14,253	**(15,585)**

APPENDIX 3

Useable Capital Receipts (2017/18 Year End Position)

	2017/18 Opening Balance £000	Receipts in year £000	Allocated to Projects £000	2017/18 Closing Balance £000	Anticipated future income £000	MTCP Project Funding £000	Available funding £000
Ring-fenced for 1:4:1 Affordable Housing	(3,475)	(1,665)	533	(4,606)	(2,000)	5,960	**(646)**
Ring-fenced for Private Sector Housing	(559)	(241)	112	(688)	0	576	**(112)**
Ring-fenced for Dover Regeneration	(250)	0	0	(250)	0	250	**0**
Ring-fenced for Aylesham contractual commitments	(839)	0	63	(777)	0	0	**(777)**
Ring-fenced for DFGs	0	(39)	0	(39)	0	39	**0**
Unring-fenced capital receipts	(12,189)	(879)	170	(12,898)	(1,557)	11,552	**(2,903)**
Total	**(17,312)**	**(2,824)**	**878**	**(19,258)**	**(3,557)**	**18,377**	**(4,438)**

APPENDIX 4

Summary of the Main Controls Applied in Production of the Accounts

Production of the accounts in accordance with the Code of Practice on Local Authority Accounting requires a large number of tasks to be undertaken, and controls to be applied.

These include:

- Preparation of a closedown plan, communication with budget managers as appropriate and monitoring progress.
- Staff preparing the accounts have attended seminars / briefings with CIPFA and with the auditors.
- Staff preparing the accounts have access to the Code Practitioners Guidance Notes.
- The Council's financial feeder systems have been reconciled to the General Ledger.
- The General Ledger has been balanced.
- The value of fixed assets in the accounts has been reconciled to the asset register.
- The cash balance in the General Ledger has been reconciled to the Council's bank accounts.
- All significant variances have been explained in the Outturn Report.
- Service expenditure in the Outturn report has been reconciled to the Income and Expenditure Account.
- The entries on the Collection Fund have been reconciled to the Council Tax set by the Council and the other precepting authorities.
- The cash movement on the balance sheet is reconciled.
- The balances on reserves reported in the Movement in Reserves Statement has been reconciled to the balance sheet.
- An analytical review has been undertaken and major variances have been explained.

Mike Davis
Director of Finance

Subject:	**STATEMENT OF ACCOUNTS 2017/18**
Meeting and Date:	**Governance 30th July 2018**
Report of:	**Director of Finance, Housing & Community**
Portfolio Holder:	**Corporate Resources and Performance**
Purpose of the report:	To present the audited Statement of Accounts for 2017/18 to Governance Committee.
Recommendations:	That the audited Statement of Accounts for 2017/18 (Appendix 1) be approved and signed by the Chairman of the committee. That the Committee authorise the Chairman to sign the Letter of Representation which is attached at Appendix 2.

1. **Summary**

Production of the Statement of Accounts is a statutory requirement for all local authorities. The main focus for members is the outturn position which is disclosed in the Financial Outturn 2017/18 report also on the committee's agenda. The Statement of Accounts supports the Financial Outturn 2017/18 report and provides additional information for members if required.

The auditors, Grant Thornton, have completed their audit of the Statement of Accounts and have given an unqualified opinion. A small number of minor adjustments and disclosure amendments were made to the draft statement of accounts provided to the auditors in order to improve the overall presentation of the financial statements.

2. **Background**

Under the Council's constitutional arrangements the Governance Committee is charged with the responsibility for approving the Statement of Accounts by 31st July in accordance with regulations.

The draft Statement of Accounts was circulated to the auditors in May for them to carry out their audit. The audited Statement of Accounts is attached at Appendix 1 and is subject to a final review by Grant Thornton. This may result in some minor changes to the document; any significant changes will be reported to Members at Committee.

3. **Appendices**

Appendix 1 – Statement of Accounts 2017/18
Appendix 2 - Letter of Representation

Contact Officer: Helen Lamb, extension 42063

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APPENDIX 1

Statement Of Accounts

2017/18

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NARRATIVE REPORT

1. INTRODUCTION

This Narrative Report provides an overview of the Council, its year-end position at 31 March 2018, a review of the financial year 2017/18 and possible issues for the future.

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.

2. CORPORATE PLAN

The Council's published Corporate Plan sets out our vision:

"Secure a prosperous future for the Dover district, which will be a place where people want to live, work, invest and visit."

The following strategic priorities have been identified to achieve our vision:

1. Thriving Economy
2. Clean, Green and Safe Environment
3. Healthier People and Communities
4. Smarter Council

Under each priority area are actions that we will be focussing on over the term of the Corporate Plan. Underpinning all of our activities will be the wish to improve health and wellbeing, and quality of life, for our residents.

3. OVERVIEW OF DOVER DISTRICT

The Dover District has a population of 114,000 and covers an area of 31,484 hectares (123 square miles), with a coastline of around 20 miles. The district contains two urban areas, Dover a market town and a large rural area made up of dozens of villages and smaller settlements.

About 6,900 hectares (22%) of the district is designated as part of the Kent Downs Area of Outstanding Natural Beauty (AoNB) and, of this, 876 hectares (3%) is designated as Heritage Coast, centred on the famous white cliffs either side of Dover.

The Dover District is connected to the main highways network by the M20/A20 and M2/A2 corridors, which provide a direct link to London. High-speed rail links also connect Dover, Martin Mill, Walmer, Deal and Sandwich to London and the wider rail network.

The Dover District is steeped in history and has a tradition of strategic, commercial and symbolic importance, attracting visitors from across the world. Sandwich and Dover are both Cinque Ports and Deal is a member of the Confederation. The district contains the spectacular Norman Castle at Dover, the Tudor castles of Deal and Walmer, the Roman castle at Richborough and extensive Napoleonic era fortifications at Dover's Western

Heights. Sandwich is the most complete medieval town in Britain and Deal is noted for its Georgian seafront.

The Dover district is a great place to live with a wide range of sports and leisure facilities on offer including leisure centres, swimming pools, country parks and gardens, play areas, cinemas, theatres and museums. The Dover District is also famous for its golf courses including the Royal St. George's in Sandwich, which has hosted the Open Championship.

Regeneration is progressing across the district, with new housing, retail and leisure developments adding to the district's relocation appeal for both businesses and families. For example, the new St. James' development in the heart of Dover, with a new cinema, hotel, restaurants and shops; Aylesham Garden Village has established itself as a key development site, with 1,200 new homes being built and sold; and we are also building a new Dover District Leisure Centre, in Whitfield.

The economy of the Dover District is closely linked with the Port of Dover, which is Europe's busiest ferry port and a vital international gateway for the movement of passengers and trade. Additionally, Eurotunnel comes ashore in the district, supporting the links to France and the rest of Europe.

4. THE COUNCIL

The Dover District is part of a "two-tier" system of local government with responsibility for services divided between the district and county council. However, this term is misleading, as the district also has a "third-tier" – the Town and Parish Councils. These also have elected representatives and between them cover the entire district – there are 32 parish councils and three town councils in the Dover District.

Seven Kent County Council (KCC) councillors serve the Dover District over five county divisions. KCC is elected every four years and the most recent elections took place in May 2017.

Local councils are run by democratically-elected councillors. They are responsible for making decisions on behalf of the local community about local services, such as planning, housing, refuse collection and leisure facilities.

An electoral ward is a subdivision of a local authority, used to elect local councillors. There are currently 21 electoral wards in the Dover District. District council elections are held every four years and will be held next in May 2019. There are currently 45 serving councillors representing the 21 wards in the district, with each ward electing one, two or three councillors depending on the size of its electorate.

At the meeting of Council held in May 2017, the full Council agreed to submit a request asking for a review of the number of elected members by the Local Government Boundary Commission for England (LGBCE). As part of our submission, it was agreed to submit a request for an indicative council size of 'around 35'. The LGBCE accepted this request and included the Council within its programme of electoral reviews, with a view to the new electoral arrangements being in force by May 2019.

5. HOW WE WORK

Our Constitution is a set of rules for how we work, how we make decisions and the procedures that we follow to ensure these are efficient, transparent and accountable to local people.

The Executive (the Leader and the rest of Cabinet) takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet meetings or individual decision-making processes. Key Decisions to be taken by the Cabinet are set out in our Forward Plan. Where Cabinet decisions fall outside the agreed policy and budget strategy, these must be referred to the Council for consideration as a whole. All meetings of our Cabinet are open to the public.

The Council also has two Overview and Scrutiny Committees to hold the Cabinet to account, contribute an alternative view in the development of policy, and monitor the corporate health of the organisation.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the paid staff of the Council. The role of Chief Executive is a full time appointment and is appointed by the whole Council. The Management Team is responsible for managing the activities of our staff and for advising councillors on the potential implications of political decisions.

Further information on the Council can be found at www.dover.gov.uk.

6. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards. There have been no changes to the presentation of the accounts for 2017/18.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

The Statement of Accounts includes the following financial statements and associated notes:

(a) **Statement of Responsibilities for the Statement of Accounts (page 16)**

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

(b) **Core Financial Statements (page 17 to 21)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 17)**

  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.

- **Movement in Reserves Statement - MIRS (pages 18 to 19)**

  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. The balance as at 31 March for all useable reserves is detailed at the end of the MIRS.

- **Balance Sheet (page 20)**

  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 21)**

  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 22 to 75)**

  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.

(c) **Supplementary Financial Statements (pages 76 to 91)**

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

- **Collection Fund (pages 76 to 83)**

  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 (pages 84 to 89)**

  The HRA Income and Expenditure Statement shows the economic cost in the year of providing social housing services in accordance with generally accepted accounting practices. The increase or decrease in revenue balance in the year is shown in the Movement on the HRA Statement.

- **Charities Administered by Dover District Council (pages 90 to 91)**

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

(d) **Independent Auditors' Report (page 92)**

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.

SUMMARY OF THE 2017/18 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. 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. 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.

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 2017 the Council approved the 2017/18 budget, forecasting a deficit of £61k. During the year the forecast budget deficit was increased to £97k. Overall the year-end position resulted in a £6k deficit for the year, which is £91k better than the forecast position.

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. The major variations between the original budget, forecast position and year-end outturn are also detailed.

2016/17 Actual £000		2017/18 Original Budget £000	2017/18 Revised Budget £000	2017/18 Actual £000
	Directorate			
1,000	Chief Executive	1,785	1,850	1,411
2,236	Governance	2,714	2,583	2,479
7,361	Finance, Housing & Community	7,501	8,250	7,495
4,832	Environment & Corporate Assets	4,834	4,079	3,434
186	Non-distributed costs	(48)	186	172
630	Special Revenue Projects	1,011	1,516	516
16,245	**Directorate Service Costs**	**17,797**	**18,464**	**15,507**
68	River Stour Drainage Board	70	70	70
67	Council Tax Support Funding to Towns & Parishes	39	39	39
(1,227)	Recharge Income from HRA & Capital Projects	(1,543)	(1,731)	(1,424)
113	Accrued Annual Leave Adjustment	0	0	0
	Contribution to/(from) Reserves:			
48	- Special Projects & Events Reserve	(991)	(1,496)	(195)
162	- Periodic Operations Reserve	117	175	1,054
(539)	- Urgent Works Reserve	0	0	24
466	- Dover Regeneration Reserve	(115)	(231)	(51)
(142)	- IT Equipment Reserve	58	58	54
614	- Revenue Grants in Advance Reserve	0	(60)	413
(924)	- Business Rates & Council Tax Reserve	(728)	398	466
14,951	**Net Service Expenditure**	**14,704**	**15,686**	**15,957**
	Financing Adjustments			
(263)	Interest Receivable	(229)	(516)	(507)
237	Interest Payable	238	238	236
9	Loan Principal Repayments	9	457	9
(1,099)	Revenue Expenditure Funded by Capital Under Statute	(859)	(859)	(665)
654	Direct Revenue Financing of Capital (excluding direct expenditure)	0	0	0
14,489	**Total Budget Requirement**	**13,863**	**15,006**	**15,030**
	Financed by:			
2,794	Non-Domestic Rates	2,852	3,911	4,013
1,081	Business Rates - Enterprise Zone Relief Retained	1,129	1,170	1,153
12	Business Rates - Renewable Energy Retained	84	84	84
1,758	Revenue Support Grant	1,027	1,027	1,027
6,251	Council Tax	6,600	6,600	6,600
145	Council Tax - Collection Fund Surplus	236	236	236
1,907	New Homes Bonus	1,874	1,874	1,874
529	New Burdens & Other Grants	0	7	37
14,477	**Total Financing**	**13,802**	**14,909**	**15,024**
12	**General Fund Deficit/(Surplus) for the Year**	**61**	**97**	**6**
(2,995)	**General Fund Balance at Start of Year**	**(2,689)**	**(2,533)**	**(2,533)**
450	**Transfer to Earmarked Reserves**	**0**	**0**	**0**
(2,533)	**Leaving Year End Balances of**	**(2,628)**	**(2,436)**	**(2,527)**

Major Variations

The table below provides a summary of the main variations between the original budget and the actual for the year.

	£000
Original Budget Deficit	**61**
Homelessness - increased costs of emergency accommodation	745
Staff - recognition of costs to implement 18/19 restructure savings	85
Business Rates Income - reduced S31 grant due to lower Small Business Rates Relief than budgeted	51
Bank Charges - increase in volume of card transactions and charge rates	43
Printing & postage savings	(15)
Universal Credit - additional grant from DWP towards pilot scheme	(19)
Business Rates Income - Enterprise Zone relief income re prior year	(25)
Regulatory services - increased income from licensing, food safety, port health, etc	(46)
Waste Income - increases in sales of bins, special collections & highway income	(49)
Parking Income - increased parking fees and PCNs, less reduced season tickets	(54)
Net excess of vacancy savings achieved after reserve transfer for GDPR regulations	(58)
Investment Income - increase due to use of pooled funds and GF/HRA split	(284)
Internal Recharges - net increase in recharges recovered	(301)
Miscellaneous other variances (net)	(37)
Revised Budget Deficit	**97**
Transfer to Regeneration Reserve	200
Transfer to ICT Equipment & Server Reserve	200
Refuse collection - additional net contract costs relating to 16/17	89
Transfer to Periodic Operations Reserve	50
Reduced rental income due to reduction in East Kent Housing use of office space	34
Deal Pier - reduced fishing and rental income	32
NNDR - Bus Shelters - reduction as new contractor's liability	(11)
Further printing & postage savings	(13)
Parks - inspection of play areas now provided in-house	(15)
Public Conveniences - lower cleaning and sewerage/waste utility costs	(16)
Electoral Registration - additional grant for Individual Electoral Registration	(21)
Regulatory services - increased income from licensing, port health, etc	(25)
Additional management fees saving from East Kent Services re 2016/17 released	(30)
Internal Recharge variances - additional net favourable variance	(41)
Street Cleansing - reduced need for traffic management and litter bin provision	(41)
Staff - further excess of vacancy savings achieved	(54)
Grounds maintenance - increased external income	(92)
Council Tax - excess costs recovery after allowing for bad debts	(103)
Homelessness - reduction in net emergency accommodation overspend	(176)
Miscellaneous other variances (net)	(58)
Actual Budget Deficit	**6**

Financing

The financing of the budget of £15.02m came from:

	£000	%
Council tax [1]	6,600	43.9
Revenue Support Grant [2]	1,027	6.8
Non-domestic rates [3]	4,013	26.7
Enterprise Zone & Renewable Energy Relief Retained [4]	1,237	8.2
New Homes Bonus [5]	1,874	12.5
New Burdens & other grants [6]	37	0.3
Collection Fund Surplus – Council Tax [7]	236	1.6
Total	**15,024**	**100.0**

(1) Council tax is paid by the residents of the district to the Council, of which 10.8% is for DDC's own use and 3.8% was to meet the precepts of the various town and parish councils, 71.5% was paid to Kent County Council with 9.5% paid to The Police & Crime Commissioner for Kent and 4.4% to 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 set by Government but collected by the Council from businesses in the district. Under the current rates retention scheme the amounts collected are split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). In 2017/18 £37.6m of NNDR was billed to ratepayers in the district. However, Dover's 40% share is reduced significantly by a tariff payable to Central Government of £11.5m which, in 2017/18, reduces its retained funding (after provisions, for example for Business Rates appeals) to £474k above the baseline level that the Government has calculated that it needs. As a result, Dover also pays a 50% levy of £237k to Government on this sum (i.e. on the "growth" of £474k). See the Collection Fund section for more information (pages 76 to 83).

(4) Enterprise Zone Relief is granted by DDC to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2017/18 is £1,176k, which is above the sum budgeted of £1,061k and therefore the extra £115k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's EZ relief of £92k. The net Enterprise Zone Relief Grant recognised in the year is £1,153k. Additionally, income from renewable energy businesses is retained locally, but can be fully retained by Dover where it has granted planning permission (i.e. 100%). Dover's business rates income from renewable energy businesses for 2017/18 is £61k, which is above the sum budgeted of £40k and therefore the extra £21k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's renewable energy retained of £44k. The net Renewable Energy Retained in the year is £84k.

(5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2017/18 was £1,874k.

(6) The Government has provided £30k New Burdens Grants for "DCLG custom build LA payments" and a further £7k for other S31 grants.

(7) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2017) as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2017 relating to Council Tax, which has been distributed in 2017/18. Its estimated share was £236k.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,287 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 housing 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. £2,154k was paid off the PWLB loan principle sum during 2017/18.

In 2017/18 the HRA outturn was a surplus balance of £1,012k compared to the original budget forecast of a surplus of £1,085k, an adverse variance of £73k. The main reasons for the variance are as follows:

- Net transfer to Housing Initiatives Reserve – (£203k) - adverse
- Re-phased spend on the Capital Works Programme - (£1.03m) - favourable
- Reduction in revenue maintenance budgets - (£688k) - favourable
- Transfer of HRA garages from HRA to General Fund - £495k - adverse

In 2017/18 £3.6m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of £1m.

Right-to-buy sales also continued at high levels, in 2017/18 36 sales were completed.

CAPITAL INVESTMENT

The Council invested £35m in major projects in 2017/18, the most significant of which were:

- £5.24m on Housing Revenue Account projects including £3.17m on Housing Stock projects; £1.18m on the purchase of property for social housing; £534k on the refurbishment of Folkestone Rd properties for social housing; £158k on the Norman Tailyour sheltered upgrade; and £114k on the refurbishment of St Radigunds play area;
- £21.75m on the acquisition of properties as part of the Property Investment Strategy:
  - £17.25m on the purchase of B&Q, Whitfield, inclusive of Stamp Duty, etc.
  - £4.5m on the purchase of Whitfield Court, inclusive of Stamp Duty, etc.
- £6.6m on the construction of the new Dover District Leisure Centre;
- £665k on disabled facility grants;
- £112k on grants and loans for private sector housing;
- £113k on coast protection works in Deal;
- The remainder has been spent on a number of smaller projects.

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

- £27.645m internal borrowing[1];
- £1.575m in grants from external bodies including KCC Better Care Fund, Sport England, and the Environment Agency;
- £2.5m from the Major Repairs Reserve;
- £1.5m from earmarked reserves;
- £776k from the Housing Revenue Account (revenue financing);
- £878k from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

Overall, the capital programme is within budget.

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 2018 the Council had investment balances and day-to-day cash balances managed in-house of approximately £45m. In addition, the Council held £1.9m of UK Gilts.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.84% for the year.

The total interest received for the year was approximately £525k. This was higher than the original budget of £305k, which is a favourable variance of £220k. This is due to a change in treasury management strategy where by the Council invested £26m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years.

The Council has remained within its Treasury Management guidelines, and has complied with the Prudential Code during the year.

The Council has just under £82.5m of borrowing from the Public Works Loans Board (PWLB). The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

During 17/18 the Council employed the services of Arlingclose Limited as treasury management advisers.

[1] Internal borrowing is the use of cash balances to avoid the immediate requirement to borrow, thus postponing borrowing costs.

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:

As at 31 March	**2017**	**2018**
	£000	**£000**
Value of land, property and other assets	291,762	328,209
Investments held and cash at bank	66,347	46,452
Money owed to DDC for goods and services	6,626	10,955
Loans owed to DDC (short and long term)	2,074	2,101
Money owed by DDC for goods and services	(11,493)	(22,155)
Loans owed by DDC (short and long term)	(91,913)	(85,738)
Grants for assets received but not yet used	(378)	(727)
Share of pension scheme liabilities owed by DDC	(85,823)	(81,053)
Total Assets less Total Liabilities	**177,202**	**198,044**
Financed by:		
Usable reserves[1]	60,833	66,899
Unusable reserves[2]	116,369	131,145
Net Worth of Council	**177,202**	**198,044**

[1] Usable reserves are made up of:

Capital receipts and grants	20,480	22,762
Revenue balances	3,580	3,539
Earmarked reserves	36,773	40,598
	60,833	**66,899**

[2] 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.

Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Pension Fund. This cost, referred to as the current service cost, is calculated by the Fund's actuary.

The net liability at 31 March 2018 was £81.0 (£85.8m at 31 March 2017).

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full

valuation of the scheme as at 31 March 2016. The actuarial valuation of the Fund carried out as at 31 March 2016 sets contributions for the period 1 April 2017 to 31 March 2020.

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

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2018/19 and Medium Term Financial Plan (MTFP) 2018/19 – 2021/22 were approved in March 2018. 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 2018/19;
- Prudent General Fund balances maintained in 2018/19;
- Overall net expenditure levels reduced slightly;
- Council Tax increase of £4.95, rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- The forecasts for future years show a balanced General Fund budget for 2019/20 and 2020/21, and then savings or income generation of circa £500k required in 2021/22 need to be identified;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- The current capital programme is funded, subject to the borrowing arrangements for Dover Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are;
    - Property Investment Strategy;
    - Replacement of Dover Leisure Centre;
    - Refurbishment of Dover Town Hall.
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2018/19 and the Medium Term Financial Plan can be found on the Council's website at: https://www.dover.gov.uk/Corporate-Information/Financial-Information/Budgets--Accounts.aspx

THE FUTURE

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

- The economic climate and the impact of the EU Referendum outcome;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants;
- The sustainability of the NHB scheme;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the implementation of 100% business rates retention;

- Proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees; and
- Developing partnership arrangements with others in order to achieve cost efficiencies.

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 ensure 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 (the Code of Practice).*

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 of Practice.

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 2017.

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:	Signed:
Mike Davis CPFA Director of Finance, Housing and Community	Councillor Patrick Heath Chairman, Governance Committee
Dated:	Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000	Continuing Operations	Note No	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
13,405	(2,719)	10,686	Chief Executive		5,210	(2,286)	2,924
44,796	(40,899)	3,897	Director of Finance, Housing & Community		39,988	(35,780)	4,208
19,364	(10,042)	9,322	Director of Environment & Corporate Assets		21,374	(11,711)	9,663
3,384	(981)	2,403	Director of Governance		2,789	(602)	2,187
748	(118)	630	Special Projects		1,139	(624)	515
(2,951)	(20,655)	(23,606)	Local Authority Housing (HRA)		8,689	(19,901)	(11,212)
0	(57)	(57)	Non-distributed Costs		0	(0)	0
78,746	**(75,471)**	**3,275**	**Net Cost of Services**		**79,189**	**(70,904)**	**8,285**
			Other Operating Expenditure:				
			Amounts due to precepting authorities:				
		2,310	– Town and Parish Councils				2,366
		68	– River Stour Drainage Board Levy				70
		297	Contribution of Housing Capital Receipts to Central Government Pool	24			294
		(9,761)	(Gain) or loss on disposal of fixed assets	8			(1,228)
		(15)	Other income				0
			Financing and Investment Income & Expenditure:				
		3,021	Interest payable and similar charges				2,942
		(492)	Interest and investment income				(752)
		(16)	Changes in the value of Investment Properties	6			120
		2,629	Net Interest on Defined Benefit Liability	19			2,181
			Taxation & Non-specific Grant Income:				
		(8,661)	Demand on the Collection Fund – Council Tax	20			(9,035)
		(4,898)	Income from National Non-Domestic Rates	21			(4,995)
		(4,189)	Government grants (not attributable to specific services)	22			(2,930)
		(1,398)	Capital Grants and Contributions	22			(1,973)
		(17,830)	**(Surplus) or Deficit on Provision of Services**				**(4,655)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(7,293)	(Surplus) or deficit arising on revaluation of fixed assets	36			(10,280)
		(50)	Prior Year Other Land and Buildings Adjustment	5			0
		(26)	Prior Year Soft Loan Adjustment	16			0
		7,589	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	19			(6,481)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		8	Deficit on revaluation of available-for-sale financial assets	17			574
		228	**Other Comprehensive Income & Expenditure**				**(16,187)**
		(17,602)	**Total Comprehensive Income & Expenditure**				**(20,842)**

MOVEMENT IN RESERVES STATEMENT

2016/17

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,995**	**1,013**	**24,140**	**8,389**	**6,211**	**3,262**	**46,010**	**113,590**	**159,600**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(3,600)	21,432	0	0	0	0	17,832	0	17,832
Other comprehensive income & expenditure		0	0	0	0	0	0	0	(228)	(228)
Total Comprehensive Income & Expenditure		**(3,600)**	**21,432**	**0**	**0**	**0**	**0**	**17,832**	**(228)**	**17,604**
Depreciation and amortisation of non-current assets	5	3,665	0	0	1,945	0	0	5,610	(5,610)	0
Non-current asset revaluation loss	5	9,182	0	0	0	0	0	9,182	(9,182)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(3,141)	0	3,141	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(5,086)	0	0	(5,086)	5,086	0
Capital grants and contributions		(1,413)	0	0	0	214	(94)	(1,293)	1,293	0
Movement in the market value of Investment Properties	6	(16)	0	0	0	0	0	(16)	16	0
Revenue expenditure funded from capital under statute	11	1,099	0	0	0	0	0	1,099	(1,099)	0
(Gain) or loss on disposal of non-current assets	8	(8,759)	(1,004)	0	0	11,888	0	2,125	(2,125)	0
Non-current asset revaluation gain	34	(22)	(12,448)	0	0	0	0	(12,470)	12,470	0
Adjustments under statutory provisions relating to soft loans	16	(63)	0	0	0	0	0	(63)	63	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
Net charges made for retirement benefits	19	1,256	20	0	0	0	0	1,276	(1,276)	0
Council tax income regulatory adjustment	20	(17)	0	0	0	0	0	(17)	17	0
NNDR income regulatory adjustments	21	(944)	0	0	0	0	0	(944)	944	0
Enterprise Zone Relief regulatory adjustment	21	(35)	0	0	0	0	0	(35)	35	0
Renewable Energy regulatory adjustment	21	(33)	0	0	0	0	0	(33)	33	0
Capital expenditure charged to revenue	10	(802)	(632)	0	0	0	0	(1,434)	1,434	0
Employee benefits – accrued annual leave	23	(113)	0	0	0	0	0	(113)	113	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	297	0	0	0	(297)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(787)	0	(787)	787	0
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**(327)**	**4,227**	**0**	**0**	**11,018**	**(94)**	**14,824**	**2,780**	**17,604**
Transfers to or (from) earmarked reserves	26	(134)	(4,193)	134	4,110	83	0	0	0	0
Increase or (Decrease) in Year		**(462)**	**34**	**134**	**4,110**	**11,101**	**(94)**	**14,824**	**2,780**	**17,604**
Balance at 31 March		**2,533**	**1,047**	**24,274**	**12,499**	**17,312**	**3,168**	**60,833**	**116,369**	**177,202**

MOVEMENT IN RESERVES STATEMENT

2017/18

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,533**	**1,047**	**24,274**	**12,499**	**17,312**	**3,168**	**60,833**	**116,369**	**177,202**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(4,753)	9,408	0	0	0	0	4,655	0	4,655
Other comprehensive income & expenditure		0	0	0	0	0	0	0	16,187	16,187
Total Comprehensive Income & Expenditure		**(4,753)**	**9,408**	**0**	**0**	**0**	**0**	**4,655**	**16,187**	**20,842**
Depreciation and amortisation of non-current assets	5	5,205	0	0	1,973	0	0	7,178	(7,178)	0
Non-current asset revaluation loss	5	276	0		0	0	0	276	(276)	0
Reversal of Major Repairs Allowance credited to HRA	HRA 3	0	(2,689)	0	2,689	0	0	0	0	0
MRA transferred to fund capital expenditure		0	0	0	(4,662)	0	0	(4,662)	4,662	0
Capital grants and contributions		(1,985)	0	0	0	280	335	(1,369)	1,369	0
Movement in the market value of Investment Properties	6	120	0	0	0	0	0	120	(120)	0
Revenue expenditure funded from capital under statute	11	678	0	0	0	0	0	678	(678)	0
(Gain) or loss on disposal of non-current assets	8	47	(1,275)	0	0	2,838	0	1,610	(1,610)	0
Non-current asset revaluation gain	34	(43)	(1,052)	0	0	0	0	(1,095)	1,095	0
Adjustments under statutory provisions relating to soft loans	16	(156)	0	0	0	0	0	(156)	156	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
Net charges made for retirement benefits	19	1,763	(52)	0	0	0	0	1,711	(1,711)	0
Council tax income regulatory adjustment	20	135	0	0	0	0	0	135	(135)	0
NNDR income regulatory adjustments	21	254	0	0	0	0	0	254	(254)	0
Enterprise Zone Relief regulatory adjustment	21	(23)	0	0	0	0	0	(23)	23	0
Renewable Energy regulatory adjustment	21	23	0	0	0	0	0	23	(23)	0
Capital expenditure charged to revenue	10	(203)	(2,179)	0	0	0	0	(2,382)	2,382	0
Employee benefits – accrued annual leave	23	0	0	0	0	0	0	0	0	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(878)	0	(878)	878	0
Net increase / decrease before transfers to/from Earmarked Reserves		**1,623**	**2,161**	**0**	**0**	**1,946**	**336**	**6,066**	**14,776**	**20,842**
Transfers to or (from) earmarked reserves	26	(1,629)	(2,196)	1,629	2,196	0	0	0	0	0
Increase or (Decrease) in Year		**(6)**	**(35)**	**1,629**	**2,196**	**1,946**	**336**	**6,066**	**14,776**	**20,842**
Balance at 31 March		**2,527**	**1,012**	**25,903**	**14,695**	**19,258**	**3,504**	**66,899**	**131,145**	**198,044**

BALANCE SHEET

31 March 2017 £000		Notes	31 March 2018 £000
196,030	Council dwellings		197,246
75,953	Land and buildings		82,039
2,123	Vehicles, plant and equipment		2,066
8,646	Infrastructure assets		8,320
174	Community assets		172
2,189	Assets under construction		10,014
285,115	**Property, Plant and Equipment**	5	**299,857**
4,127	Heritage assets	7	4,127
2,355	Investment property	6	23,977
38	Intangible assets	5	98
6	Long term investments	12	25,571
2,074	Soft loans	16	2,101
1,011	Long term debtors	27	937
9,611	**Long Term Assets**		**56,811**
55,796	Short term investments	12	17,464
127	Stocks in hand		150
9,727	Short term debtors	27	14,400
(4,112)	Less provision for bad debts	27	(4,382)
10,545	Cash and cash equivalents	28	3,417
72,083	**Current Assets**		**31,049**
(6,320)	Short term borrowing	13	(2,376)
(7,861)	Short term creditors	29	(17,685)
(982)	Provisions	30	(2,010)
(2,650)	Receipts in advance	31	(2,460)
(17,813)	**Current Liabilities**		**(24,531)**
(85,593)	Long term borrowing	13	(83,362)
(378)	Capital grants received in advance	33	(727)
(85,823)	Pensions liability	19	(81,053)
(171,794)	**Long Term Liabilities**		**(165,142)**
177,202	**Net Assets**		**198,044**
2,533	General Fund balance	25	2,527
1,047	Housing Revenue Account balance	25	1,012
24,274	Earmarked reserves	26	25,903
12,499	Housing Revenue Account reserves	26	14,695
17,312	Usable capital receipts reserve	24	19,258
3,168	Capital grants unapplied	32	3,504
60,833	**Reserves Available to Fund Services**		**66,899**
46,405	Revaluation reserve	36	53,035
157,195	Capital adjustments account	34	161,378
14	Available-for-sale financial instruments reserve	17	(561)
(1,461)	Financial adjustments account	15	(1,304)
(519)	Collection Fund adjustment account- NNDR	21	(773)
422	Collection Fund adjustment account- Council tax	20	287
92	Enterprise Zone relief adjustment account	21	115
44	Renewable Energy adjustment account	21	21
(85,823)	Pensions reserve	19	(81,053)
116,369	**Reserves Unavailable to Fund Services**		**131,145**
177,202	**Total Reserves**		**198,044**

CASH FLOW STATEMENT

2016/17 (Restated) £000	£000		2017/18 £000	£000
16,191		Cash & cash equivalents – at 1 April		10,545
(10,545)		Cash & cash equivalents – at 31 March		(3,417)
	5,646	**Net (increase) or decrease in Cash & Cash Equivalents**		7,128
£000	**£000**		**£000**	**£000**
	(17,603)	**Net surplus on Income & Expenditure**		**(4,655)**
		Non-cash transactions:		
(3,669)		Depreciation and amortisation	(5,208)	
3,304		Revaluation gains / losses	699	
9,754		Gains / losses on disposal of fixed assets	1,231	
(1,276)		Pension adjustments	(1,711)	
71		Financial instruments adjustments	731	
179		Provisions	(1,028)	
(1,945)		Transfer to/from earmarked reserves	(1,971)	
	6,418			
				(7,259)
		Items on an accruals basis:		
66		Increase or (decrease) in stock and work in progress	24	
(1,862)		Increase or (decrease) in debtors	4,744	
(201)		Increase or (decrease) in long term debtors	(74)	
(48)		Movement in provision for bad debts	(197)	
422		(Increase) or decrease in creditors	(4,510)	
(334)		(Increase) or decrease in receipts in advance	190	
1,029		Collection Fund adjustment accounts	(389)	
	(928)			(212)
		Adjustments re investing and financing activities:		
(1,098)		Revenue expenditure funded from capital	(678)	
1,413		Capital grant contributions and capital receipts	1,985	
	315			1,307
	(11,798)	**Net Cash Flows from Operating Activities**		**(10,819)**
		Investing activities:		
9,190		Purchase of property, plant, equipment, etc.	33,370	
(63)		Other payments for investing activities	(129)	
(19,115)		Proceeds from long and short term investments	(53,322)	
40,400		Purchase of long and short term investments	40,400	
(112,936)		Proceeds from the sale of non-current assets	(2,884)	
(166)		Other capital receipts	(234)	
(383)		Movement in capital grants	(1,376)	
	17,927	**Net Cash Flows from Investing Activities**		15,825
		Financing activities:		
(1,905)		Net movement in short & long term borrowing	6,175	
1,422		Net movement in Collection Fund cash position	(4,052)	
	(483)	**Net Cash Flows from Financing Activities**		2,123
	5,646			**7,128**

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards:

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

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

(b) Qualitative Characteristics of Financial Information

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

(c) **Accounting Concepts**

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the accounts have been prepared on a going concern basis.
- Accruals – the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the 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 is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.
- Supplies are recorded as expenditure when they are consumed, where supplies remain unconsumed as at the balance sheet date they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles periodic payments, such as utility bills, which are charged at the date of invoice rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

(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 100 days or less from the date of acquisition of the investment.

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

Revenue relating to council tax and NNDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

For the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal.

However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to council tax and business rates (NDR) whereby the Council is collecting council tax and NDR income on behalf of itself and preceptors (Kent County Council (KCC), The Police and Crime Commissioner for Kent (PCCK) and Kent Fire and Rescue Authority (KFR) in relation to Council Tax, and the Department for Communities and Local Government (DCLG), KCC and KMFRA in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the Collection Fund includes the accrued amount of council tax and NDR 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**

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

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

(h) **Contingent Assets and Liabilities**

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.

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 assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts, detailing the nature of the contingency, a brief description and an estimate of its financial effect.

(i) **Debt Write-Off**

The Director of Finance, Housing and Community approves the processes and reporting for the write-off of debt and reviews the actual write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical. 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.

(j) **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.

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 known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure, which will involve the payment of termination benefits. Any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

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 defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued

salary and length of service on retirement, 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. A formal valuation of the Kent County Council Pension Fund for funding purposes was undertaken as at 31 March 2016. Changes to contribution rates as a result of the 31 March 2016 valuation take effect from 1 April 2017.

(k) 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.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 31 July.

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.

(l) 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.

(m) **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.

(n) **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 recognised 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.

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 recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. 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.

(o) **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.

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

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.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

(q) **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.

(r) **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.

(s) **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. Additionally, assets with a value in excess of £1m are revalued on an annual basis.

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 deprecation 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 properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any

way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation or componentisation.

(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.

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

(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.

(t) **Overheads and Support Services**

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on services, or other appropriate basis, and costs of buildings are apportioned on a floor area basis.

(u) **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.

(v) **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.

(w) **Value Added Tax (VAT)**

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

(x) **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:

- The Council continues to face a significant financial challenge bought about by, in the main, the Government's budget deficit reduction programme and the economic climate, as well as some specific government led-initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets;
- The result of the EU referendum was a vote to leave the European Union. This decision could have an impact on the Council's future financial position but at

this stage it is not possible to assess what that impact might be however it is not considered necessary to require any change in the financial position reported;

- 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 is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock. The company has been treated as a related party and transactions of the ALMO recorded as a service provider.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.
Property, Plant and Equipment	Asset valuations are calculated on a maximum 5-year cycle with the exception of Housing Revenue Account dwellings 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 £1.96m change in the balance sheet values, equating to approximately £450 per dwelling. There would also be an impact of approximately £20k on the annual depreciation charge in the CIES.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £2.7m.
Bad Debts Provisions	The Council has bad debt provisions of £4.38m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 32.9% 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. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is designed to demonstrate how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services. This is in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	As Reported In Quarterly Budget Monitoring Report	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances	**Net Expenditure Chargeable to the GF and HRA Balances**	Adjustments between Funding and Accounting Basis	**Net Expenditure in the CIES**
	£000	£000	**£000**	£000	**£000**
Chief Executive	1,000	725	**1,725**	8,961	**10,686**
Director of Finance, Housing & Community	7,361	(1,765)	**5,596**	(1,699)	**3,897**
Director of Environment & Corporate Assets	4,832	113	**4,944**	4,378	**9,322**
Director of Governance	2,236	(204)	**2,032**	371	**2,403**
Special Projects	630	0	**630**	0	**630**
Local Authority Housing (HRA)	(23,606)	16,676	**(6,931)**	(16,676)	**(23,606)**
Non-distributed Costs	187	(245)	**(58)**	1	**(57)**
Net Cost of Service	(7,361)	15,300	**7,939**	(4,664)	**3,275**
Other Income & Expenditure	(10,676)	(1,079)	**(11,755)**	(9,350)	**(21,105)**
(Surplus) or deficit			**(3,816)**	**(14,014)**	**(17,830)**
Opening General Fund and Housing Revenue Account Balance 1 April 2016			(36,537)		
Closing General Fund and Housing Revenue Account Balance 31 March 2017			**(40,353)**		
Made up of:					
General Fund Balance			(2,533)		
Housing Revenue Account Balance			(1,047)		
General Fund Earmarked Reserves			(24,274)		
Housing Revenue Account Earmarked Reserves			(12,499)		
			(40,353)		

2017/18	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	**Net Expenditure Chargeable to the GF and HRA Balances £000**	Adjustments between Funding and Accounting Basis £000	**Net Expenditure in the CIES £000**
Chief Executive	1,411	1,140	2,552	372	2,924
Director of Finance, Housing & Community	7,495	(1,791)	5,704	(1,496)	4,208
Director of Environment & Corporate Assets	3,434	201	3,635	6,029	9,664
Director of Governance	2,479	(869)	1,609	577	2,187
Special Projects	516	0	516	0	516
Local Authority Housing (HRA)	(11,212)	6,384	(4,827)	(6,384)	(11,212)
Non-distributed Costs	172	(172)	0	0	0
Net Cost of Service	**4,295**	**4,893**	**9,188**	**(902)**	**8,286**
Other Income & Expenditure	(12,131)	(841)	(12,973)	31	(12,940)
(Surplus) or deficit			**(3,784)**	**(870)**	**(4,654)**
Opening General Fund and Housing Revenue Account Balance 1 April 2017			(40,353)		
Closing General Fund and Housing Revenue Account Balance 31 March 2018			**(44,137)**		
Made up of:					
General Fund Balance			(2,527)		
Housing Revenue Account Balance			(1,012)		
General Fund Earmarked Reserves			(25,903)		
Housing Revenue Account Earmarked Reserves			(14,695)		
			(44,137)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2016/17 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Depreciation / Impairment £000	Soft Loan Adjustments £000	Charge for Pension Adjustment £000	Other Capital Adjustments £000	Other Adjustments £000	Total Adjustment Between Funding & Accounting Basis £000
Chief Executive	8,761	0	200	0	0	8,961
Director of Finance, Housing & Community	23	86	(1,807)	0	0	(1,699)
Director of Environment & Corporate Assets	4,028	0	350	0	0	4,378
Director of Governance	13	0	358	0	0	371
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(12,449)	0	(453)	(3,774)	0	(16,676)
Non-distributed Costs	1	0	0	0	0	1
Net Cost of Service	**377**	**86**	**(1,353)**	**(3,774)**	**0**	**(4,664)**
Other Income & Expenditure	(9,761)	(149)	2,629	(9,480)	(1,111)	(9,350)
Total	**(9,384)**	**(63)**	**1,276**	**(13,254)**	**(1,111)**	**(14,014)**

2017/18 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Depreciation / Impairment £000	Soft Loan Adjustments £000	Charge for Pension Adjustment £000	Other Capital Adjustments £000	Other Adjustments £000	Total Adjustment Between Funding & Accounting Basis £000
Chief Executive	27	0	345	0	0	372
Director of Finance, Housing & Community	47	70	(1,613)	0	0	(1,496)
Director of Environment & Corporate Assets	5,361	0	668	0	0	6,029
Director of Governance	3	0	575	0	0	577
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(1,052)	0	(444)	(4,888)	0	(6,384)
Non-distributed Costs	0	0	0	0	0	0
Net Cost of Service	**4,385**	**70**	**(470)**	**(4,888)**	**0**	**(902)**
Other Income & Expenditure	(1,228)	(226)	2,181	(1,092)	396	31
Total	**3,157**	**(156)**	**1,711**	**(5,979)**	**396**	**(871)**

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

2016/17				2017/18		
Totals per Resources Allocations (Restated)	**Adjustments per Accounting Code**	**Totals per CIES**		**Totals per Resources Allocations**	**Adjustments per Accounting Code**	**Totals per CIES**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(8,298)	0	(8,298)	Fees, charges and other service income	(9,798)	0	(9,798)
(47,990)	0	(47,990)	Grants	(43,560)	0	(43,560)
0	(13,784)	(13,784)	Recharges to other accounts	0	(14,872)	(14,872)
(56,288)	**(13,784)**	**(70,072)**	**Total General Fund Income**	**(53,358)**	**(14,872)**	**(68,231)**
13,383	2,868	16,251	Employees	14,366	4,147	18,513
1,606	0	1,606	Premises	1,215	0	1,215
186	0	186	Transport	207	0	207
7,998	0	7,998	Supplies and services	8,831	0	8,831
12,170	0	12,170	Third Parties	11,848	0	11,848
37,444	0	37,444	Transfer Payments	32,841	0	32,841
0	8,386	8,386	Recharges from other accounts	0	8,765	8,765
0	86	86	Financial Instrument Adjustments	0	70	70
0	12,825	12,825	Capital charges	0	5,437	5,437
72,788	**24,165**	**96,953**	**Total General Fund Expenditure**	**69,308**	**18,421**	**87,729**
(6,931)	(16,676)	(23,606)	Housing Revenue Account	(4,827)	(6,384)	(11,212)
9,569	**(6,294)**	**3,275**	**Total Cost of Services**	**11,122**	**(2,836)**	**8,286**

5. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2016	**183,498**	**79,613**	**4,096**	**15,644**	**575**	**0**	**2,991**	**286,417**
Additions – Expenditure in year	3,477	2,823	1,127	80	0	0	1,538	9,045
Additions–transfer from WIP*	0	2,334	1	0	0	0	(2,341)	(6)
Revaluation increases or decreases recognised in the Revaluation Reserve	0	4,866	0	0	0	0	0	4,866
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	10,655	(9,401)	0	0	0	0	0	1,254
Transfers	0	45	0	0	0	0	0	45
Disposals	(1,601)	(483)	0	0	0	0	0	(2,084)
Other movements in cost or Valuation	0	29	0	0	0	0	0	29
At 31 March 2017	**196,030**	**79,828**	**5,223**	**15,724**	**575**	**0**	**2,189**	**299,568**
Accumulated Depreciation and Impairment								
At 1 April 2016	0	(3,137)	(3,003)	(6,754)	(397)	0	0	(13,291)
Depreciation charge	(1,794)	(3,368)	(98)	(324)	(4)	0	0	(5,587)
Deprecation written out to CIES	1,794	240	0	0	0	0	0	2,034
Deprecation written out to Revaluation Reserve		2,397						2,397
Other Movements in Depreciation and Impairment	0	(6)	0	0	0	0	0	(6)
Subtotal	**0**	**(3,874)**	**(3,101)**	**(7,078)**	**(400)**	**0**	**0**	**(14,454)**
Net Book Value								
At 31 March 2017	196,030	75,954	2,122	8,646	175	0	2,189	285,115
At 31 March 2016	183,498	76,473	1,093	8,889	179	0	2,991	273,122

Movement on Balances 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2017	**196,030**	**79,828**	**5,223**	**15,724**	**575**	**0**	**2,189**	**299,568**
Additions – Expenditure in year	4,352	0	146	0	0	0	7,952	12,450
Additions–transfer from WIP*			67	0	0	0	(127)	(60)
Revaluation increases or decreases recognised in the Revaluation Reserve	0	7,217	0	0	0	0	0	7,217
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	(898)	(486)	0	0	0	0	0	(1,384)
Transfers	(628)	628	0	0	0	0	0	0
Disposals	(1,610)	0	0	0	0	0	0	(1,610)
Other movements in cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2018	**197,246**	**87,188**	**5,436**	**15,724**	**575**	**0**	**10,014**	**316,182**
Accumulated Depreciation and Impairment								
At 1 April 2017		(3,868)	(3,101)	(7,078)	(406)	0	0	(14,454)
Depreciation charge	(1,950)	(4,589)	(270)	(326)	(2)	0		(7,137)
Deprecation written out to CIES	1,950	0	0	0	0	0	0	1,950
Deprecation written out to Revaluation Reserve	0	3,315	0	0	0	0	0	3,315
Other Movements in Depreciation and Impairment	0	(6)	0	0	6	0	0	0
Subtotal	**0**	**(5,148)**	**(3,371)**	**(7,405)**	**(402)**	**0**	**0**	**(16,326)**
Net Book Value								
At 31 March 2018	197,246	82,039	2,066	8,319	173	0	10,014	299,856
At 31 March 2017	196,030	75,954	2,122	8,646	175	0	2,189	285,115

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:

	2016/17 £000	2017/18 £000
General Fund	3,635	5,164
Housing Revenue Account	1,952	1,973
Total	**5,587**	**7,137**

Intangible Non-Current Assets

	2016/17 £000	2017/18 £000
Opening Net Book Value	65	37
Additions – transferred from	6	61
Additions – expenditure in year	0	41
Amortisation	(34)	(41)
Closing Net Book Value	**37**	**98**

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. From 1 April 2014 assets valued at over £1m will be revalued on an annual basis.

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 2017. Housing Revenue Account dwellings were valued as at 31 March 18 and the valuation was valid for the 3 months.

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. During 2017/18 the Whitfield Offices were revalued resulting in a revaluation loss. A small gain in the housing stock valuation for 2017/18 has been offset by capital expenditure.

	2016/17 £000	2017/18 £000
General Fund		
General gain/(loss) on Other Land and Buildings	(9,765)	(690)
Losses written out of Revaluation Reserve	377	161
Prior year losses written out	47	0
Write back Depreciation	159	253
Total charged to the General Fund	**(9,182)**	**(276)**
Housing Revenue Account		
General gain/(loss) on Housing Stock	10,655	(898)
Write back Depreciation	1,794	1,950
Total charged to the HRA	**12,449**	**1,052**
Total charged to Property, Plant & Equipment	**3,267**	**819**

6. 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:

	2016/17 £000	2017/18 £000
Rental income from investment property	340	1,048
Direct operating expenses arising from investment property	(90)	(61)
Net gain or loss	**250**	**987**

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.

	2016/17 £000	2017/18 £000
Balance at start of the year	2,268	2,355
Revaluation gains from fair value adjustments	30	5
Revaluation losses from fair value adjustments	(14)	(126)
Transfer of Asset	(45)	0
Acquisitions	160	21,742
Disposals	(44)	0
Balance at end of year	**2,355**	**23,976**

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 2017 £000	At 31 March 2018 £000
Historic Buildings	210	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	**4,127**	**4,127**

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

	2016/17 £000	2017/18 £000
Net Book Value		
HRA right-to-buy	1,601	1,610
HRA other sales	15	0
General Fund sales	511	0
Total	**2,127**	**1,610**
Sales Proceeds		
HRA right-to-buy	(2,607)	(2,885)
HRA other sales	(11)	0
General Fund sales	(9,317)	0
Total	**(11,936)**	**(2,885)**
Less admin fees	48	47
(Gain) or Loss on Disposal	**(9,761)**	**(1,228)**

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2018 the Authority was contractually committed to capital expenditure amounting to £15,124k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Dover Leisure Centre – new facility provision	BAM Construction	14,469	Jan 2019
Dover Leisure Centre – new facility provision	Faithful & Gould	185	Jan 2019
Dover Leisure Centre – new facility provision	Various	33	Jan 2019
Parks for People – Kearsney Abbey & Russell Gdns	Various	49	Oct 2020
Dover Town Investment Zone - Waterfront	WSP	21	On-going

Project	Contractor	Total Commitment £000	Estimated Completion Date
Folkestone Rd properties refurbishment	Perfect Homes	26	May 2018
DTIZ Enhancement Works	Perfect Homes	86	July 2018
DTIZ Enhancement Works	Other	8	July 2018
Deal Pier Capital Works	HTR Building	185	Various
Deal Pier Capital Works	Various	13	Various
Sandwich Quay Fender Piles	Highway Marine	49	Sept 2018
Total		**15,124**	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	**90,043**	**91,575**
Capital Investment:		
Plant, property and equipment	9,094	12,428
Investment Property	0	21,742
Intangible assets	60	63
Revenue expenditure funded by capital	1,099	678
Private sector housing loans	137	112
Total Capital Investment	**10,390**	**35,024**
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(787)	(878)
Government grants	(1,069)	(1,575)
Major repairs reserve	(3,000)	(2,508)
Direct revenue financing/Reserves	(1,435)	(2,382)
Section 106 funding	(423)	(35)
Total Financing	**(6,714)**	**(7,379)**
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,087)	(2,154)
Under/Over Borrowing	3,619	27,636
Closing Capital Financing Requirement	**91,575**	**117,057**

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.

	2016/17		2017/18	
	£000	£000	£000	£000
Gross expenditure:				
Disabled Facilities Grants	644		620	
Winter Warmth Grants	0		45	

	2016/17		2017/18	
	£000	£000	£000	£000
Renovation Loans	0		112	
Small Works Adaptation Grants	5		0	
St Margarets Bay Beach Study	0		13	
Discovery Park	250		0	
Deal Youth Centre	200		0	
		1,099		790
Grants & contributions received:				
Disabled Facilities Grant (KCC BCF)	(644)		(665)	
Building Foundations for Growth	(250)			
Environment Agency	0		(13)	
		(894)		(678)
Total deferred charges		205		112
Written off to revenue in year		(205)		(112)
Total		0		0

12. INVESTMENTS

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

Short Term Investments

	2016/17 £000	2017/18 £000
Investments managed by Fund Managers	1,938	1,914
In-house managed investments	38,458	15,550
Cash flow short term investment	15,401	0
Total	**55,796**	**17,464**

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

	2016/17 £000	2017/18 £000
Stocks	6	6
Pooled Investment Funds	0	25,565
Total	**6**	**25,571**

Investment Portfolio

The Council's investment portfolio as at 31 March 2018 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2018
Internal Investments:			
Birmingham City Council	27/04/18	7,500	UK 'AA'
Mid Suffolk District Council	15/05/18	3,000	UK 'AA'
Suffolk County Council	27/04/18	5,000	UK 'AA'
Total Internal Investments		**15,500**	

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2018
External Investments:			
Pooled Investment Funds			
CCLA Property Fund		6,000	'AA'
Investec Multi Asset Fund		6,000	'AA'
Columbia Threadneedle Strategic Bond Fund		6,000	'AA'
Payden and Rygel Sterling Reserve Fund		8,000	'AA'
Fixed Interest Securities			
United Kingdom Gilts 1.25%	22/07/18	1,910	'AA'
Total External Investments		**27,910**	
Cash and Cash Equivalents:			
Cash in hand	n/a	342	
Nat West	Instant Access	1	UK 'BBB+'
HSBC	Instant Access	0	UK 'AA-'
Santander UK	Instant Access	1	UK 'A+'
Bank of Scotland	Instant Access	5	UK 'A+'
Barclays	Instant Access	34	UK 'A+'
Goldman Sachs MMF	Instant Access	500	UK 'AAA'
Standard Life MMF	Instant Access	2,534	UK 'AAA'
Total Cash and Cash Equivalents		**3,417**	

13. BORROWING

	2016/17 £000	2017/18 £000
Short term borrowing		
Accrued Interest	157	145
PWLB	2,154	2,223
Temporary loan	4,000	0
LTA loan	9	9
Total Short Term Borrowing	**6,320**	**2,377**
Long term borrowing		
PWLB	82,515	80,293
LOBO	3,000	3,000
LTA Loan	78	69
Total Long Term Borrowing	**85,593**	**83,362**

14. FINANCIAL INSTRUMENTS

Market Valuation

The Code requires 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 2018. 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 2017**		**31 March 2018**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Short term Assets				
Cash held by external fund manager	1,938	1,938	1,914	1,914
Deposits with banks and building societies	35,456	35,470	0	0
Notice accounts with Bank and building societies	15,401	15,401	0	0
Local Authorities	3,001	3,001	15,550	15,550
Total Short Term Investments	55,796	55,810	17,464	17,464
Debtors	2,593	2,593	3,783	3,783
Cash and liquid assets	10,545	10,545	3,417	3,417
Total short term assets	68,934	68,948	24,664	24,664
Long term Assets				
Long Term Debtors	17	17	203	203
Stocks	6	6	6	6
Soft Loans	2,073	2,073	2,101	2,101
Long Term Investments	0	0	25,565	25,565

Balance as at:	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Total long term assets	2,097	2,097	27,875	27,875
Total Financial Assets	**71,031**	**71,045**	**52,539**	**52,539**

Financial Liabilities

Balance as at:	31 March 2017 Restated		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Liabilities				
Accrued Interest	157	157	145	145
PWLB repayments due	2,154	2,154	2,223	2,223
Temporary Loan	4,000	4,000	0	0
Lawn Tennis Association Loan	9	9	9	9
Total Short Term Borrowing	6,320	6,320	2,377	2,377
Creditors	3,298	3,298	6,887	6,887
Total Short Term Liabilities	9,618	9,618	9,264	9,264
Long Term Liabilities				
PWLB – maturity	4,001	9,653	4,001	9,517
PWLB – Annuity	78,514	91,916	76,292	86,370
LOBOs	3,000	4,774	3,000	4,524
Lawn Tennis Association Loan	78	78	69	69
Total Long Term Liabilities	85,593	106,421	83,362	100,480
Total Financial Liabilities	**95,211**	**116,307**	**92,2626**	**109,744**

The figures at 31 March 2017 have been restated for Creditors, to remove the inclusion of prepayments, and for the PWLB annuity loan, recalculated under IFRS13 requirements.

Maturity Analysis

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

	31 March 2017		31 March 2018	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,001	4,084	4,001	4,084
PWLB – HRA Self Financing	80,668	80,699	78,515	78,535
Lawn Tennis Association Loan	87	87	78	78
LOBO	3,000	3,043	3,000	3,041
Temporary Loan	4,000	4,000	0	0
Creditors	3,298	3,298	6,887	6,887
Total	**95,054**	**95,211**	**92,481**	**92,626**

Less than 1 year	9,461	9,618	9,119	9,264
Between 1 and 2 years	3,373	3,373	3,481	3,481
Between 2 and 5 years	7,243	7,243	7,475	7,475
Between 5 and 10 years	14,695	14,695	15,124	15,124
More than 10 years	60,282	60,282	57,282	57,282
Total	**95,054**	**95,211**	**92,481**	**92,626**

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account reflects adjustments for soft loans and LOBO.

16. SOFT LOANS

	2016/17		2017/18	
	£000	**£000**	**£000**	**£000**
Opening balance				
Soft loans	1,525		1,461	
Movement during the year				
Soft loans		(64)		(156)
Balance at 31 March		**1,461**		**1,305**

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.

	2016/17	**2017/18**
	£000	**£000**
Opening balance	2,047	2,073
Advances in year	137	113
Repayments in year	(200)	(241)
Financial instruments adjustments	89	156
Closing balance	**2,073**	**2,101**

17. AVAILABLE FOR SALE RESERVE

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

Available for sale reserve	**2016/17**	**2017/18**
	£000	**£000**
Opening balance	22	14
Unrealised profit/(loss) on pooled investments and fixed securities	(8)	(575)
Closing balance	**14**	**(561)**

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:

	2016/17 £000	2017/18 £000
Cash and cash equivalents	10,545	3,416
Less than 1 year	55,796	17,464
More than 1 year	6	25,571
Total	**66,347**	**46,451**

The Council has taken into account that all trade and other payables creditors are due to be paid in less than one year, and treasury management procedures allow for sufficient cash flow funds to be maintained to settle these as they become due.

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

Interest Rate Risk

The Council received interest of £526k on its investments of £46.9 m achieving an average interest rate of 0.84%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £469k in the interest received.

The Council paid interest on its borrowings of £2.9m based on an average rate of 3.39%. 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.

Accounting Standards issued but not yet adopted

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- CCLA Local Authorities Property Fund
- Investec Diversified Income Fund
  Colombia Threadneedle Strategic Bond Fund
  Payden and Rygel Sterling Reserve Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds) [and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables)]. The estimated additional provision to be made as at 1st April 2018 is £0.

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 2014, as amended. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The last actuarial valuation of the Fund was carried out as at 31 March 2016 and has set contributions for the period 1 April 2017 to 31 March 2020.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	2,330	3,356
Curtailments and past service costs	33	11
Administrative expense	50	45
Net Operating Expenditure		
Net Interest on the Defined Liability	2,629	2,181
Charge to the Surplus or Deficit on the Provision of Services	**5,042**	**5,593**
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	13,391	766
Actuarial gains and losses arising on changes in demographic assumptions	3,930	0
Actuarial gains and losses arising on changes in financial assumptions	(28,508)	5,715
Experience loss/(gain) on defined benefit obligation	4,073	0

	2016/17 £000	2017/18 £000
Other	(475)	0
Re-measurement of the net defined benefit liability	**(7,589)**	**6,481**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,042)	(5,593)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,766	3,882
Contribution (From) or To Pensions Reserve	**(1,276)**	**(1,711)**

As required under IAS19 the valuation method used is the projected unit method of valuation. With this method where the age profile of the active membership is rising the current service cost will increase as the members of the scheme approach retirement.

Pension Assets and liabilities recognised in the Balance Sheet

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

Liabilities	2016/17 £000	2017/18 £000
Opening balance at 1 April	154,510	177,664
Current service costs	2,330	3,356
Interest cost	5,321	4,552
Change in financial assumptions	28,508	(5,715)
Change in demographic assumptions	(3,930)	0
Experience loss/(gain) on defined benefit obligation	(4,073)	0
Benefits paid net of transfers in	(4,990)	(5,214)
Past service costs, including curtailments	33	11
Contributions by scheme participants	571	620
Unfunded pension payments	(616)	(607)
Closing balance at 31 March	**177,664**	**174,667**

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:

Assets	2016/17 £000	2017/18 £000
Opening balance at 1 April	77,552	91,841
Interest on assets	2,692	2,371
Return on assets less interest	13,391	766
Other actuarial gains / (losses)	(475)	0
Administration expenses	(50)	(45)

Assets	2016/17 £000	2017/18 £000
Contributions by employer including unfunded	3,766	3,882
Contributions by scheme participants	571	620
Estimated benefits paid plus unfunded net of transfers in	(5,606)	(5,821)
Closing balance at 31 March	**91,841**	**93,614**

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.

Net Pension Liability

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

	2016/17 £000	2017/18 £000
Present value of funded obligation	167,874	165,430
Fair value of scheme assets (bid price)	(91,841)	(93,614)
Net Liability	**76,033**	**71,816**
Present value of unfunded obligation	9,790	9,237
Net Liability in Balance Sheet	**85,823**	**81,053**

The figures presented are prepared only for the purpose of IAS19. They are not relevant for calculations undertaken for funding purposes. IAS19 does not have any impact on the actual level of employer contributions paid to Kent County Council Pension Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Reconciliation of Opening & Closing Surplus or Deficit

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

Surplus or Deficit	2016/17 £000	2017/18 £000
Opening balance at 1 April	(76,958)	(85,823)
Current service costs	(2,330)	(3,356)
Past service costs and curtailments	(33)	(11)
Employer's contributions	3,766	3,882
Administrative expenses	(50)	(45)
Remeasurement of net defined benefit liability	(7,589)	6,481
Interest on net defined benefit liability	(2,629)	(2,181)
Closing balance at 31 March	**(85,823)**	**(81,053)**

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:

Assets	31 March 2017 Fund Value £000	31 March 2017 Percentage of Fund %	31 March 2018 Fund Value £000	31 March 2018 Percentage of Fund %
Equities	64,816	70	62,470	66
Gilts	685	1	716	1
Bonds	8,947	10	8,950	10
Property	11,445	12	11,770	13
Cash	2,346	3	3,102	3
Target Return Portfolio	3,602	4	6,606	7
Total	**91,841**	**100**	**93,614**	**100**

Scheme History

	2013/2014 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of liabilities	(137,582)	(159,683)	(154,510)	(177,664)	(174,667)
Scheme assets	71,754	78,227	77,552	91,841	93,614
Surplus or (deficit) in the scheme	**(65,828)**	**(81,456)**	**(76,958)**	**(85,823)**	**(81,053)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £81m 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.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2017/18 and are detailed below:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Remeasurement of the net defined liability recognised in the CIES	(293)	(14,059)	5,924	(7,589)	6,481
Cumulative remeasurement of the net defined benefit liability	**(52,186)**	**(66,245)**	**(60,321)**	**(67,910)**	**(61,429)**

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 2016.

The financial assumptions used for the purposes of IAS19 calculations are given below:

	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23 years	23.1
Women	25 years	25.2
Longevity at 65 for future pensioners		
Men	25.1years	25.3
Women	27.4 years	27.5
Rate of inflation – RPI	3.5%	2.35%
Rate of inflation – CPI	2.6%	3.35%
Rate of increase in salary	4.1%	3.85%
Rate of increase in pension	2.6%	2.35%
Rate for discounting scheme liabilities	2.6%	2.55%

It has also been assumed that members will exchange half of their commutable pension for cash at retirement.

Sensitivity Analysis

The following table sets out the impact of a small change in the discount rate; salary increase; pension increase; and mortality assumptions on the defined benefit obligation and projected service cost.

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	171,904	174,667	177,477
Projected service cost	3,111	3,181	3,253
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	174,882	174,667	174,453
Projected service cost	3,181	3,181	3,181
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	177,265	174,667	172,110
Projected service cost	3,253	3,181	3,110
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	181,523	174,667	168,077
Projected service cost	3,282	3,181	3,083

Projected Pension Expense for the Year to 31 March 2019

These projections are based on the Actuary's assumptions as at 31 March 2019.

	2018/19 Projection £000
Service cost	3,181

Net interest on the defined liability (asset)	2,017
Administration expenses	46
Total	**5,244**
Employer's contributions	3,305

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. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income	**2016/17**		**2017/18**	
	£000	**£000**	**£000**	**£000**
District council's council tax		6,251		6,600
Parish councils' council tax		2,243		2,327
		8,494		8,927
Current year's actual Collection Fund surplus (Council Tax)	422		287	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	404		422	
Share of estimated prior year surplus distributed in year	(145)		(236)	
	259		186	
		163		101
Council Tax S31 Grant – re discount for Family Annexes		4		7
Amount credited to the CIES from Council Tax		**8,662**		**9,035**

21. INCOME FROM NATIONAL NON-DOMESTIC RATES (NNDR)

	2016/17		**2017/18**	
	£000	**£000**	**£000**	**£000**
District council's share of NNDR		13,785		15,308
S31 Grant for NNDR Reliefs given		625		1,128
Tariff to Central Government		(10,604)		(11,458)
Levy Payable to Government		(288)		(237)
Current year's actual Collection Fund surplus/(deficit) - NNDR	(519)		(773)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	(1,464)		(519)	
Share of estimated prior year surplus/deficit contributed in year	724		728	
	(740)		209	
		221		(982)
Income from NNDR		**3,739**		**3,759**

	£000	2016/17 £000	£000	2017/18 £000
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government	1,024		1,061	
Enterprise Zone Relief due from Government	92		115	
Total Enterprise Zone Relief		**1,116**		**1,176**
Renewable Energy NNDR Retained:				
Renewable Energy retained as per NNDR1	0		40	
Further Renewable energy due for year	44		21	
Total Renewable Energy Retained		**44**		**61**
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		**4,899**		**4,996**

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2017/18 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General Fund are taken to the Collection Fund, Enterprise Zone Relief and Renewable Energy NNDR Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are: the collection fund deficit arising in the year (£982k), which is offset by a favourable £254k MIRS adjustment, reducing the deficit to £728k, which is the actual amount contributed by the council (in 2016/17 this was a surplus arising in the year of £221k, which was offset by an adverse £944k MIRS adjustment, changing the surplus to a deficit, which was the actual deficit contributed of £723k). The accrued Enterprise Zone Relief Grant of £115k (2016/17 £92k) and the Renewable Energy NNDR of £21k (2016/17 £40k) are also reversed through the MIRS.

22. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income	**2016/17 £000**	**2017/18 £000**
General government grants:		
Revenue Support Grant	1,758	1,027
Community Housing Grant	509	0
New Burdens Grant	15	30
Council Tax Freeze Grant	0	0
New Homes Bonus	1,907	1,873
Total non-specific grant income	**4,189**	**2,930**

Capital Grants & Contributions	2016/17 £000	2017/18 £000
KCC Better Care Fund	859	1,058
Green Deal	1	0
Section 106	422	35
Environment Agency	80	126
Disabled Facility Grant repayments	36	0
Sport England	0	727
Total capital grant contributions	**1,398**	**1,946**

Credited to Services	2016/17 £000	2017/18 £000
Rent Allowance Subsidy	26,152	22,704
Council Tax Benefit Subsidy	7	0
Benefit Administration Grant	314	278
Council Tax Administration Grant	314	277
Non-HRA Rent Rebate Subsidy	270	207
HRA Rent Rebate Subsidy	11,250	10,143
Discretionary Housing Payment Contribution	162	273
NNDR Cost of Collection Allowance	160	161
New Burdens – NNDR	0	12
New Burdens – IER	97	77
Homelessness Grant	0	102
Coast Protection Grant	0	13
Universal Credit Grant	40	68
Commonwealth War Memorial Dover	0	466
Other	175	153
Total Credited to Services	**38,941**	**34,934**
Total Grant Income	**44,528**	**39,810**

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 35 Developer Contributions.

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

The table below shows the number of Council officers, including senior employees, 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. Narrative has been provided to explain the movement of employee numbers between bands.

Remuneration Band	Number of Employees 2016/17	2017/18	Movement in Bands Note Ref
£50,000-£54,999	10	10	
£55,000-£59,999	3	5	D / B
£60,000-£64,999	4	7	E / D
£65,000-£69,999	0	1	E
£70,000-£74,999	10	1	C / D / E
£75,000-£79,999	0	5	D
£80,000-£84,999	0	0	-
£85,000-£89,999	0	1	C
£90,000-£94,999	3	0	D
£95,000-£99,999	0	3	D
£110,000-£114,999	0	1	C
£130,000-£134,999	1	1	-
£140,000-£144,999	1	0	-
	32	**35**	

Note Ref	Movement in Bands
A	Post reverted to 1FTE following end of maternity leave
B	Restructure impact
C	Post redundancies
D	Annual increment / cost of living rise
E	Post changed to part time

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.

2016/17 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	7	2	9	£88,793	£18,872
20-40	2	-	2	£51,007	£4,200
40-60	-	1	1	£51,830	-
60-80	-	-	-	-	-
Total	**9**	**3**	**12**	**£191,630**	**£23,072**

2017/18 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	1	1	2	£18,900	-
20-40	2	-	2	£57,724	£4,737
40-60	1	1	2	£41,112	£42,000
60-80	-	-	-	-	-
Total	**4**	**2**	**6**	**£117,736**	**£46,737**

Senior Officers' Emoluments

Under the Accounts and Audit Regulations 2015, 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.

2016/17 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	119	3	10	132	18	150
Dir of Finance, Housing & Comm (S.151 Officer)	84	3	7	94	12	106
Dir of Governance (Monitoring Officer)	84	3	7	94	12	106
Dir of Environment & Corp Assets	84	3	7	94	12	106
Head of Inward Investment	67	0	5	72	10	82
Head of Regeneration and Development	69	0	5	74	10	84
	507	12	41	560	74	634

2017/18 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	120	3	11	134	20	154
Dir of Finance, Housing & Comm (S.151 Officer)	85	3	7	95	13	108
Dir of Governance (Monitoring Officer)	85	3	7	95	55	150
Dir of Environment & Corp Assets	85	3	9	97	13	110
Head of Inward Investment	67	0	6	73	10	83
Head of Regeneration and Development	57	0	5	62	9	71
Head of Electoral Services	56	0	6	62	9	71
	555	12	51	618	129	747

Reason for Change between years

- Dir of Governance – Pension contributions include actuarial strain reflecting flexible retirement with effect from 1 April 2018, pursuant to the Local Government Pension Scheme Regulations 2013, Reg. 30(6) and in accordance with the Council's Pension Discretion Policy Statement
- Head of Regeneration and Development – Salary reflects change of post to part-time
- Head of Electoral Services - Change of direct reporting line to Head of Paid Service

24. 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.

	2016/17 (restated) £000	**2017/18 £000**
Balance at 1 April	(6,211)	(17,312)
Right to buy (retained) adjustment	(82)	0
Usable capital receipts received	(12,102)	(3,118)
	(18,395)	(20,430)
Less: usable capital receipts applied:-		
Expenditure on non-current assets	787	766
Financing for Disabled Facilities and Renovation Grants	0	0
Private Sector Housing Loans	0	112
Contribution to Affordable Housing	0	0
Pooled housing capital receipts	296	294
Balance at 31 March	**(17,312)**	**(19,258)**

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 2017/18 £294k has been paid to the DCLG in relation to capital pooling requirements (£296k in 2016/17).

DDC has entered into an agreement with Government to retain receipts above the level anticipated under Housing Finance Reform. These excess receipts (known as 1:4:1 replacement) are ring fenced to provide part funding of the cost of new affordable / social housing.

25. GENERAL FUND AND HRA BALANCES

The Council's policy is to maintain a General Fund balance above £2m and an HRA balance above £1m.

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special Projects & Events	2,967	20	(725)	2,262
Periodic Operations	3,530	2,415	(572)	5,373
Urgent Works	1,126	24	(70)	1,080
Dover Regeneration	2,041	538	(458)	2,121
ICT Equipment & Servers	724	258	(226)	756
Business Rates & Council Tax	1,338	1,381	(915)	1,804
District Regeneration & Economic Development	12,548	0	(41)	12,507
Total	24,274	4,636	(3,007)	25,903

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 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.

Dover Regeneration - In order to support the Local Development Framework process and associated regeneration projects a Dover 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 Support Reserve – This reserve has been 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, such as the unknown collection rates achievable and the level of business rates appeals, etc., this reserve has been retained and will be reviewed on an annual basis.

District Regeneration & Economic Development – This reserve has been established to support the Council's regeneration plans. An element of the reserve has been allocated to fund new Leisure Centre provision and improvements to Dover Town Hall.

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Housing Initiatives	12,499	3,600	(1,403)	14,696
Total	**12,499**	**3,600**	**(1,403)**	**14,696**

Housing Initiatives Reserve – This reserve has been established to provide a source of funding for special initiatives arising in respect of affordable housing.

27. DEBTORS

Long Term Debtors	31 March 2017 £000	31 March 2018 £000
Loans to:		
Leaseholders	2	8
Local organisations	14	9
Local Authorities	162	156
Other:		
Housing benefit debtors [1]	647	578
EKH Single System Loan[2]	186	186
Total	**1,011**	**937**

[1] **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2018 which is expected to be recovered after one year.

Short Term Debtors	31 March 2017 £000	31 March 2018 £000
General Fund		
Housing rents and other charges	329	676
Central Government	1,005	1,939
Local Authorities	1,504	1,294
Payments in Advance	387	2,637
Other debtors	4,796	6,064
	8,021	12,610
Collection Fund		
Local tax payers (district council's share)	1,591	1,646
Central Government	115	143
	1,706	1,789
Total	**9,727**	**14,399**

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

The net increase in debtors incorporates: an increase in payments in advance due to precept payments to the parish councils (£2,300k), an increase in rent arrears due to Universal Credit (£340k) and increase in other sundry General Fund debtors (£1,000k). An increase in the Central Government debts (General Fund) which includes: an increase in the Business Rates Tariff Adjustment (£1,137k), a small increase in Council Tax arrears (£50k), an increase in the S31 Grant monies owed by

Central Government (£70k), and a debtor relating to HLF funding for a project (£82k), offset by a reduction in monies owed by DWP relating to the Housing Benefit subsidy (£375k).

Provision for Bad Debts	**Council Tax £000**	**NDR £000**	**General Debtors £000**	**Housing Benefits £000**	**HRA £000**	**Total £000**
Balance at 1 April 2016	**443**	**783**	**565**	**1,870**	**446**	**4,107**
Write-offs	(37)	(92)	0	(242)	(84)	(455)
Contribution to provision	72	14	54	240	79	459
Balance at 31 March 2017	**478**	**705**	**619**	**1,868**	**441**	**4,111**
Write-offs	(40)	(16)	(60)	(264)	(22)	(402)
Contribution to provision	116	13	183	268	93	673
Balance at 31 March 2018	**554**	**702**	**742**	**1,872**	**512**	**4,382**

The provisions for bad debts in respect of council tax and NNDR represent 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 80.

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.

	At 31 March 2017			**At 31 March 2018**		
Age of debt	**General Debtors £000**	**HRA £000**	**Total £000**	**General Debtors £000**	**HRA £000**	**Total £000**
< 1 month	374	180	554	1,149	323	1,472
1 – 3 months	133	95	228	357	219	576
3 – 6 months	65	38	103	101	102	203
6 – 12 months	20	10	30	51	28	79
1 year +	219	8	227	178	7	185
Total	**811**	**331**	**1,142**	**1,836**	**679**	**2,515**

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.

28. 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 100 days of the Balance Sheet date and net cash holdings in the Council's bank accounts.

	2016/17 £000	2017/18 £000
Cash held by Authority	(107)	342
Bank call accounts	10,652	3,075
Total Cash and Cash Equivalents	**10,545**	**3,417**

29. SHORT TERM CREDITORS

As at 31 March	**2016/17 (restated) £000**	**2017/18 £000**
General Fund		
Government departments	(637)	(2,817)
Other local authorities	(79)	(601)
Housing tenants	(268)	(261)
Other creditors – revenue	(2,438)	(4,641)
Other creditors – capital	(782)	(1,646)
	(4,204)	(9,966)
Collection Fund		
Government Departments	(663)	(5,105)
Local Authorities	(2,523)	(2,020)
Local tax payers (DDC's share)	(472)	(594)
	(3,658)	(7,719)
Total	**(7,862)**	**(17,685)**

The net increase in creditors is due to changes in both General Fund and Collection Fund creditors. The changes in General Fund Creditors include a £2.2m increase in the amount owed to DWP for Housing Benefit subsidy, £528k increase in Local Authority creditors (including £225k increase in amounts owed to East Kent Services, and £161k for Council Tax Support), £1,140k increase in sundry General Fund creditors (mainly ‘goods receipted’ but not invoiced), £199k increase in HRA sundry creditors, £900k increase in sundry capital creditors, £176k increase in amounts owed to Sainsbury’s for car parking income collected on their behalf, and £149k increase in retentions on building projects. Additionally, there are Collection Fund increases due to: an NDR transitional payment protection reduction following a significant decrease in rateable value of a major site after the submission of the NNDR1 form (£3.3m), and an increase in the Collection Fund cash owed to Government (£1.1m).

30. PROVISIONS

Localisation of Business Rates

Under the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2017/18 and prior years. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £4.98m (2016/17 £2.41m) can be seen within the separate Collection Fund section.

The increase in the appeals provision is mainly due to the revaluation at 1st April 2017, whereby the rateable values of businesses have been recalculated by the Valuation Office Agency (VOA) and therefore requires a specific additional provision to be made relating to the 2017/18 year, on top of the provision for those appeals already lodged under the prior 2010 valuation.

The likely reduction in business rates income arising from appeals is difficult to estimate accurately, as decisions by both the Valuation Office Agency (VOA) and Valuation Tribunal Service are difficult to predict. This was seen recently with the Tribunal decision to value purpose-built doctors' surgeries on a different basis than before (construction cost as opposed to rental value), which led to an average 66% reduction in rateable value and, therefore, in income backdated to 1st April 2010 for all surgeries falling within this class. The current provision includes an estimate for the Council's largest ratepayer that remains the subject of negotiation between VOA and the ratepayer (and its agent), with no decision yet made in relation to its 2010 valuation still under dispute, but for which the impact could be significant.

The lack of appeals lodged so far against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents (who pursue appeals on behalf of businesses for a fee) increases, which is expected further down the line when backdating of appeals to 1st April 2017 is likely to increase the fees they can charge on amounts refunded to businesses. The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses), which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation. However, as stated, only the Council's 40% share of this amount is included in its own accounts. See the separate Collection Fund section for further information.

Municipal Mutual Insurance

In 1992 the company failed and went into solvent "run-off". If a solvent "run-off" is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £182,782 less £50,000. In 2012/13 the scheme administrator indicated that a levy of between 9.5% and 28% would be required to achieve a projected solvent run off. A provision of 25% of the claim payment was therefore set aside. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £19,917. In 2016/17 another 10%

levy (£13,278) was paid, and there may be a further levy of 15%. To provide for this, the provision has been set at 15% of the total claim.

	2016/17 £000	2017/18 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(962)	(1,990)
Municipal Mutual Insurance provision	(20)	(20)
Total	**(982)**	**(2,010)**

31. RECEIPTS IN ADVANCE

As at 31 March	2016/17 £000	2017/18 £000
Government departments	(1,290)	(873)
Other local authorities	(294)	(423)
Other	(1,066)	(1,165)
Total	**(2,650)**	**(2,461)**

32. 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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**(3,262)**	**(3,168)**
Contributions received	(895)	(1,785)
Applied to projects	989	1,450
Balance at 31 March	**(3,168)**	**(3,503)**

33. 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.

	2016/17 (restated) £000	2017/18 £000
Balance at 1 April	**(95)**	**(377)**
Contributions received	(362)	(475)
Applied to capital projects	80	126
Balance at 31 March	**(377)**	**(726)**

34. 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 CIES. The account also contains accumulated gains or losses on investment properties and operational land and buildings pre-dating 1 April 2007.

Capital Adjustment Account	**2016/17 (restated) £000**	**2017/18 £000**
Balance at 1 April	**(151,614)**	**(157,195)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	5,580	7,137
Amortisation of intangible assets	30	41
Revaluation losses on property, plant and equipment	9,182	276
Revaluation gains on property, plant and equipment	(12,471)	(1,095)
Revenue expenditure funded from capital under statute	1,099	678
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	2,117	1,610
Adjusting amounts written out of the Revaluation Reserve	(2,417)	(3,649)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(787)	(878)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,000)	(2,508)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(502)	(160)
Application of grants to capital financing from the Capital Grants Unapplied Account	(989)	(1,450)
Receipt of capital income from long term debtors	199	241
Capital expenditure charged against the General Fund and HRA balances	(673)	(844)
Capital expenditure charged against Earmarked Reserves	(762)	(1,538)
Movements in the market value of Investment Properties debited or credited to the CIES	(16)	120
Loan Repayments Made	(2,095)	(2,162)
Prior year adjusting entry	(76)	0
Balance at 31 March	**(157,195)**	**(161,378)**

35. 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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**1,521**	**1,560**
Contributions received	630	722
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(591)	(330)
Balance at 31 March	**1,560**	**1,952**

36. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

	2016/17 £000	2016/17 £000	2017/18 £000	2017/18 £000
Balance carried forward		41,540		46,405
15/16 Adjustment		29		0
Balance at 1 April		**41,569**		**46,405**
Revaluation gains	7,640		10,440	
Revaluation losses	(377)		(161)	
Surplus on revaluation of fixed assets		7,263		10,279
Revaluations relating to disposals written out		(10)		0
Historic cost depreciation written out to the capital adjustments account		(2,417)		(3,649)
Balance at 31 March		**46,405**		**53,035**

37. 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 expenditure may be significant to the recipient parties:

Organisation	Value	Details
Deal Town Council	£5,000	Grant made to Deal Town Council. Five Members also Town Councillors.
Sandwich Toll Bridge Fund	£51,626.72	Payments for rent. Members of Sandwich Town Council are by definition Trustees of this Fund. Through this, one Member of Dover District Council is a Trustee.
Dover, Deal & District Citizens Advice Bureau	£97,000	Grant made to the C.A.B. One Member is a Director of this local charity.
Gazen Salts Nature Reserve	£4,500	Grant made to the Gazen Salts Reserve. One member is also a Director of the Gazen Salts Nature Reserve Company.
Aylesham and District Community Workshop Trust	£3,000	Payment to the Trust for use of office space. One member is a trustee.

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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 22 Grant Income on reporting for resources allocation decision.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2017/18 was the seventh year of operation.

In 2017/18 £2.242m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £395k, Dover District Council made a loan to East Kent Housing in 2015/16, of which £nil was repaid in 2017/18. Please see note 27 Debtors for further details.

See also note 42 Interest in Companies and Other Entities for further financial information for East Kent Housing.

38. MEMBERS' ALLOWANCES

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

	2016/17 £000	2017/18 £000
Basic Allowance	178	178
Special Responsibility Allowance	94	94
Members' National Insurance Contributions	3	3
Total	**276**	**276**

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 the Council's website at:
https://www.dover.gov.uk/Council--Democracy/Allowances/Councillor-Allowances.aspx

39. EXTERNAL AUDIT FEES

The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure 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 2017/18:

	2016/17 £000	2017/18 £000
External audit services – Grant Thornton	54	54
Certification of grant claims and returns	38	17
Other services	2	2
Total	**94**	**73**

40. CONTINGENT LIABILITIES

Private Finance Initiative

In 2007/08 and 2014/15 the Council entered into partnership agreements with Kent County and other district councils within Kent to provide new homes for vulnerable people. The projects are known as Better Homes Active Lives (BHAL) and Kent Excellent Homes For All (KEHFA). 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.

Under the agreements the Council will be jointly financially liable if the PFI contracts are terminated for reasons such as contractor default or force majeure. For BHAL the implications of a termination in year 10 was assessed as approximately £60m and the cost implication for KEHFA will be similar. This would mean a contribution of £4.48m as at year 10 of the scheme in respect of BHAL and £8m for KEHFA based on the cost share percentages set out in the agreements. However, the risks of such an event occurring continue to be assessed as very remote.

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 2018, 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 £183k less £50k.

A provision of 25% of the claim was made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. In 2015/16, the provision

was increased by £20k, returning it to £33k. In 2016/17 a further payment of £13k was made. The £80k 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 decreased from £10.18m to £10.08m at 31 March 2018, of which Dover District Council's share would be £2.52m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability.

Civica UK Ltd Pension Deficit

In February 2018, this Council, together with Canterbury and Thanet district councils, entered into a contract with Civica UK Ltd. As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis. Given the short time period between the date of transfer and the year end, it is considered very unlikely that there has been a significant change to the funding level for the transferred staff.

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 £40k.

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 2018. The Council does not consider there to have been any material post balance sheet events.

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 neither a joint venture nor a joint operation and is therefore not required

to be included within the statement of accounts. This is because the day-to-day operations are managed by the Board and, at Board level, the member Councils only have one board member each out of twelve in total and so, at Board level, the Councils are a minority and do not have control of the Board, even if acting together.

This Council therefore considers that its interest in EKH does not amount to a controlling interest and therefore Group Accounts do not need to be prepared.

However, for information, the financial (draft unaudited) results of EKH for 2017/18 and the Council's share is as follows:

Restated East Kent Housing Ltd 2016/17	DDC share 25% 2016/17		East Kent Housing Ltd 2017/18	DDC share 25% 2017/18
£000	**£000**		**£000**	**£000**
(8,653)	(2,163)	Turnover	(8,817)	(2,204)
9,721	2,430	Expenses	9,076	2,269
1,068	267	Operational (profit)/loss	259	65
290	73	Finance costs	298	74
1,357	**339**	**(Profit)/loss after taxation**	**558**	**139**
1,927	482	Re-measurement of post-employment benefit obligations	(1,332)	(333)
3,284	821	Total comprehensive (income)/loss for the year	(774)	(194)
658	164	Non-current assets	1,262	315
964	241	Current assets	686	171
(972)	(202)	Current liabilities	(450)	(112)
(10,706)	(2,676)	Non-current liabilities	(10,788)	(2,697)
(10,056)	(2,514)		(9,290)	(2,323)
(119)	(30)	Profit and loss reserve	(790)	(197)
10,175	2,544	Pensions reserve	10,081	2,520
10,056	2,514		9,290	2,323

The 2016/17 figures have been restated to reflect the final, audited accounts from EKH.

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2017/18. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. 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.
Accounting Standards that have been issued but not yet adopted include:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from contracts with Customers
- IFRS – Leases

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

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 (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The billing authority's share of the Collection Fund is consolidated with the other accounts of the billing authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000		2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
			Income			
			Council tax:			
0	(59,327)	(59,327)	Billed to Council Tax payers	0	(62,899)	(62,899)
0	0	0	Grants Receivable	0	0	0
			National Non-domestic rates:			
(35,825)	0	(35,825)	Billed to NNDR payers	(37,620)	0	(37,620)
(1,375)	0	(1,375)	Enterprise Zone relief from Government	(1,448)	0	(1,448)
0	0	0	Transitional Protection Payments	(1,302)	0	(1,302)
(37,200)	**(59,327)**	**(96,527)**	**Total Income**	**(40,370)**	**(62,899)**	**(103,269)**
			Expenditure			
			Precepts, Demands & Shares:			
16,326	0	16,326	Central Government	18,226	0	18,226
2,939	41,785	44,724	Kent County Council	3,281	44,999	48,280
0	5,609	5,609	Police & Crime Commissioner for Kent	0	6,000	6,000
327	2,655	2,982	Kent & Medway Fire & Rescue Authority	364	2,801	3,165
13,061	6,396	19,457	Dover District Council	14,581	6,836	21,417
0	2,243	2,243	Town and Parish Councils	0	2,327	2,327
32,653	58,688	91,341		36,452	62,963	99,415
			Enterprise Zone Relief Payable:			
1,100	0	1,100	Dover District Council	1,159	0	1,159
248	0	248	Kent County Council	260	0	260
27	0	27	Kent & Medway Fire & Rescue Authority	29	0	29
1,375	0	1,375		1,448	0	1,448
			Renewable Energy Retained			
44	0	44	Dover District Council	61	0	61
44	0	44		61	0	61
			Charges to the Collection Fund:			
229	222	451	Write-offs of Uncollectable Amounts	39	199	238
(197)	273	76	Increase/(decrease) in Bad Debt provis'n	(6)	619	613
569	0	569	Increase/(decrease) in Appeals provision	2,847	0	2,847
158	0	158	Cost of Collection Allowance	164	0	164
759	495	1,254		3,044	818	3,862
8	0	8	**Transitional Protection Payments**	0	0	0
34,839	**59,183**	**94,022**	**Total Expenditure**	**41,005**	**63,781**	**104,786**
(2,361)	**(144)**	**(2,505)**	**(Surplus) or Deficit for the Year**	**635**	**882**	**1,517**
3,659	(2,736)	923	Balance brought forward at 1 April	1,298	(2,880)	(1,582)
1,298	**(2,880)**	**(1,582)**	**Balance Carried Forward at 31 March**	**1,933**	**(1,998)**	**(65)**

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 their 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 (KCC), The Police and Crime Commissioner for Kent (PCCK), Kent and Medway Fire and Rescue Authority (KMFRA) and the District Council (DDC), and dividing this by the council tax base.

Council tax benefit (CTB) was abolished by Government from April 2013 and billing authorities were required to implement a local 'Council Tax Reduction Scheme' (CTRS). Council Tax Benefit was previously administered by local authorities, but fully funded by central government subsidy, so that money paid to claimants for CTB was fully recovered through subsidy income and there was no impact on the billing authority or preceptors. However, under the Council Tax Reduction Schemes (CTRS), Government grant funding to local schemes was reduced by 10% compared to its funding for CTB.

CTB was a "benefit" scheme. CTRS is a "discount" scheme. With a discount scheme, instead of raising Council Tax bills to claimants and then settling the debts with benefit, the bills are reduced through the use of a discount instead. In principle, there is little difference between the two methods, but the reduction in funding by Government means that if the level of discount given to claimants under CTRS was equivalent to the level of CTB previously awarded, there would be a shortfall in overall Council Tax income (including grant/subsidy) by the proposed 10% funding cut by Government. In arriving at a local scheme that could offset the loss of funding, the level of discounts awarded (both to prior benefit claimants and recipients of other types of discounts) would need to be reduced. However, Government stipulated that pensioners must not be disadvantaged and incentives to work should not be removed.

The East Kent CTRS (covering the billing authorities of Dover District Council, Canterbury City Council and Thanet District Council) has the following features:

- A reduction in 'benefit' to claimants of circa 10% (DDC figure). That means that claimants who weren't paying Council Tax are now required to pay 10% of the bill;
- Empty homes discounts were reduced to 0% for Class C empty properties from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding;
- Second home discounts were removed from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding.

Precepts

Authorities who made a precept on the Collection Fund for **Council Tax** are as follows, including their share of the surplus paid:

Preceptor	2016/17 Precept £000	2016/17 Surplus £000	**2016/17 Total £000**	2017/18 Precept £000	2017/18 Surplus £000	**2017/18 Total £000**
Kent County Council	41,093	692	**41,785**	43,857	1,142	**44,999**
Police and Crime Commissioner for Kent	5,516	93	**5,609**	5,847	153	**6,000**
Kent and Medway Fire & Rescue Authority	2,610	45	**2,655**	2,729	72	**2,801**
Dover District Council	6,251	145	**6,396**	6,600	236	**6,836**
	55,470	975	**56,445**	59,033	1,603	**60,636**
Parish councils	2,243	-	**2,243**	2,327	-	**2,327**
Total Demand on the Collection Fund	**57,713**	**975**	**58,688**	**61,360**	**1,603**	**62,963**

Authorities who made a precept on the Collection Fund for **Business Rates** are as follows, including their share of the surplus paid:

Preceptor	2016/17 Precept £000	2016/17 Surplus £000	**2016/17 Total £000**	2017/18 Precept £000	2017/18 Deficit £000	**2017/18 Total £000**
Kent County Council	3,101	(162)	**2,939**	3,445	(164)	**3,281**
Kent and Medway Fire & Rescue Authority	345	(18)	**327**	382	(18)	**364**
Dover District Council	13,785	(724)	**13,061**	15,309	(728)	**14,581**
	17,231	(904)	**16,327**	19,136	(910)	**18,226**
Central Government	17,231	(905)	**16,326**	19,136	(910)	**18,226**
Total Demand on the Collection Fund	**34,462**	**(1,809)**	**32,653**	**38,272**	**(1,820)**	**36,452**

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:

	2016/17			2017/18		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	2.36	5/9ths	1.31	1.08	5/9ths	0.60
A	3,752.37	6/9ths	2,501.58	3,904.66	6/9ths	2,603.11
B	11,612.42	7/9ths	9,031.88	11,959.35	7/9ths	9,301.72
C	10,880.68	8/9ths	9,671.72	11,244.10	8/9ths	9,994.75
D	6,059.17	9/9ths	6,059.17	6,137.95	9/9ths	6,137.95
E	3,773.44	11/9ths	4,611.99	3,840.26	11/9ths	4,693.65
F	2,118.36	13/9ths	3,059.86	2,182.36	13/9ths	3,152.30
G	1,265.82	15/9ths	2,109.70	1,305.77	15/9ths	2,176.28
H	46.17	18/9ths	92.34	49.00	18/9ths	98.00
	39,510.79		37,139.55	40,624.53		38,158.36
Estimated Collection Rate			**97.61%**			**97.50%**
Council Tax Base			**36,251.91**			**37,204.40**

Band D Council Tax

	2016/17	**2017/18**
	£	**£**
Kent County Council	1,133.55	1,178.82
Police and Crime Commissioner for Kent	152.15	157.15
Kent and Medway Fire & Rescue Authority	72.00	73.35
Dover District Council	172.44	177.39
	1,530.14	1,586.71
Parish councils (average)	61.86	62.56
Total	**1,592.00**	**1,649.27**

This basic amount of council tax for a Band D property of £1,649.27 for 2017/18 (£1,592.00 for 2016/17) 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 set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of 'rate poundage' of 47.9p (49.7p) for large businesses or 46.6p (48.4p) for small businesses in 2017/18 (2016/17) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under the BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government (50%), the billing authority (40%) and the major

precepting authorities, being Kent County Council (9%) and Kent & Medway Fire and Rescue Authority (1%). There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year, as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

However, from April 2013 the Department of Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline funding level for the billing authority. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline) result in safety net payments from Government (or levy payments to it). Dover is in a levy position for 2017/18 and pays a levy, estimated to be £237k, on growth above its baseline funding level determined by Government. Similar arrangements exist for the other major preceptors. Tariff, levy and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself.

The NNDR income, after reliefs, of £37.620m for 2017/18 (£35.825m for 2016/17), was based on the total rateable value for the Council's area, which at the year-end was £104.991m (£89.405m in 2016/17).

Separately, there has been a revaluation of the rateable values of businesses as at 1st April 2017 (the "2017 valuation"), which is the main reason that the total rateable value has increased by more than £15.5m since the last year-end. Such revaluations take place at intervals and are carried out by the Valuation Office Agency (VOA). This is the first revaluation since 2010. This does not lead to a proportionate increase in NNDR income, as the Government has introduced higher thresholds to exempt or reduce payments by small businesses, lower multipliers to calculate the amounts payable by all businesses, as well as transitional arrangements to phase in increases for those businesses whose rateable values have increased, all of which reduce the NNDR income. Additionally, the tariff payable by Dover on its 40% share of business rates income has been increased by Government by £854k to £11.46m to keep its net funding similar to the old basis (i.e. under the "2010 valuation").

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2016/17			2017/18		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	3,011	1,958	4,969	3,284	1,761	5,045
Write-Offs	(222)	(229)	(451)	(199)	(39)	(238)
Contribution to Provision	495	32	527	818	33	851
Balance at 31 March	**3,284**	**1,761**	**5,045**	**3,903**	**1,755**	**5,658**

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 16 January 2017 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 £1,603k for 2016/17, so there was an additional payment to major preceptors of this amount in 2017/18. The distributable surplus for 2017/18 was estimated as £968k and will be distributed to major preceptors during 2018/19. The actual surplus of £1,998k at 31 March 2018 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2018/19 (N.B. "Council Tax Cash" in note 5 shows cash surpluses at 31 March 2017 and 2018, but these surpluses include significant prepayments on account of the following years' debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2016 £000	Movement in Year £000	Surplus at 31 March 2017 £000	Movement in Year £000	Surplus at 31 March 2018 £000
Kent County Council	(1,946)	(108)	(2,054)	624	(1,430)
Police and Crime Commissioner for Kent	(262)	(13)	(275)	82	(193)
Kent & Medway Fire & Rescue Authority	(124)	(5)	(129)	41	(88)
Dover District Council	(404)	(18)	(422)	135	(287)
Total	**(2,736)**	**(144)**	**(2,880)**	**882**	**(1,998)**

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2017 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rates income. The District Council estimated that the fund would have an accumulated deficit of £1,820k for 2016/17 and this was collected from major preceptors during 2017/18. The District Council estimated that the fund would have an accumulated deficit of £1,513k for 2017/18 and this will be collected from major preceptors during 2018/19. The actual deficit of £1,933k is a slightly poorer position at 31 March 2017. Therefore the amount collected during 2018/19 will be £420k lower than strictly required (i.e. DDC should be recovering a deficit of £1,933k rather than £1,513k). This will be adjusted against the 2019/20 proportionate shares of non-domestic rates income.

The proportionate shares (prescribed by legislation) of the actual collection fund deficit for non-domestic rates are shown below:

	Proportionate Shares	Deficit at 31 March 2017 £000	Movement in Year £000	Deficit at 31 March 2018 £000
Central Government	50%	649	318	967
Kent County Council	9%	117	57	174
Kent & Medway Fire & Rescue Authority	1%	13	6	19
Dover District Council	40%	519	254	773
Total	**100%**	**1,298**	**635**	**1,933**

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

Each of the major precepting authorities' shares of the arrears, prepayments and other balances are shown below:

At 31 March 2017

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,458	461	215	704	0	4,838
Council tax provision for bad debts	(2,347)	(313)	(146)	(478)	0	(3,284)
Council tax overpayments & prepayments	(1,024)	(136)	(64)	(208)	0	(1,432)
Council tax cash	1,967	263	124	404	0	2,758
Collection Fund surplus	(2,054)	(275)	(129)	(422)	0	(2,880)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	200	0	22	888	1,109	2,219
NNDR provision for bad debts	(158)	0	(17)	(705)	(881)	(1,761)
NNDR provision for appeals	(217)	0	(24)	(962)	(1,203)	(2,406)
NNDR overpayments & prepayments	(59)	0	(7)	(264)	(329)	(659)
NNDR cash	117	0	13	524	655	1,309
Collection Fund deficit	117	0	13	519	649	1,298
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

At 31 March 2018

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,923	536	239	777	0	5,475
Council tax provision for bad debts	(2,796)	(382)	(171)	(554)	0	(3,903)
Council tax overpayments & prepayments	(1,061)	(145)	(65)	(210)	0	(1,481)
Council tax cash	1,364	184	85	274	0	1,907
Collection Fund surplus	(1,430)	(193)	(88)	(287)	0	(1,998)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	196	0	22	870	1,086	2,174
NNDR provision for bad debts	(158)	0	(17)	(702)	(878)	(1,755)
NNDR provision for appeals	(448)	0	(50)	(1,990)	(2,488)	(4,976)
NNDR overpayments & prepayments	(86)	0	(10)	(384)	(480)	(960)
NNDR cash	322	0	36	1,433	1,793	3,584
Collection Fund deficit	174	0	19	773	967	1,933
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

6. BUSINESS RATES RELIEFS

The Council has received applications for mandatory charitable relief from business rates on behalf of NHS Trusts, but it considers the basis of these applications to be unfounded and has made no allowance for them in its financial statements. This is a national issue and remains unresolved, but the claim for charitable relief is not currently expected to be successful.

Under the 2017 valuation, thresholds for Small Business Rates Relief have been changed to exempt more business from paying business rates (BR) or to reduce the amounts that they pay. This reduces income collected and local authorities have been given some compensatory S31 grant to reflect this, being £304k split between Dover (£243k), KCC (£55k) and KMFRA (£6k). This forms part of the authorities' total income from business rates.

7. APPEALS PROVISIONS

The Collection Fund includes a prudent provision for appeals, as required under legislation. There are more than 100 appeals that remain outstanding under the 2010 valuation that have not yet been resolved by the Valuation Office Agency (VOA), and we have a provision against these totalling £2.77m at 31st March 2018 (£2.41m at 31st March 2017) which allows for backdating.

Few appeals have been lodged under the new 2017 valuation. A new "Check, challenge, appeal" system has been introduced by VOA which is currently thought to have discouraged appeals, as it is believed that BR payers are finding the system complex to use. Ratings Agents often encourage businesses to pursue appeals and offer their services for a fee, based on a percentage of any refunds secured for the BR payer. Therefore in the earlier years of a new valuation there would be lower fees chargeable by Ratings Agents due to a shorter period of backdating for claims (i.e. only to 1st April 2017). Therefore we expect to see more activity from Ratings Agents a few years down the line, when backdating of refunds would increase the size of fees payable. With this in mind, the lack of appeals lodged *thus far* against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents increases, with backdating of appeals to 1st April 2017 likely. As such, we have provided a sum of £2.2m for successful appeals against bills raised in 2017/18 under the 2017 valuation.

In accordance with other Kent Authorities, the appeals provision against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses). This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

	2016/17 £000	**2017/18 £000**
Provided against 2010 valuation appeals	2,406	2,771
Provision for 2017 valuation appeals	0	2,205
Total	**2,406**	**4,976**

HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing social housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2016/17 £000		Note	2017/18 £000
	Income		
(19,258)	Dwelling rents	10	(19,005)
(483)	Non-dwelling rents		(24)
(413)	Tenant charges for services and facilities		(399)
(249)	Leaseholder charges for services and facilities		(296)
(170)	Contributions towards expenditure		(177)
(20,573)	**Total Income**		**(19,901)**
	Expenditure		
2,964	Repairs and maintenance		2,909
3,938	Supervision and management		4,058
44	Rent, rates, taxes and other charges		25
1,956	Depreciation and impairment of fixed assets	5	1,973
(12,449)	Exceptional Item – revaluation gain, reversal of prior year loss	9	(1,052)
28	Debt management expenses		32
(5)	Increase (decrease) in impairment of debtors	12	70
(3,524)	**Total Expenditure**		**8,015**
(24,097)	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		(11,885)
476	HRA share of corporate and democratic core		664
15	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		10
(23,606)	**Net Cost of HRA Services**		**(11,211)**
(1,003)	(Gain) or loss on sales of HRA non-current assets		(1,275)
2,783	Interest payable and similar charges		2,705
(79)	Interest and investment income		(18)
473	Net Interest on Defined Benefit Liability	13	392
(21,432)	**(Surplus) or Deficit for the year on HRA Services**		**(9,407)**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £000		£000	2017/18 £000	£000
(1,013)	Balance on the HRA at the end of the previous year			**(1,047)**
(21,432)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(9,407)	
	Adjustments between Accounting Basis and Funding under Statute:			
12,449	Impairment of non-current assets	1,052		
3,143	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	2,688		
1,003	Gain on disposal of non-current assets	1,274		
(20)	Net charges made for retirement benefits	52		
632	Capital expenditure funded by the HRA	2,179	7,245	
(4,226)			**(2,162)**	
4,192	Transfers to earmarked reserves		2,197	
(34)	(Increase) or decrease in year on the HRA Balance			**35**
(1,047)	**Balance on the HRA at the End of the Current Year**			**(1,012)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2017/18

	Stock at 1 April 2017	Sales	Acquisitions	Transfers	Stock at 31 March 2018
Houses/bungalows	2,731	25			2,706
Flats	1,606	11	10	24	1,581
Total	**4,337**	**36**	**10**	**24**	**4,287**

Total Value of Assets

	1 April 2017 £000	31 March 2018 £000
Dwellings	196,029	197,246
Garages	3,376	0
Other land and buildings	462	457
Equipment	248	342
Investment properties	455	774
Assets under construction	0	0
	200,570	**198,820**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2018 was £598m (£594m as at 31 March 2017). 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.

	2016/17 £000	2017/18 £000
Balance as at 1 April	**0**	**0**
Major Repairs Allowance:		
Depreciation	(1,945)	(1,973)
Voluntary Excess Depreciation charge to HRA	(3,142)	(2,689)
Transfer from reserve for capital expenditure	3,000	2,508
Repayment of principal on loan	2,087	2,154
Balance at 31 March	**0**	**0**

4. OTHER EARMARKED RESERVES

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including "Affordable Housing" and has a balance of £14.7m at 31 March 2018 (£12.5m at 31 March 2017).

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,973k (£1,956k at 31 March 2017) as detailed below.

	2016/17 £000	2017/18 £000
Council dwellings	1,797	1,953
Garages	148	0
Equipment	7	20
Intangible assets	4	0
Total	**1,956**	**1,973**

6. SUMMARY OF CAPITAL EXPENDITURE

	2016/17 £000	2017/18 £000
Capital expenditure:		
Dwellings	3,477	3,170
Other Land & Buildings	259	1,956
Equipment	0	114
Total	**3,736**	**5,240**
Financed by:		
Funded by HRA	(632)	(2,179)
Transfer from Major Repairs Reserve	(3,000)	(2,508)
Capital Grants	(0)	0
Excess RTB Receipts	(15)	(534)
S106 Contribution	(89)	(19)
	(3,736)	**(5,240)**

7. SUMMARY OF CAPITAL RECEIPTS

	2016/17 £000	2017/18 £000
Receipts from sales during the year:		
Dwelling sales	(2,607)	(2,885)
Other HRA sales	(11)	0
Sub total	(2,618)	(2,885)
Amount pooled to Government	296	294
	(2,322)	**(2,591)**

8. CAPITAL EXPENDITURE FUNDED BY THE HRA

£2,179k (£632k in 2016/17) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in Note 6.

9. REVALUATION GAIN ON HRA STOCK

The gain of £1.052m is due to the reversal of prior year losses. The housing market has continued to recover resulting in an increase in value this year. (£12.449m in 2016/17)

10. RENT OF DWELLINGS

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

The average weekly rent at 31 March 2018 was £84.90 compared with £85.67 at 31 March 2017.

11. RENT ARREARS

The position for rent arrears is shown below:

31 March 2017			31 March 2018		
Former Tenant Arrears	**Current Tenant Arrears**	**Total Rent Arrears**	**Former Tenant Arrears**	**Current Tenant Arrears**	**Total Rent Arrears**
£000	£000	£000	£000	£000	£000
89	241	330	143	536	679

12. IMPAIRMENT OF DEBTORS

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

	2016/17 £000	**2017/18 £000**
Balance brought forward as at 1 April	446	442
Provision made in the year	79	92
Less amounts written off	(83)	(22)
Balance carried forward at 31 March	**442**	**512**

13. 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 IAS19 adjustments have been made:

	2016/17 £000	2017/18 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	6	2
Administrative expense	9	8
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	473	393
Charge to the Surplus or Deficit on the Provision of Services	**488**	**403**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(488)	(403)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	468	454
Contribution (From) or To Pensions Reserve	**(20)**	**51**

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
- The Salter Collection — Charity No 288731
- Frederick Franklin Public Park — Charity No 1092171

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:

	2016/17	2017/18
	£	£
Income	155	72
Expenditure	0	(3,914)
Surplus or (deficit) for year	155	(3,842)
Fund balance at 1 April	69,237	69,392
Fund balance at 31 March	**69,392**	**65,550**
Represented by:		
Investments	69,392	65,550
	69,392	**65,550**

THE SALTER COLLECTION CHARITY

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

	2016/17	2017/18
	£	£
Income	162	61
Expenditure	0	0
Surplus or (deficit) for year	162	61
Fund balance at 1 April	270,973	271,135
Fund balance at 31 March	**271,135**	**271,196**
Represented by:		
Collection	180,000	180,000
Investment	91,135	91,196
	271,135	**271,196**

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:

	2016/17	2017/18
	£	£
Income	308	115
Expenditure	0	0
Surplus or (deficit) for year	308	115
Fund balance at 1 April	496,791	497,099
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	**497,099**	**497,214**
Represented by:		
Land and other buildings	323,822	323,822
Investment	179,732	179,732
Creditor	(6,455)	(6340)
	497,099	**497,214**

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).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Opinion

We have audited the financial statements of Dover District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Housing Revenue Account Income and Expenditure Statement, the Movement in the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Housing and Community's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Housing and Community has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period

of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance, Housing and Community is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 96**,** the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local

Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance, Housing and Community and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, 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. The Director of Finance, Housing 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Housing and Community is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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XX July 2018

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Our ref: MD/
Your ref:
Date: 30 July 2018

Dear Sirs

Dover District Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Dover District Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

Xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance Committee on 30th July 2018.

Yours faithfully

Signed……

Name……

Position……

Date…….

Signed……

Name……

Position…….

Date…….

Signed on behalf of Dover District Council

Subject:	**TREASURY MANAGEMENT YEAR END REPORT 2017/18**
Meeting and Date:	**Governance – 30 July 2018** **Cabinet – 10 September 2018** **Council – 31 October 2018**
Report of:	**Mike Davis – Director of Finance, Housing & Community**
Portfolio Holder:	**Councillor Mike Connolly – Portfolio Holder for Corporate Resources and Performance**
Decision Type:	**Non-Key Decision**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the Council's treasury management for the financial year ended 31 March 2018 (Q4) and an update of activity to date.
Recommendation:	That the report is received

1. **Summary**

1.1 This report covers the outturn for the year ending March 2018. The main points to note are that, while we are outperforming the benchmark, interest rates are low, and we are working to get the best returns we can but, nonetheless, we are likely to see reduced income from bank and other short-term deposits in the future that will be an additional budget pressure. To mitigate this, we have appointed new treasury advisers, Arlingclose Ltd, from 1 April 2017, to explore alternative treasury management options.

1.2 As at 31 March 2018, the Council's investment portfolio totalled £43.4m (see Appendix 2). Additionally, cashflow funds were lower than anticipated (£3.1m at 31 March 2018) due to normal year end cashflow fluctuations. Cashflow funds have since increased (to £9.5m at 30 June 2018).

1.3 The Council has remained within its Treasury Management guidelines. The Council has complied with the Prudential Code guidelines during the period.

1.4 The Council's investment return for the year was 0.84%, which outperformed the benchmark1 by 0.25%. The Council's budgeted investment return for 2017/18 was £305k, and performance for the year was £525k, which is a favourable variance of £220k. This is due to investing in long-term pooled investment funds that generate a much better rate of return than call accounts and money market funds.

1.5 During the last quarter of 2017/18, £8 million was invested with Payden and Rygel. This was in addition to £18m invested in other pooled funds during the previous quarters, following the recommendations of our treasury advisers, which were considered at the Investment Advisory Group on 4 October 2017. Accordingly, £6m

[1] The "benchmark" is the interest rate against which performance is assessed. DDC use the London Inter-Bank Bid Rate or LIBID, as its benchmark.

was invested in the CCLA property fund, £6 million was invested in Colombia Threadneedle's strategic bond fund, and £6 million was invested in Investec's diversified income fund (all funds forecast to generate annual returns exceeding 4%).

1.6 A new International Financial Reporting Standard (IFRS9), due to be implemented from 2018/19, could force us to charge unrealised gains or losses on the capital value of such funds to the General Fund revenue budget each year, even if we propose to hold the funds for a longer period of time and avoid selling if the capital value is lower than the price paid. It is often normal to pay a premium on purchasing such funds, as with the CCLA Property Fund, to take account of stamp duty and other costs but, over time, the capital value is expected to rise, based on past trends, so that capital losses are unlikely in the longer term. However, we currently recognise the dividend returns, paid each year, and credit these returns to our budget. We are awaiting further guidance from CIPFA as to whether there will be any statutory override for local authorities. In the meantime, to reduce the potential impact of this on the General Fund, the 2018/19 budget proposes setting aside £2m in the Dover Regeneration and Economic Development Reserve as a prudent provision for any unexpected potential fluctuations in the capital value of investments.

2. Introduction and Background

2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011: it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

2.2 In order to comply with the CIPFA code referred to above, a brief summary is provided below and Appendix 1 contains a full report from the Council's treasury management advisers, Arlingclose Ltd.

2.3 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim with regards to their explanation of the economic background. Generally, treasury advisers use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

2.4 Council adopted the 2017/18 Treasury Management Strategy Statement (TMSS) on 1 March 2017 as part of the 2017/18 Budget and Medium Term Financial Plan.

3. Annual Investment Strategy

3.1 The investment portfolio, as at the end of March 2018, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £46.5m, rising to £48m at the end of June (see Appendix 4). The increase reflects normal cash-flow fluctuations arising from the timing of 'major preceptor' payments, which are made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline.

3.2 The Gilt holding of £1.9 million remains with King and Shaxson and will be held until its maturity date of 22 July 2018, at which point it is proposed to reinvest it in a pooled investment fund.

3.3 Since the end of the quarter, three deposits have matured. The £7.5m Birmingham City Council deposit that matured on 27 April 2018 has been rolled over for a further three months until 27 July at a rate of 0.70%. The £3m with Mid Suffolk District Council has also been rolled over for a further three months until 15 August at a rate of 0.55%. The £5m deposit with Suffolk County Council was returned to cash flow on maturity.

3.4 Cash flow funds decreased from £13m at 31 December 2017 to £3.1m at 31 March 2018 (see Appendix 2). This is normal and expected, as there are reduced council tax receipts in February and March (generally paid over 10 months from April to January), while preceptors on the Collection Fund are paid their shares of Council Tax income evenly over the year. There was also a further six-monthly PWLB loan instalment of £2.35m paid for the 2017/18 year at the end of March 2018. Cashflow funds have increased from £3.1m at the end of March 2018 to £9.5m at the end of June 2018 (see Appendix 4).

4. Economic Background

4.1 The report attached (Appendix 1) contains information up to the end of March 2018; since then we have received the following update from Arlingclose. Please note that any of their references to quarters are based on *calendar* years:

Introduction

4.2 The anticipated May 2018 interest rate rise did not materialise. It is now widely expected to happen at the next MPC meeting in August. UK economic data continues to remain positive although there is still some uncertainty with how Brexit will impact this.

UK Data

4.3 The MPC minutes supported Arlingclose's view that the MPC will seek to raise the Bank Rate in the short term. While the majority of the Committee voted to maintain Bank Rate at 0.5% as expected, the unexpected vote for a rate hike by the Bank's chief economist increased the probability of a near term rate rise.

4.4 The projected outlook for the UK economy, however, means that monetary tightening in the current environment could be a potential policy error.

4.5 The MPC has a definite bias towards tighter monetary policy. While policy makers are wary of domestic inflationary pressures over the next two years, Arlingclose believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and that 2) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise.

4.6 The current soft UK economic environment prompted the MPC not to tighten policy in May. The economic data since then has been mixed, but suggests that GDP growth will recover somewhat in Q2 2018 after the weak expansion in Q1. The MPC appears to be focused on data sets that support monetary tightening, at the expense of others that show a less healthy economic environment.

4.7 As noted previously, the Bank has moved the goalposts around both the forecast horizon and supply capacity of the UK economy in order to justify monetary tightening even in a below-trend economic environment.

4.8 Our view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

4.9 The initial estimate of GDP growth in Q1 was 0.1%, since revised to 0.2%. The estimate is lower than predicted in February and the Bank of England believes the adverse weather conditions prevalent in February and March resulted in the weaker growth. The MPC expect GDP growth to be around 1.75% for the year.

4.10 CPI inflation fell to 2.5% in March and has fallen further to 2.4% in June. CPI inflations is anticipated to fall back to target quicker than expected.

4.11 Wage growth and domestic cost pressures are rising gradually as was expected. The rate at which productivity levels are expected to grow is projected to remain well below pre-crisis rate and the UK economy has very limited degree of slack.

Bank Base Rate

4.12 Arlingclose expects the Bank of England will raise the base rate once in 2018 and twice in 2019.

BANK RATE	
Q2 2018	0.50%
Q3 2018	0.75%
Q4 2018	0.75%
Q1 2019	1.00%

5. New Borrowing

5.1 The Council's borrowing portfolio is attached at Appendix 3. No new external borrowing was taken out in 17/18 as internal borrowing has been used to fund capital expenditure in the short term.

6. Debt Rescheduling

6.1 At this time it is not of benefit to the Council to consider rescheduling any of its long-term debt.

7. Compliance with Treasury and Prudential Limits

7.1 The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices.

Appendices

Appendix 1 – Arlingclose treasury management outturn report for 2017/18

Appendix 2 – Investment portfolio as at 31 March 2018

Appendix 3 – Borrowing portfolio as at 31 March 2018

Appendix 4 – Investment portfolio as at 30 June 2018

Background Papers

Medium Term Financial Plan 2017/18 – 2020/21

Contact Officer: Stuart Groom, extension 2072

Treasury Management Report Q4 2017/18

Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority's treasury management strategy for 2017/18 was approved at a meeting on 1st March 2017. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic commentary

2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar year 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

Credit Metrics

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would will be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non-ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion although, if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes

Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code have been incorporated into subsequent Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment

property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

MHCLG Investment Guidance and Minimum Revenue Provision (MRP): In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria were met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

Local Context

On 31st March 2018, the Authority had net borrowing of £39m arising from its revenue and capital income and expenditure, an increase on 2017 of £14m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.17 Actual £m	2017/18 Movement £m	31.3.18 Actual £m
General Fund CFR	15,266	27,657	42,923
HRA CFR	76,309	(2,175)	74,134
Total CFR	**91,575**	**25,482**	**117,057**
Less: Usable reserves	(60,833)	(6,066)	(66,899)
Less: Working capital	(5,430)	(5,604)	(11,034)
Net borrowing	**25,312**	**13,812**	**39,124**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

Net borrowing has increased due to a rise in the CFR as new capital expenditure was higher than the financing applied including minimum revenue provision; offset by an increase in usable reserves; and a rise in working capital due to the timing of receipts and payments.

The Authority's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2018 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %
Long-term borrowing	85,515	(2,223)	83,292	
Short-term borrowing	6,153	(3,931)	2,223	
Total borrowing	**91,668**	**(6,154)**	**85,515**	**3.39%**
Long-term investments	0	25,564	25,564	
Short-term investments	55,704	(38,294)	17,410	
Cash and cash equivalents	10,652	(7,235)	3,417	
Total investments	**66,356**	**(19,965)**	**46,391**	**0.84%**
Net borrowing	**(25,312)**	**(13,812)**	**(39,124)**	

Note: the figures in the table are from the balance sheet in the Authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments

The increase in net borrowing in table 1 has translated into a fall in investment balances due to the Authority's internal borrowing policy.

During 17/18 the Council invested £26m in long term strategy pooled investment funds. This has reduced the level of short term investments. The Council also purchase two properties for regeneration purposes which have been funded by internal borrowing in the short term, therefore reducing overall investment balances by £20m compared to 16/17.

Borrowing Activity

At 31st March 2018, the Authority held £85.5m of loans, a decrease of £6.2m on the previous year. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %
Public Works Loan Board	84,668	(2,153)	82,515	3.35
Banks (LOBO)	3,000	0	3,000	4.75
Local authorities (short-term)	4,000	(4,000)	0	n/a
Total borrowing	**91,668**	**(6,153)**	**85,515**	**3.39**

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In furtherance of these objectives, no new borrowing was undertaken in 2017/18. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

For the majority of the year the "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Authority continues to hold £3m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2017/18.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority's investment balance ranged between £46.5 and £72.4 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position (Treasury Investments)

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %
Banks & building societies	51,919	(51,536)	383	0.12
Government (incl. local authorities)	4,910	(12,500)	17,410	0.77
Money Market Funds	9,527	(6,493)	3,034	0.31
Other Pooled Funds	0	25,564	25,564	4.50
Total investments	**66,356**	**(19,965)**	**46,391**	

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Authority further diversified into more secure and/or higher yielding asset classes during 2017/18. £26m that is available for longer-term investment was moved from bank and building society deposits into pooled investment funds. As a result, investment risk was lowered, while the average rate of return has increased. The progression of credit risk and return metrics for the Authority's investments managed in-house are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2017	4.30	AA-	60%	47	0.61%
30.06.2017	4.26	AA-	65%	72	0.37%
30.09.2017	4.61	A+	63%	71	0.15%
31.12.2017	4.73	A+	75%	55	0.87%
31.03.2018	3.63	AA-	15%	40	(0.23)%
Similar LAs	**4.22**	**AA-**	**53%**	**99**	**1.32%**
All LAs	**4.24**	**AA-**	**55%**	**58**	**1.08%**

*Weighted average maturity

The £26m portfolio of externally managed pooled funds generated an average total return (0.23)%, comprising a 2.93% income return used to support services in year, and (3.94)% of capital loss (which is unrealised, and does not impact the Council's budgets at this time). It was expected that there would be a capital loss in the first year of investment in these funds largely due to the entrance fees of investing in the property fund. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. In light of their strong income generation

performance and the Authority's latest cash flow forecasts, investment in these funds is being maintained for the 2018/19 financial year.

Financial Implications

The outturn for debt interest paid in 2017/18 was £2.9 million on an average debt portfolio of £85.5 million compared to a budgeted £2.9 million on an average debt portfolio of £85.5 million at an average interest rate of 3.39%.

The outturn for investment income received in 2017/18 was £525k on an average investment portfolio of £60 million compared to a budgeted £305k on an average investment portfolio of £61 million at an average interest rate of 0.5%.

Other Non-Treasury Holdings and Activity

Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Authority now holds £21m of investments in directly owned property.

These property investments generated £568k of investment income for the Authority after taking account of direct costs and transfers to reserves (to allow for potential future costs), representing a rate of return of 2.61%. This rate of return represents the part year nature of the investments and that no borrowing was undertaken in the year as the purchases were funded from internal borrowing.

Performance Report

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual For Year £000	Budget £000	Over/ under	Forecast %	Benchmark* %	Over/ under
Interest Received	525	305	220	0.84	0.59	0.25
Interest Payable	2,953	2,953	**0**	3.39	3.39	0

Compliance Report

The Director of Finance is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2017/18 Maximum £m	31.3.18 Actual £m	2017/18 Operational Boundary £m	2017/18 Authorised Limit £m	Complied
Borrowing	91.8	85.5	333	338.5	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	31.3.18 Actual	2017/18 Limit	Complied
Any single organisation, except the UK Central Government	£15.5m	£8m per bank	✓
Any group of pooled funds under the same management	0	£16m per group	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
UK Central Government	£1.9m	Unlimited	✓
Pooled Investment Funds	£26m	£10m per fund	✓
Unsecured investments with Building Societies	0	£8m	✓
Operating Bank	0	£20m	✓
Money Market Funds	£3.1m	£10m per fund	✓

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.18 Actual	2017/18 Target	Complied
Portfolio average credit score	3.63	6.0	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing excluding deposits due back < 3 months.

	31.3.18 Actual	2017/18 Target	Complied
Total cash available within 3 months	3.1m	8m	✓

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed was:

	31.3.18 Actual	2017/18 Limit	Complied
Upper limit on fixed interest rate exposure	£85.5m	£300m	✓
Upper limit on variable interest rate exposure	0	£90m	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.18 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	£2.2m	25%	0%	✓
12 months and within 24 months	£3.5m	50%	0%	✓
24 months and within 5 years	£7.5m	50%	0%	✓
5 years and within 10 years	£15m	100%	0%	✓
10 years and above	£57.3m	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2017/18	2018/19	2019/20
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied	✓	✓	✓

In-house as at 31/03/18

APPENDIX 2

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Held in Custody at Kings and Shaxon								
United Kingdom	Gilt		24/05/2013	22/07/2018	1.25%	950,000		
United Kingdom	Gilt		11/06/2013	22/07/2018	1.25%	960,000		
						1,910,000		
In-house Investments - Portfolio:								***Duration***
Birmingham City Council	Fixed term deposit		28/04/2017	27/04/2018	0.700	7,500,000	UK - Gov 'AA'	*364 days*
Mid Suffolk District Council	Fixed term deposit		15/03/2018	15/05/2018	0.820	3,000,000	UK - Gov 'AA'	*61 days*
Sufflolk County Council	Fixed term deposit		27/03/2018	27/04/2018	0.800	5,000,000	UK - Gov 'AA'	*31 days*
In-house investments - Long Term								
CCLA Property investment Fund			30/06/2017		4.36%	3,000,000	UK - Gov 'AA'	*5 Years +*
CCLA Property investment Fund			31/07/2017		4.37%	3,000,000	UK - Gov 'AA'	5 Years +
Investec Multi Asset Fund			15/12/2017		4.57%	6,000,000	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund			15/12/2017		4.42%	6,000,000	UK - Gov 'AA'	5 Years +
Payden and Rygel			28/02/2018		0.850	8,000,000	UK - Gov 'AA'	2 Years +
						41,500,000		
				Total Portfolio		**43,410,000**		

Cashflow:

Call Accounts/MMF (as at 31/3/18)		**Rate**
Global Treasury Fund (Goldman Sachs Money Market Fund)	500,106	0.29%
Standard Life Investments (Money Market Fund)	2,534,000	0.33%
Natwest SIBA	972	0.15%
Natwest SIBA - SEEDA (DTIZ)	0	0.01%
Natwest SIBA - EP (HCA)	0	0.01%
Natwest SIBA - ASDA	0	0.01%
Santander	740	0.05%
Bank of Scotland	4,704	0.40%
HSBC Business Acc	0	0.00%
Barclays	34,155	0.00%
Total Cash flow	**3,074,677**	
Total Portfolio and Cashflow	**46,484,677**	

Dover District Council Borrowing - 2017/18 **APPENDIX 3**

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-17	Interest Rate %	Principal To Be Repaid 2017/18	Principal Balance 31-Mar-18	Annual Interest 2017/18	Lender	Type of loan
Fixed	02/10/1997	02/10/2057	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/1997	28/05/2057	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/1946	23/06/2026	JUNE-DEC	131582	424	2.50	45	379	11	PWLB	Equal Instalment of Principal *(EIP)*
Fixed	27/09/1946	27/06/2026	JUNE-DEC	131583	79	2.50	8	71	2	PWLB	Equal Instalment of Principal *(EIP)*
Fixed	16/11/2001	30/09/2026	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Variable	16/12/2002	16/12/2042	JUNE-DEC	N/A	3,000,000	4.75		3,000,000	142,500	KA Finanz AG Bank	Repayable if called by Bank
Fixed	26/03/2012	26/03/2042	SEPT-MAR	499853	80,667,894	3.18	2,153,554	78,514,340	2,548,253	PWLB	Annuity
Fixed	22/03/2017	21/04/2017	APR	N/A	4,000,000	0.40	4,000,000	0	921	South Holland D.C.	Short term loan only (cash flow)
					91,668,397		**6,153,607**	**85,514,790**	**2,954,186**		*Sub-total*
Fixed	01/05/2012	01/11/2027	MAY-NOV		87,096	0.00	8,710	78,386	0	Lawn Tennis Association	Interest free
					91,755,493		**6,162,317**	**85,593,177**	**2,954,186**		

In-house as at 30/06/18

APPENDIX 4

Organisation	Type of investment	Current rating	Issue Date	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Held in Custody at Kings and Shaxon								
United Kingdom	Gilt		24/05/2013	22/07/2018	1.250	950,000		
United Kingdom	Gilt		11/06/2013	22/07/2018	1.250	960,000		
						1,910,000		
In-house Investments - Portfolio:								***Duration***
Birmingham City Council	Fixed term deposit		27/04/2018	27/07/2018	0.700	7,500,000	UK - Gov 'AA'	*364 days*
Mid Suffolk District Council	Fixed term deposit		15/05/2018	15/08/2018	0.550	3,000,000	UK - Gov 'AA'	*61 days*
In-house investments - Long Term								
CCLA Property investment Fund			30/06/2017		4.360	3,000,000	UK - Gov 'AA'	*5 Years +*
CCLA Property investment Fund			31/07/2017		4.370	3,000,000	UK - Gov 'AA'	*5 Years +*
Investec Multi Asset Fund			15/12/2017		4.570	6,000,000	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund			15/12/2017		4.420	6,000,000	UK - Gov 'AA'	5 Years +
Payden and Rygel			28/02/2018		0.850	8,000,000	UK - Gov 'AA'	2 Years +
						36,500,000		
				Total Portfolio		**38,410,000**		

Cashflow:

Call Accounts/MMF (as at 30/6/18)		**Rate**
Global Treasury Fund (Goldman Sachs Money Market Fund)	3,497,106	0.47%
Standard Life Investments (Money Market Fund)	5,949,000	0.52%
Natwest SIBA	57,318	0.15%
Santander	502	0.05%
Bank of Scotland (BOS)	5,011	0.40%
HSBC Business Acc	0	0.00%
Barclays	34,150	0.00%
Total Cash flow	**9,543,086**	
Total Portfolio and Cashflow	**47,953,086**	