



**Statement  
Of  
Accounts**

**2015/16**

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## **NARRATIVE REPORT**

### **1. INTRODUCTION**

This foreword provides a brief summary of the Council's financial performance over the last year and its year-end position at 31 March 2016

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

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 92 to 97.

### **2. CHANGES IN ACCOUNTING AND PRESENTATION**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The Code is based on a hierarchy of approved accounting standards.

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

### **3. OVERVIEW OF STATEMENT OF ACCOUNTS**

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

**(a) Explanatory Foreword** (pages 2 to 12)

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year, highlights any major events or changes in presentation or accounting that impact on the accounts and includes a review of the year and consideration of potential future issues.

**(b) Statement of Responsibilities for the Statement of Accounts** (page 13)

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

**(c) Core Financial Statements** (page 14 to 72)

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

- **Movement in Reserves Statement - MIRS** (pages 14 to 15)

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.

- **Comprehensive Income and Expenditure Statement – CIES (page 16)**

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

- **Balance Sheet (page 17)**

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 18)**

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 19 to 72)

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

- (d) **Supplementary Financial Statements** (pages 73 to 87)

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

- **Collection Fund** (pages 73 to 79)

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 80 to 85)

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 the year is shown in the Movement on the HRA Statement.

- **Charities Administered by Dover District Council** (pages 86 to 87)

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

- (e) **Independent Auditors' Report** (page 88 to 90)

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

- (f) **Glossary** (pages 91 to 96)

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

## **SUMMARY OF THE 2015/16 FINANCIAL YEAR**

Dover District Council provides a variety of services for residents, local businesses and its tenants. Spending is split between revenue (as shown in the Comprehensive Income and Expenditure Statement) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are utilised within the year and is further split between the General Fund Revenue Account and the Housing Revenue Account. The General Fund Revenue Account includes the costs of providing day-to-day services to Council Tax payers and is financed from council tax, national non-domestic rates, government grants, fees and charges, use of reserves and other income. Expenditure charged to the Housing Revenue Account is defined in legislation, and relates to the cost of managing the Council's housing stock, which is financed by rental income. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets.

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

### **GENERAL FUND REVENUE ACCOUNT**

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

In March 2015 the Council set a net revenue budget of £16.075m. This was to be met by financing of £16.167m made up of central government grant of £8.537m, council tax income of £5.947m, New Homes Bonus of £1.571m and a Collection Fund surplus of £112k. This resulted in a small budget surplus of £92k.

During the year the forecast budget was increased by £7k to £16.082m. The financing was revised by £17k to £16.184m, resulting in an anticipated surplus of £102k. The outturn was a requirement of £16.398m, £316k higher than the forecast position. The financing received in the year was £16.505m, an increase of £321k from the forecast, mainly due to increased NNDR income. Overall the year-end position resulted in a £106k surplus for the year.

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

<b><u>2014/15 Actual</u></b> <b>£000</b>	<b>General Fund Budget Summary</b>	<b><u>2015/16 Original Budget</u></b> <b>£000</b>	<b><u>2015/16 Revised Budget</u></b> <b>£000</b>	<b><u>2015/16 Actual</u></b> <b>£000</b>
	<b><u>Directorate</u></b>			
3,763	Chief Executive	2,446	2,538	2,651
2,043	Governance	2,763	2,871	2,622
2,996	Finance, Housing & Community	2,418	2,587	3,823
6,607	Environment & Corporate Assets	7,765	8,636	8,214
434	Special Revenue Projects	392	765	381
0	Vacancy Allowance	(100)	0	0
0	Delivering Effective Services/EKS Target	100	62	0
(113)	Council Tax Second Homes Income	(113)	(113)	(113)
0	Contingency	124	106	0
<b>15,730</b>	<b>Directorate Service Costs</b>	<b>15,795</b>	<b>17,452</b>	<b>17,578</b>
(1,205)	Depreciation & Revaluations	(1,628)	(2,592)	(2,929)
907	IAS 19 Pension Adjustments	1,064	588	702
(6)	Accrued Annual Leave Adjustment	0	0	(14)
66	River Stour Drainage Board	67	67	67
142	Council Tax Support to Towns & Parishes	96	96	96
	<u>Contribution to/(from) Reserves:</u>			
798	- Special Projects & Events Reserve	335	202	1,151
457	- Periodic Operations Reserve	(97)	(58)	72
299	- Urgent Works Reserve	0	0	(120)
63	- Regeneration Reserve	266	137	462
98	- IT Equipment Reserve	182	142	404
(123)	- Revenue Grants in Advance Reserve	0	39	1,106
1,233	- Business Rates & Council Tax Reserve	0	0	0
<b>18,459</b>	<b>Net Service Expenditure</b>	<b>16,080</b>	<b>16,073</b>	<b>18,575</b>
	<u>Financing Adjustments</u>			
(206)	Interest & Investment Income	(242)	(228)	(412)
249	Interest Payable & Loan Repayments	237	237	251
(2,470)	Revenue Expenditure Funded by Capital Under Statute & Capital Grants Unapplied	0	0	(2,311)
373	Direct Revenue Financing of Capital	0	0	457
(62)	Soft Loan Adjustments	0	0	(161)
0	NDR Collection Fund Adjustment	0	0	0
<b>16,343</b>	<b>Total Budget Requirement</b>	<b>16,075</b>	<b>16,082</b>	<b>16,399</b>
	<b>Financed by:</b>			
4,682	Non-Domestic Rates	4,163	4,047	4,296
975	Enterprise Zone Relief Retained	1,707	1,840	1,852
3,698	Revenue Support Grant	2,529	2,529	2,597
5,874	Council Tax	5,947	5,947	5,947
20	Collection Fund Surplus	112	112	112
1,307	New Homes Bonus	1,571	1,571	1,581
91	New Burdens, CT freeze & Other Grants	138	138	120
<b>16,647</b>	<b>Total Financing</b>	<b>16,167</b>	<b>16,184</b>	<b>16,505</b>
<b>(304)</b>	<b>General Fund Surplus for the Year</b>	<b>(92)</b>	<b>(102)</b>	<b>(106)</b>
<b>(2,585)</b>	<b>General Fund Balance at Start of Year</b>	<b>(2,470)</b>	<b>(2,889)</b>	<b>(2,889)</b>
<b>0</b>	<b>HRA Transfer to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(2,889)</b>	<b>Leaving Year End Balances of</b>	<b>(2,562)</b>	<b>(2,991)</b>	<b>(2,995)</b>

## Major Variations

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

	Variance £000	Budget £000
Original Budget Surplus		(92)
Vacancy savings achieved over original provision	(151)	
Contribution to IT reserve for future projects on EKS programme	210	
Additional Enterprise Zone Relief grant in respect of prior year	(133)	
Additional Homelessness costs	92	
Additional Development Management Income	(89)	
Additional Off-Street Parking Income	(70)	
Business Rates pooling income reassessment	116	
Miscellaneous other variances (net)	15	
Revised Budget Surplus		(102)
Improved NDR position	(99)	
East Kent Services management fee savings and reserve release	(136)	
Contingency not used	(94)	
Reduced provision for bad debts	(89)	
Vacancy savings – mainly time lag in replacement of posts	(55)	
Refuse & Recycling negative inflation for last 3 months of year	(33)	
Contribution to Special Projects reserve for future projects	650	
Realised gains and adjustments on sale of investments	(148)	
Actual Budget Surplus		(106)

## Financing

The financing of the budget of £16.5m came from:

	£000	%
Council tax <sup>1</sup>	5,947	36.0
Revenue Support Grant <sup>2</sup>	2,597	15.7
Non-domestic rates <sup>3</sup>	4,296	26.0
Enterprise Zone Relief Retained <sup>4</sup>	1,852	11.2
New Homes Bonus <sup>5</sup>	1,581	9.6
New Burdens, CT freeze & other grants <sup>6</sup>	120	0.8
Collection Fund Surplus – Council Tax <sup>7</sup>	112	0.7
<b>Total</b>	<b>16,505</b>	<b>100.0</b>

(1) Council tax is paid by the residents of the district to the Council. However, only 14.9% of the council tax collected was retained by the district, of which 10.9% was for its own use as 4.0% was to meet the precepts of the various town and parish councils. 70.9% was paid to Kent County Council with the remainder paid to The Police & Crime Commissioner for Kent (9.6%) and the Kent and Medway Fire & Rescue Authority (4.6%).

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

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 2015/16 £34.8m 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 £10.5m which, in 2015/16, reduces its retained funding (after provisions, for example for Business Rates appeals) to just above the baseline level that the Government has calculated that it needs. As such, Dover pays a small levy to the Government. See the Collection Fund section for more information (pages 72 – 78).

- (3) Enterprise Zone Relief is granted 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 2015/16 is £1,068k. In addition, we are required to recognise an adjustment relating to prior years EZ relief of £784k.
- (4) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2015/16 was £1,581k.
- (5) The Government has provided £8k New Burdens Grants (non-service specific) in relation to assets of community value. The Council has also received £69k Council Tax Freeze Grant and further funding of £43k from the DCLG to cover legal challenges related to property search fees.
- (6) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2015) as the Council's likely share of the distributable surplus on the Collection Fund at 31<sup>st</sup> March 2015 relating to Council Tax, which has been distributed in 2015/16.

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

The Council maintains a housing stock of 4,374 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £2,022k was paid off the PWLB loan principle sum during 2015/16. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2015/16 the HRA outturn was a decrease in the HRA balance to £81k compared to the original budget forecast of a surplus of £1,824k, an adverse variance of £1905k. The main reasons for the variance are as follows:

- Transfer to Housing Initiatives Reserve - £3.6m
- Re-phased spend on the Capital Works Programme - (£497k).
- Additional dwelling rent income – (£332k)
- Reduction in Rent, Rates Taxes & Other Charges of (£71k)
- Removal of Home Loss Payment (£100k) due to deferral of refurbishment of Norman Tailyour House to 2016/17

- Reduction in the bad debt provision (£105k)
- Reduction in revenue maintenance budgets (£340k)

In 2015/16 £4.7m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of circa £1m.

£1.6m was invested in new HRA housing projects including the provision of six dwellings in Deal, 11 dwellings in Dover and a further property bought in Dover for redevelopment.

## **CAPITAL INVESTMENT**

The Council invested £11.4m in major projects in 2015/16, the most significant of which were:

- £479k on works to progress the development of Dover Town Investment Zone and the surrounding area;
- £179k on the rebuilding of the Deal Town football club pavilion;
- £5.7m on Housing Revenue Account property projects including £1.5m on the construction of new council housing, purchase and refurbishment of new council stock, and purchase of affordable homes; and £77k on the refurbishment of play areas;
- £257k on grants and loans for private sector housing;
- £812k on disabled facility grants;
- £174k on the Parks for People project at Kearsney Abbey and Russell Gardens;
- £1.3m on grant funding issued to the Discovery Park Enterprise Zone;
- £1.9m on timber groyne replacement works at Kingsdown;
- The remainder has been spent on a number of smaller projects.

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

- £4.4m in grants from external bodies including the Department for Communities and Local Government, Department for Energy and Climate Change; Environment Agency, Heritage Lottery Fund, and Partnership Funding;
- £2.7m from the Major Repairs Reserve;
- £1.2m from the Housing Revenue Account (revenue financing);
- £472k from excess Right to Buy receipts;
- £862k from capital receipts;
- £1.1m from earmarked reserves;
- £179k from insurance monies.

Overall, the capital programme is within budget.

Right to Buy sales continue to increase due to Government initiatives to encourage sales; overall sales were considerably higher in 2015/16 than in 2014/15.

## **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 2016 the Council had investment balances and day-to-day cash balances managed in-house of approximately £49m as at 31 March 2016. 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 0.52% for the year.

The total interest received for the year was approximately £313k. This was lower than the original budget of £333k, which is due to ongoing pressure on interest rates and the reduction in deposit durations permissible for part-nationalised banks following revisions to credit ratings.

The revised Treasury Management Strategy Statement (TMSS) for 2015/16 was updated and approved at the end of September 2015 in order to deal with the higher level of in-house funds available for investment as a result of funds being returned from Investec on their withdrawal from custodianship arrangements on 30<sup>th</sup> June 2015. Accordingly, further bank accounts were opened during the third quarter to enable funds to be placed with HSBC (£7.5m), Barclays (£5m) and Santander (£5m) to enable higher interest rates to be achieved. Cashflow funds also remain high, and include significant funds in the Dover Regeneration and Economic Development Reserve that are earmarked for spending during 2016/17 and 2017/18 as part of the leisure centre and town hall projects. Similarly, more than £3m remains in the Council's bank account awaiting payment requests from Discovery Park, where the Council is acting as the accountable body (intermediary) for "Building Foundations for Growth" grant already received from DCLG. For these reasons, the Council exceeded the £10m deposit limit with its operating bank (NatWest) at times during the year in breach of its revised 2015/16 TMSS, but in a low risk, instant access Special Interest Bearing Account (SIBA).

The Council has remained within its Treasury Management guidelines, except as mentioned above, and within the Prudential Code guidelines during the year.

The Council has just under £87m 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).

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

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

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

<b>As at 31 March</b>	<b>2015 £000</b>	<b>2016 £000</b>
Value of land, property and other assets	256,499	279,642
Investments held and cash at bank	44,983	50,701
Money owed to DDC for goods and services	9,876	8,852
Loans owed to DDC (short and long term)	2,817	2,048
Money owed by DDC for goods and services	(18,829)	(17,857)
Loans owed by DDC (short and long term)	(92,038)	(90,008)
Grants for assets received but not yet used	(1,513)	(933)
Share of pension scheme liabilities owed by DDC	(81,456)	(76,958)
<b>Total Assets less Total Liabilities</b>	<b>120,339</b>	<b>155,487</b>
<b>Financed by:</b>		
Usable reserves <sup>1</sup>	38,593	45,513
Unusable reserves <sup>2</sup>	81,746	109,974
<b>Net Worth of Council</b>	<b>120,339</b>	<b>155,487</b>

<sup>1</sup> Usable reserves are made up of:

Capital receipts and grants	8,768	8,976
Revenue balances	3,983	4,008
Earmarked reserves	25,842	32,529
	<b>38,593</b>	<b>45,513</b>

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

## PENSION FUND

The Council is a member of the Local Government Pension Scheme administered by Kent County Council. This Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits). IAS19 does not have an impact on the level of employer contribution rates paid by the Council.

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 2016 was £76.9m (£81.4m at 31 March 2015).

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 2013. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

Further information relating to the pension scheme is included in Note 18 Pension Costs.

## **MEDIUM TERM FINANCIAL PLAN**

The Council's Budget 2016/17 and Medium Term Financial Plan (MTFP) 2016/17 – 2019/20 were approved in March 2016. 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:

- Funded General Fund budget for 2016/17;
- Prudent General Fund balances maintained in 2016/17;
- Underlying net expenditure unchanged from 2015/16;
- Council Tax increases continue to be capped at £5 with the Council Tax base forecast to continue growing;
- Forecasting for future years shows of £1m per annum needed in 2017/18, 2018/19 and 2019/20 to balance the future year budgets;
- 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;
- Financed 2016/17 capital programme; and
- Significant risks and budget volatility in future years.

More detailed information on the Council's Budget for 2016/17 and the Medium Term Financial Plan can be found on the Council's website at: <http://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 and / 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 over a transitional period in the lead up to the introduction of Universal Credit;
- The sustainability of the NHB scheme and what will follow;
- 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
- Further explore and develop 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 secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance, Housing and Community;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

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

The Director of Finance, Housing and Community is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code)*.

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

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

The Director of Finance, Housing and Community has also:

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

By signing the Statement of Accounts, the Director of Finance, Housing and Community is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

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:

## MOVEMENT IN RESERVES STATEMENT

2014/15									
Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April</b>	<b>2,585</b>	<b>1,786</b>	<b>18,226</b>	<b>2,012</b>	<b>3,585</b>	<b>711</b>	<b>28,905</b>	<b>71,404</b>	<b>100,309</b>
<b>Comprehensive Income &amp; Expenditure</b>									
Surplus or (deficit) on the provision of services	3,704	15,995					19,699		19,699
Other comprehensive income & expenditure								333	333
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>3,704</b>	<b>15,995</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,699</b>	<b>333</b>	<b>20,032</b>
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>									
Depreciation and amortisation of non-current assets	4	2,718		1,565			4,283	(4,283)	0
Impairment of non-current assets	4	305					305	(305)	0
Depreciation charged to the HRA	HRA		(3,321)	3,321			0	0	0
MRA transferred to fund capital expenditure	3			(4,886)			(4,886)	4,886	0
Capital grants and contributions applied	21	(2,430)					(2,430)	2,430	0
Capital grants and contributions unapplied	21	(4,338)				3,909	(429)	429	0
Changes in the value of Investment Properties	5	(48)					(48)	48	0
Revenue expenditure funded from capital under statute	10	2,470					2,470	(2,470)	0
(Gain) or loss on disposal of non-current assets	7	22	80		1,568		1,670	(1,670)	0
Revaluation gain	33	(1,818)	(8,042)				(9,860)	9,860	0
Adjustments under statutory provisions relating to soft loans	15	(328)					(328)	328	0
Loan Principal Repayments	13	(12)					(12)	12	0
Net charges made for retirement benefits	18	1,569					1,569	(1,569)	0
Council tax income regulatory adjustment	19	(16)					(16)	16	0
NNDR income regulatory adjustments	20	1,611					1,611	(1,611)	0
Enterprise Zone Relief regulatory adjustment	20	(174)					(174)	174	0
Capital expenditure charged to revenue	9	(371)	(2,626)				(2,997)	2,997	0
Employee benefits – accrued annual leave	22	6					6	(6)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	261			(261)		0	0	0
Capital receipts applied	9	0			(743)		(743)	743	0
<b>Net Increase or Decrease before Transfers to/from Earmarked Reserves</b>	<b>3,130</b>	<b>2,086</b>	<b>0</b>	<b>0</b>	<b>564</b>	<b>3,909</b>	<b>9,689</b>	<b>10,342</b>	<b>20,032</b>
Transfers to or (from) earmarked reserves	25	(2,826)	(2,778)	2,826	2,778	0	0	0	0
<b>Increase or Decrease in Year</b>	<b>304</b>	<b>(692)</b>	<b>2,826</b>	<b>2,778</b>	<b>564</b>	<b>3,909</b>	<b>9,689</b>	<b>10,342</b>	<b>20,032</b>
<b>Balance at 31 March</b>	<b>2,889</b>	<b>1,094</b>	<b>21,052</b>	<b>4,790</b>	<b>4,148</b>	<b>4,620</b>	<b>38,593</b>	<b>81,746</b>	<b>120,339</b>

# MOVEMENT IN RESERVES STATEMENT

2015/16

Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April</b>	<b>2,889</b>	<b>1,094</b>	<b>21,052</b>	<b>4,790</b>	<b>4,148</b>	<b>4,620</b>	<b>38,593</b>	<b>81,746</b>	<b>120,339</b>
<b>Comprehensive Income &amp; Expenditure</b>									
Surplus or (deficit) on the provision of services	(2, 404)	26,118					23,714		23,714
Other comprehensive income & expenditure								11,434	11,434
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(2,404)</b>	<b>26,118</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,714</b>	<b>11,434</b>	<b>35,148</b>
<b>Adjustments between Accounting Basis &amp; Funding Basis under Regulations</b>									
Depreciation and amortisation of non-current assets	4	2,994		1,721			4,715	(4,715)	0
Impairment of non-current assets	4	25					25	(25)	0
Depreciation charged to the HRA	HRA		(3,066)	3,066					0
MRA transferred to fund capital expenditure	3			(4,787)			(4,787)	4,787	0
Capital grants and contributions applied	21	(2,862)			22	(1,346)	(4,186)	4,186	0
Capital grants and contributions unapplied	21								0
Changes in the value of Investment Properties	5	(67)					(67)	67	0
Revenue expenditure funded from capital under statute	10	2,311					2,311	(2,311)	0
(Gain) or loss on disposal of non-current assets	7	640	(1,388)		3,177		2,429	(2,429)	0
Revaluation gain	33	(90)	(15,814)				(15,904)	15,904	0
Adjustments under statutory provisions relating to soft loans	15	692					692	(692)	0
Loan Principal Repayments	13	(9)					(9)	9	0
Net charges made for retirement benefits	18	1,388	38				1,426	(1,426)	0
Council tax income regulatory adjustment	19	(116)					(116)	116	0
NNDR income regulatory adjustments	20	53					53	(53)	0
Enterprise Zone Relief regulatory adjustment	20	783					783	(783)	0
Renewable Energy regulatory adjustment	20	(12)					(12)	12	0
Capital expenditure charged to revenue	9	(457)	(2,370)				(2,827)	2,827	0
Employee benefits – accrued annual leave	22	14					14	(14)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	299			(299)				0
Capital receipts applied	9				(1,334)		(1,334)	1,334	0
<b>Net Increase or Decrease before Transfers to/from Earmarked Reserves</b>		<b>3,182</b>	<b>3,518</b>	<b>0</b>	<b>0</b>	<b>1,566</b>	<b>(1,346)</b>	<b>6,920</b>	<b>28,228</b>
Transfers to or (from) earmarked reserves	25	(3,076)	(3,599)	3,088	3,599	(12)	0		0
<b>Increase or Decrease in Year</b>		<b>106</b>	<b>(81)</b>	<b>3,088</b>	<b>3,599</b>	<b>1,566</b>	<b>(1,358)</b>	<b>6,920</b>	<b>35,148</b>
<b>Balance at 31 March</b>		<b>2,995</b>	<b>1,013</b>	<b>24,140</b>	<b>8,389</b>	<b>5,714</b>	<b>3,262</b>	<b>45,513</b>	<b>109,974</b>
								<b>155,487</b>	



# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

Gross Expenditure £000	2014/15 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2015/16 Gross Income £000	Net Expenditure £000
			<b>Continuing Operations</b>				
2,602	(1,464)	1,138	Central Services to the Public		3,352	(1,408)	1,944
3,150	(471)	2,679	Cultural and Related Services		5,164	(788)	4,376
10,897	(6,099)	4,798	Environmental and Regulatory Services		11,305	(6,003)	5,302
6,061	(2,367)	3,694	Planning and Development Services		6,026	(3,616)	2,410
1,595	(2,278)	(683)	Highways and Transport Services		1,643	(2,323)	(680)
1,385	(20,659)	(19,274)	Local Authority Housing (HRA)		(6,814)	(21,169)	(27,983)
43,892	(41,879)	2,013	Other Housing Services		43,142	(40,802)	2,368
1,735	(144)	1,591	Corporate and Democratic Core		1,900	(156)	1,744
5	0	5	Public Health		12	0	12
627	(128)	499	Non-distributed costs		285	(232)	53
<b>71,949</b>	<b>(75,489)</b>	<b>(3,540)</b>	<b>Net Cost of Services</b>		<b>66,015</b>	<b>(76,497)</b>	<b>(10,454)</b>
			<b>Other Operating Expenditure:</b>				
			<u>Amounts due to precepting authorities:</u>				
		2,268	– Town and Parish Councils				2,272
		66	– River Stour Drainage Board Levy				67
			Contribution of Housing Capital Receipts to Central	23			
		261	Government Pool				299
		110	(Gain) or loss on disposal of fixed assets	7			(748)
		(8)	Other income				(22)
			<b>Financing and Investment Income &amp; Expenditure:</b>				
		3,148	Interest payable and similar charges				3,085
		(666)	Interest and investment income				70
		(48)	Changes in the value of Investment Properties	5			(67)
		2,830	Net Interest on Defined Benefit Liability	18			2,549
			<b>Taxation &amp; Non-specific Grant Income:</b>				
		(8,036)	Demand on the Collection Fund – Council Tax	19			(8,351)
		(4,220)	Income from National Non-Domestic Rates	20			(5,323)
		(5,096)	Government grants (not attributable to specific services)	21			(4,299)
		(6,768)	Capital Grants and Contributions	21			(2,791)
		<b>(19,699)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(23,713)</b>
		(14,331)	(Surplus) or deficit arising on revaluation of fixed assets	35			(5,654)
		(61)	(Surplus) or deficit on revaluation of available-for-sale financial assets	16			144
		14,059	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	18			(5,924)
		<b>(333)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(11,434)</b>
		<b>(20,032)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(35,147)</b>

## CONSOLIDATED BALANCE SHEET

31 March 2015			31 March 2016	
£000		Notes	£000	£000
164,928	Council dwellings		183,498	
73,379	Land and buildings		76,469	
1,104	Vehicles, plant and equipment		1,093	
7,156	Infrastructure assets		8,890	
182	Community assets		178	
3,098	Assets under construction		2,992	
<b>249,847</b>	<b>Property, Plant and Equipment</b>	4		<b>273,120</b>
4,127	Heritage assets	6	4,127	
2,201	Investment property	5	2,268	
157	Intangible assets	4	66	
6	Long term investments	11	6	
2,817	Soft loans	15	2,048	
1,006	Long term debtors	26	1,212	
<b>10,314</b>	<b>Long Term Assets</b>			<b>9,727</b>
22,046	Short term investments	11	34,504	
168	Stocks in hand	11	61	
12,318	Short term debtors	26	11,748	
(3,448)	Less provision for bad debts	26	(4,108)	
22,932	Cash and cash equivalents	27	16,191	
<b>54,016</b>	<b>Current Assets</b>			<b>58,396</b>
(2,187)	Short term borrowing	12	(2,252)	
(13,417)	Short term creditors	28	(14,151)	
(3,249)	Provisions	29	(1,161)	
(2,164)	Receipts in advance	30	(2,545)	
<b>(21,017)</b>	<b>Current Liabilities</b>			<b>(20,109)</b>
(89,851)	Long term borrowing	12	(87,756)	
(1,514)	Capital grants received in advance	32	(933)	
(81,456)	Pensions liability	18	(76,958)	
<b>(172,821)</b>	<b>Long Term Liabilities</b>			<b>(165,647)</b>
<b>120,339</b>	<b>Net Assets</b>			<b>155,487</b>
2,889	General Fund balance	24	2,995	
1,094	Housing Revenue Account balance	24	1,013	
21,052	Earmarked reserves	25	24,140	
4,790	Housing Revenue Account reserves	25	8,389	
4,148	Usable capital receipts reserve	23	5,714	
4,620	Capital grants unapplied	31	3,262	
<b>38,593</b>	<b>Reserves Available to Fund Services</b>			<b>45,513</b>
37,605	Revaluation reserve	35	41,540	
126,645	Capital adjustments account	33	147,998	
166	Available-for-sale financial instruments reserve	16	22	
(832)	Financial adjustments account	14	(1,524)	
288	Collection Fund adjustment account-Council tax	19	404	
(1,411)	Collection Fund adjustment account-NNDR	20	(1,464)	
840	Enterprise Zone relief adjustment account	20	57	
0	Renewable Energy adjustment account		12	
(99)	Employee adjustment account	22	(113)	
(81,456)	Pensions reserve	18	(76,958)	
<b>81,746</b>	<b>Reserves Unavailable to Fund Services</b>			<b>109,974</b>
<b>120,339</b>	<b>Total Reserves</b>			<b>155,487</b>

## CASH FLOW STATEMENT

2014/15		2015/16	
£000	£000	£000	£000
15,583	Cash & cash equivalents – at 1 April		22,932
22,932	Cash & cash equivalents – at 31 March		16,191
<u>(7,349)</u>	<b>Net (increase) or decrease in Cash &amp; Cash Equivalents</b>		<u>6,741</u>
£000	£000	£000	£000
<b>(19,699)</b>	<b>Net surplus on Income &amp; Expenditure</b>		<b>(23,713)</b>
	<u>Non-cash transactions:</u>		
(4,388)	Depreciation and amortisation	(3,000)	
9,712	Revaluation gains / losses	15,946	
(110)	Gains / losses on disposal of fixed assets	747	
(1,569)	Pension adjustments	(1,426)	
328	Financial instruments adjustments	(548)	
(2,061)	Provisions	2,087	
<u>3,321</u>	Transfer to/from earmarked reserves	<u>(1,721)</u>	
5,233			12,085
	<u>Items on an accruals basis:</u>		
8	Increase or (decrease) in stock and work in progress	(106)	
2,747	Increase or (decrease) in debtors	221	
137	Increase or (decrease) in long term debtors	206	
(241)	Movement in provision for bad debts	(555)	
(1,105)	(Increase) or decrease in creditors	(301)	
(559)	(Increase) or decrease in receipts in advance	(382)	
<u>(1,420)</u>	Collection Fund adjustment accounts	<u>(709)</u>	
(433)			(1,626)
	<u>Adjustments re investing and financing activities:</u>		
(2,470)	Revenue expenditure funded from capital	(2,311)	
<u>8,365</u>	Capital grant contributions and capital receipts	<u>2,862</u>	
5,895			551
<b>(9,004)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(12,703)</b>
	<u>Investing activities:</u>		
2,163	Purchase of property, plant, equipment, etc.	9,102	
2,470	Other payments for investing activities	(78)	
0	Proceeds from long and short term investments	(4,699)	
3,052	Purchase of long and short term investments	17,125	
(1,597)	Proceeds from the sale of non-current assets	(3,199)	
<u>(7,514)</u>	Movement in capital grants	<u>52</u>	
(1,426)	<b>Net Cash Flows from Investing Activities</b>		18,303
	<u>Financing activities:</u>		
1,971	Net movement in short & long term borrowing	2,031	
<u>1,110</u>	Net movement in Collection Fund cash position	<u>(890)</u>	
3,081	<b>Net Cash Flows from Financing Activities</b>		1,141
<u><b>(7,349)</b></u>			<u><b>6,741</b></u>

## **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 2015/16. 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.
- 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 for goods and services provided or received by the end of the financial year are accrued to ensure that income and expenditure is accounted for in the period to which it relates. In particular, revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Similarly, revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

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

**(e) Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of 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 (PCC) and Kent Fire and Rescue Authority (KFR) in relation to Council Tax, and the Department for Communities and Local Government (DCLG), KCC and KMFR 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**

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

**(h) Contingent Assets 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.

**(i) Debt Write-Off**

The Director of Finance, Housing and Community approves and / or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Director of Finance, Housing and Community there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs a provision is made for bad debt taking into account the size and age of the debt outstanding and the likelihood of recovery.

**(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.

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

### Termination Benefits

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

In the event of notice of termination being served on an employee the 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. The next formal valuation of the Kent County Council Pension Fund for funding purposes is due on 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 30 September.

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 depreciation over a period of up to 40 years. Examples of infrastructure assets are sea defences, footpaths and signage.

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

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

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period with gains/losses recognised in the Comprehensive Income and Expenditure Statement.

Investment property is not subject to depreciation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

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

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy

and material changes will be incorporated into the accounts. A de-minimis level has been set at £10k for heritage assets based on the method of valuation above.

Heritage Assets are not subject to depreciation.

**(t) Overheads and Support Services**

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

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

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

**(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 brought 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 and garages which are also valued annually	For HRA dwellings a 1% change in the indicators would result in £1.5m change in the balance sheet values, equating to

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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.	approximately £350 per dwelling. There would also be an impact of approximately £15k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.5m.
Bad Debts Provisions	The Council has bad debt provisions of £4.1m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 50.34% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

### 3. SEGMENTAL REPORTING

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

The services are broken down as follows:

- Chief Executive – this incorporates the costs of the Chief Executive Officer, associated organisational support and the management of inward investment. It also includes the costs of planning and building control services, and management of regeneration activities.
- Finance, Housing and Community – includes costs associated with financial control, compliance and processing functions, community engagement, private sector housing, homelessness, choice-based lettings, administration of housing grants and payment of housing and council tax benefits (and the receipt of related subsidies). It also includes the Council's share of internal audit and management fees paid to East Kent Services for managing the ICT, customer services and revenues and benefits functions.
- Environment and Corporate Assets – includes costs associated with the management and maintenance of the Council's assets, including parks and sports centres, as well as street cleansing, refuse collection and recycling. It also



includes community safety partnership work aimed at reducing antisocial behaviour and crime.

- Governance – includes costs associated with council democracy and compliance, including elections and maintaining the electoral register, remuneration of councillors, and land charges, as well as support services such as legal, performance & risk and the Council's share of human resources. It also includes licensing and environmental health and control services (including inspection and enforcement).
- Shared services (DDC–hosted) – includes costs of the East Kent Audit Partnership and East Kent Human Resources, which are internally hosted by the Council.
- Housing Revenue Account – this includes costs associated with the provision and maintenance of council houses and flats, as well as any income derived from them.

## Segmental Analysis

	2014/15						
	Chief Executive	Finance, Housing & Community	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Income:</b>							
Fees, charges and other service income	(904)	(835)	(10,212)	(697)	(1,723)	(20,659)	(35,030)
Interest and investment income	0	(4)	0	0	0	(66)	(70)
Government grants and contributions	(63)	(40,881)	0	(122)	0	0	(41,066)
<b>Total Income</b>	<b>(967)</b>	<b>(41,720)</b>	<b>(10,212)</b>	<b>(819)</b>	<b>(1,723)</b>	<b>(20,725)</b>	<b>(76,166)</b>
<b>Expenditure:</b>							
Employee expenses	1,729	1,942	3,243	2,229	1,548	333	11,024
Premises	12	0	1,666	11	0	864	2,553
Transport	12	10	109	36	19	0	186
Supplies and services	2,354	2,228	1,798	785	149	3,071	10,385
Third party payments	0	2,694	8,778	0	211	5,605	17,288
Housing Benefits	0	39,054	0	0	0	0	39,054
Support service recharges	519	(1,405)	191	(211)	(206)	606	(506)
Depreciation and amortisation	111	81	2,574	12	2	1,574	4,354
<b>Total Expenditure</b>	<b>4,737</b>	<b>44,604</b>	<b>18,359</b>	<b>2,862</b>	<b>1,723</b>	<b>12,053</b>	<b>84,338</b>
<b>Net Cost of Services (excl. impairments)</b>	<b>3,770</b>	<b>2,884</b>	<b>8,147</b>	<b>2,043</b>	<b>0</b>	<b>(8,672)</b>	<b>8,172</b>

## Segmental Analysis

	2015/16						
	Chief Executive	Finance, Housing & Community	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Income:</b>							
Fees, charges and other service income	(2,105)	(1,228)	(10,387)	(660)	(1680)	(21,169)	(37,229)
Interest and investment income	0	0	0	0	0	(50)	(50)
Government grants and contributions	(29)	(39,796)	(50)	(167)	0	0	(40,042)
<b>Total Income</b>	<b>(2,134)</b>	<b>(41,024)</b>	<b>(10,437)</b>	<b>(827)</b>	<b>(1,680)</b>	<b>(21,219)</b>	<b>(77,321)</b>
<b>Expenditure:</b>							
Employee expenses	1,918	2,033	3,554	2,556	1,602	284	11,947
Premises	3	3	1,677	88	0	869	2,640
Transport	13	14	85	33	18	0	163
Supplies and services	2,102	3,019	1,955	843	141	2,852	10,912
Third party payments	14	3,071	8,792	0	129	4,852	16,858
Housing Benefits	0	38,169	0	0	0	0	38,169
Support service recharges	639	(1,769)	130	(84)	(212)	784	(512)
Depreciation and amortisation	95	193	2,852	13	2	1,730	4,885
<b>Total Expenditure</b>	<b>4,784</b>	<b>44,733</b>	<b>19,045</b>	<b>3,449</b>	<b>1,680</b>	<b>11,371</b>	<b>85,062</b>
<b>Net Cost of Services (excl. impairments)</b>	<b>2,650</b>	<b>3,709</b>	<b>8,608</b>	<b>2,622</b>	<b>0</b>	<b>(9,848)</b>	<b>7,741</b>

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

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

	2014/15 £000	2015/16 £000
<b>Cost of services in service analysis</b>	<b>8,172</b>	<b>7,741</b>
<b>Add: Amounts not reported to management</b>		
Revaluation gain on HRA stock	(8,042)	(15,814)
Revaluation loss on General Fund assets	304	25
Revaluation gain on General Fund assets	(1,816)	(90)
Special Projects, incl. Restructuring – reported separately in Medium Term Financial Plan	434	383
<b>Less: Amounts not included in Comprehensive Income and Expenditure Statement</b>		
Direct revenue financing	(2,661)	(2,749)
<b>Add back: Items included in other operating expenditure</b>		
Investment income received	69	50
<b>Net Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(3,540)</b>	<b>(10,454)</b>

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

The table below reconciles the cost of services above to the surplus or deficit on the provision of services shown within the Comprehensive Income and Expenditure Statement:

2014/15					2015/16				
Service Analysis	Not Reported to Management	Not Included in Comp Inc & Exp Statement	Corporate Amounts	Total	Service Analysis	Not Reported to Management	Not Included in Comp Inc & Exp Statement	Corporate Amounts	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(35,030)	0	0	0	(35,030)	Income:				
					Fees, charges & other service income	(37,229)	(126)	0	(37,355)
(70)	0	0	(495)	(565)	Interest & investment income	(50)	0	118	68
0	0	0	(8,036)	(8,036)	Income from council tax	0	0	(8,350)	(8,350)
(41,066)	0	0	(11,865)	(52,931)	Government grants/contributions	(40,042)	(39)	(7,090)	(47,171)
0	0	0	(4,220)	(4,220)	NDR	0	0	(5,323)	(5,323)
0	0	0	(1,560)	(1,560)	Disposal of non-current assets	0	0	(3,177)	(3,177)
<b>(76,166)</b>	<b>0</b>	<b>0</b>	<b>(26,176)</b>	<b>(102,342)</b>	<b>Total Income</b>	<b>(77,321)</b>	<b>(165)</b>	<b>0</b>	<b>(23,822)</b>
					Expenditure:				
11,024	0	0	2,830	13,854	Employee expenses	11,947	0	2,549	14,496
2,553	131	0	0	2,684	Premises	2,640	76	0	2,716
186	0	0	0	186	Transport	163	0	0	163
10,385	248	(2,661)	0	7,972	Supplies & services	10,912	365	(2,748)	8,529
17,288	50	0	0	17,338	Third party payments	16,858	95	0	16,953
0	0	0	3,148	3,148	Interest payments	0	0	3,085	3,085
0	0	0	2,334	2,334	Precepts & levies	0	0	2,339	2,339
39,054	0	0	0	39,054	Housing benefits	38,169	0	0	38,169
(506)	6	0	0	(500)	Support service recharges	(512)	12	0	(500)
4,354	0	0	0	4,354	Depreciation, amortisation & impairments	4,885	0	0	4,885
0	(9,555)	0	0	(9,555)	Revaluation (gains)/losses	0	(15,879)	0	(15,879)
0	(48)	0	0	(48)	Investment Property Revaluations	0	(67)	0	(67)
0	0	0	(101)	(101)	Financial Instruments Adjustment	0	0	0	0
0	0	0	261	261	Housing capital receipts pool	0	0	299	299
0	0	0	1,662	1,662	Disposal of non-current assets	0	0	2,407	2,407
<b>84,338</b>	<b>(9,168)</b>	<b>(2,661)</b>	<b>10,134</b>	<b>82,643</b>	<b>Total Expenditure</b>	<b>85,062</b>	<b>(15,398)</b>	<b>(2,748)</b>	<b>77,595</b>
<b>8,172</b>	<b>(9,168)</b>	<b>(2,661)</b>	<b>(16,042)</b>	<b>(19,699)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>7,741</b>	<b>(15,563)</b>	<b>(2,748)</b>	<b>(23,713)</b>

#### 4. PROPERTY, PLANT AND EQUIPMENT

<b>Movement on Balances 2014/15</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>At 1 April 2014</b>	<b>153,755</b>	<b>64,261</b>	<b>3,930</b>	<b>13,341</b>	<b>575</b>	<b>495</b>	<b>2,318</b>	<b>238,675</b>
Additions – expenditure in year	5,426	260	78	12	0	30	1,246	7,052
Additions – transfer from WIP*	18	0	13	273	0	90	(454)	(60)
Revaluation increases or decreases recognised in the Revaluation reserve	0	12,118	0	0	0	0	0	12,118
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	6,602	(522)	0	0	0	0	0	6,080
Transfers	0	109	0	0	0	0	(13)	96
De-recognition – other Disposals	(873)	(182)	0	0	0	(615)	0	(1,670)
<b>At 31 March 2015</b>	<b>164,928</b>	<b>76,044</b>	<b>4,021</b>	<b>13,626</b>	<b>575</b>	<b>0</b>	<b>3,097</b>	<b>262,291</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2014	0	(4,509)	(2,827)	(6,192)	(388)	0	0	(13,916)
Depreciation charge	(1,440)	(2,403)	(88)	(279)	(4)	0	0	(4,214)
Disposals	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	1,440	4,247	0	0	0	0	0	5,687
<b>Subtotal</b>	<b>0</b>	<b>(2,665)</b>	<b>(2,915)</b>	<b>(6,471)</b>	<b>(392)</b>	<b>0</b>	<b>0</b>	<b>(12,443)</b>
<b>Net Book Value</b>								
At 31 March 2015	164,928	73,379	1,106	7,156	182	0	3,097	249,848
At 31 March 2014	153,755	59,752	1,103	7,150	186	495	2,318	224,759

\* 'Additions – transfers from WIP' in the table above includes a £60k transfer to intangible non-current assets, hence the £60k credit for the line total.

<b>Movement on Balances 2015/16</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction (WIP)</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>At 1 April 2015</b>	<b>164,928</b>	<b>76,045</b>	<b>4,019</b>	<b>13,626</b>	<b>575</b>	<b>0</b>	<b>3,097</b>	<b>262,290</b>
Additions – Expenditure in year	6,179	634	77	2,018	0	0	(106)	8,802
Additions—transfer from WIP*	0	0	0	0	0	0	0	0
Revaluation increases or decreases recognised in the Revaluation Reserve	0	5,654	0	0	0	0	0	5,654
Revaluation increases or decreases recognised in the Surplus or Deficit on the Provision of Services	14,227	(2,106)	0	0	0	0	0	12,121
Transfers	0	0	0	0	0	0	0	0
De-recognition – Other	(1,836)	(614)	0	0	0	0	0	(2,450)
Disposals	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>183,498</b>	<b>79,613</b>	<b>4,096</b>	<b>15,644</b>	<b>575</b>	<b>0</b>	<b>2,991</b>	<b>286,417</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	0	(2,665)	(2,915)	(6,471)	(392)	0	0	(12,443)
Depreciation charge	(1,587)	(2,670)	(88)	(284)	(4)	0	0	(4,633)
Disposals	0	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairment	1,587	2,194	0	0	0	0	0	3,781
<b>Subtotal</b>	<b>0</b>	<b>(3,140)</b>	<b>(3,003)</b>	<b>(6,755)</b>	<b>(396)</b>	<b>0</b>	<b>0</b>	<b>(13,295)</b>
<b>Net Book Value</b>								
At 31 March 2016	183,498	76,473	1,093	8,889	179	0	2,991	273,122
At 31 March 2015	164,928	73,379	1,106	7,156	182	0	3,097	249,848

## 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:

	2014/15 £000	2015/16 £000
General Fund	2,646	2,911
Housing Revenue Account	1,568	1,721
<b>Total</b>	<b>4,214</b>	<b>4,632</b>

## Intangible Non-Current Assets

	2014/15 £000	2015/16 £000
Opening Net Book Value	167	157
Additions – transferred from	61	0
Additions – expenditure in year	7	0
Amortisation – General Fund	(78)	(92)
<b>Closing Net Book Value</b>	<b>157</b>	<b>65</b>

## Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies. 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 2015. Housing Revenue Account dwellings and garages were valued as at 31 March 16 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. There are no significant general fund impairments in 15/16. Improvement in the housing market has resulting in a gain in the housing stock valuation for 15/16.



	2014/15 £000	2015/16 £000
<b>General Fund</b>		
General gain/(loss) on Other Land and Buildings	(522)	(3,568)
Losses written out of Revaluation Reserve	201	3,300
Write back Depreciation	15	243
<b>Total charged to the General Fund</b>	<b>(306)</b>	<b>(25)</b>
<b>Housing Revenue Account</b>		
General gain/(loss) on Housing Stock	6,602	14,227
Write back Depreciation	1,440	1,587
<b>Total charged to the HRA</b>	<b>8,042</b>	<b>15,814</b>
<b>Total charged to Property, Plant &amp; Equipment</b>	<b>(306)</b>	<b>(25)</b>
Impairments charged to Revaluation Reserve		
<b>Total charged to Income &amp; Expenditure Account</b>	<b>(306)</b>	<b>(25)</b>

## 5. INVESTMENT PROPERTIES

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

	2014/15 £000	2015/16 £000
Rental income from investment property	299	309
Direct operating expenses arising from investment property	(107)	(120)
<b>Net gain or loss</b>	<b>192</b>	<b>189</b>

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

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

	2014/15 £000	2015/16 £000
<b>Balance at start of the year</b>	<b>2,249</b>	<b>2,201</b>
Revaluation gains from fair value adjustments	64	87
Revaluation losses from fair value adjustments	(16)	(20)
Transfer of Asset	(96)	0
Disposals	0	0
<b>Balance at end of year</b>	<b>2,201</b>	<b>2,268</b>

## 6. 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 2015 £000	At 31 March 2016 £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
<b>Total</b>	<b>4,127</b>	<b>4,127</b>

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

	2014/15 £000	2015/16 £000
<b>Net Book Value</b>		
HRA right-to-buy	873	1,851
Demolished	797	579
HRA other sales	0	0
General Fund sales	0	0
<b>Total</b>	<b>1,670</b>	<b>2,430</b>
<b>Sales Proceeds</b>		
HRA right-to-buy	(1,590)	(3,034)
HRA other sales	0	(204)
General Fund sales	0	0
<b>Total</b>	<b>(1,590)</b>	<b>(3,238)</b>
Less admin fees	30	61
<b>(Gain) or Loss on Disposal</b>	<b>110</b>	<b>(747)</b>

## 8. COMMITTED CAPITAL CONTRACTS

At 31 March 2016 the Authority was contractually committed to capital expenditure amounting to £556k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Deal Cemetery extension	Triple M	64	May 2016
Development works for new Dover Leisure Centre facility	Sports Consultancy	103	Sept 2016
Provide disabled WC at Marine Rd Walmer	Surefix	22	April 2016
North Deal Playing Field refurbishment	Wicksteed Leisure	110	May 2016
William Pitt Play Area refurbishment	Wicksteed Leisure	89	June 2016
Pencester Gardens Play Area refurbishment	Wicksteed Leisure	40	May 2016
Wilson Avenue Play Area refurbishment	Wicksteed Leisure	40	May 2016
White Cliffs Landscape Project (Up on the Downs)	Kent Wildlife Trust	35	Sept 2017
White Cliffs Landscape Project (Up on the Downs)	Dover Town Council	18	Sept 2017
White Cliffs Landscape Project (Up on the Downs)	Elaine Tribley	21	Sept 2017
Other	Various	14	Various
<b>Total</b>		<b>556</b>	

## 9. CAPITAL EXPENDITURE AND FINANCING

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

	2014/15 £000	2015/16 £000
<b>Opening Capital Financing Requirement</b>	<b>94,062</b>	<b>92,082</b>
<b>Capital Investment:</b>		
Plant, property and equipment	7,051	8,796
Intangible assets	7	6
Revenue expenditure funded by capital	2,470	2,311
Private sector housing loans	120	257
<b>Total Capital Investment</b>	<b>9,648</b>	<b>11,370</b>

	2014/15 £000	2015/16 £000
<b>Sources of Finance:</b>		
Capital receipts (including Excess Right to Buy Receipts)	(743)	(1,334)
Government grants	(2,768)	(4,419)
Major repairs reserve	(2,927)	(2,765)
Direct revenue financing/Reserves	(2,998)	(2,828)
Section 106 funding	(212)	(24)
<b>Total Financing</b>	<b>(9,648)</b>	<b>(11,370)</b>
<b>Capital Financing Requirement Movement:</b>		
HRA Loan Repayments	(1,959)	(2,022)
Under/Over Borrowing	(21)	(17)
<b>Closing Capital Financing Requirement</b>	<b>92,082</b>	<b>90,043</b>

## 10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Gross expenditure:				
Renovation grants	12	0		
Disabled facilities grants	731	812		
Deal Beach Management Study	0	50		
White Cliffs Landscape Partnership	336	74		
Discovery Park	1,391	1,345		
Leisure Centre Fitness Equip	0	30		
			2,470	2,311
<b>Grants &amp; contributions received:</b>				
Disabled Facilities Grant (DCLG)	(613)	(674)		
Performance Reward Grant	(75)	0		
Heritage Lottery/Partnership Funding	(336)	(74)		
Building Foundations for Growth	(1,391)	(1,345)		
Growth Point Grant	0	0		
Environment Agency	0	(50)		
			(2,415)	(2,143)
Total deferred charges			55	168
Written off to revenue in year			(55)	(168)
<b>Total</b>			<b>0</b>	<b>0</b>

## 11. INVESTMENTS

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

### Short Term Investments

	2014/15 £000	2015/16 £000
Investments managed by Fund Managers	13,028	1,946
In-house managed investments	6,016	20,041
Cash flow short term investment	3,001	12,517
<b>Total</b>	<b>22,045</b>	<b>34,504</b>

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

### Long Term Investments

	2014/15 £000	2015/16 £000
Stocks	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

### Investment Portfolio

The Council's investment portfolio as at 31 March 2016 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2016
<u>Internal Investments:</u>			
Barclays	04.04.2016	5,000	UK 'A'
Bank of Scotland	09.05.2016	1,000	UK 'A+'
Lloyds	17.06.2016	3,000	UK 'A+'
Close Brothers	20.06.2016	5,000	UK 'A'
Nationwide	04.07.2016	1,000	UK 'A'
Lloyds	29.06.2016	2,000	UK 'A+'
Nationwide	24.08.2016	3,000	UK 'A'
<b>Total Internal Investments</b>		<b>20,000</b>	
<u>External Investments:</u>			
<u>Fixed Interest Securities</u>			
United Kingdom Gilts 1.25%	22.07.2018	1,910	'AA+'
<b>Total External Investments</b>		<b>1,910</b>	
<u>Cash and Cash Equivalents:</u>			
Cash in hand	n/a	1	
Nat West	Instant Access	1,692	UK 'BBB+'
Santander UK	Instant Access	54	UK 'A'
Bank of Scotland	Instant Access	5,144	UK 'A+'
Barclays	Instant Access	82	UK 'A+'

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2016
Goldman Sachs MMF	Instant Access	4,550	UK 'A'
Standard Life MMF	Instant Access	5,000	UK 'AAA'
HSBC	90 Day Notice	7,500	UK 'AA-'
Santander	95 Day Notice	5,011	UK 'A'
<b>Total Cash and Cash Equivalents</b>		<b>29,034</b>	

## 12. BORROWING

	2014/15 £000	2015/16 £000
<u>Short term borrowing</u>		
Accrued Interest	157	157
PWLB	2,022	2,086
LTA loan	9	9
<b>Total Short Term Borrowing</b>	<b>2,188</b>	<b>2,252</b>
<u>Long term borrowing</u>		
PWLB	86,756	84,669
LOBO	3,000	3,000
LTA Loan	96	87
<b>Total Long Term Borrowing</b>	<b>89,852</b>	<b>87,756</b>

## 13. 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 2016. 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 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b><u>Short term Assets</u></b>				
Cash held by external fund manager	13,028	13,028	1,946	1,946
Deposits with banks and building societies	9,017	9,033	20,041	20,054
Notice accounts with Bank and building societies	0	0	12,517	12,517
Total Short Term Investments	22,045	22,061	34,504	34,517
Debtors	4,051	4,051	9,116	9,116
Cash and liquid assets	22,932	22,932	16,191	16,191
<b>Total short term assets</b>	<b>49,028</b>	<b>49,044</b>	<b>59,811</b>	<b>59,824</b>
<b><u>Long term Assets</u></b>				
Long Term Debtors	42	42	26	26
Stocks	6	6	6	6
Soft Loans	2,817	2,817	2,047	2,047
<b>Total long term assets</b>	<b>2,865</b>	<b>2,865</b>	<b>2,079</b>	<b>2,079</b>
<b>Total Financial Assets</b>	<b>51,893</b>	<b>51,909</b>	<b>61,890</b>	<b>61,903</b>

### Financial Liabilities

Balance as at:	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b><u>Short Term Liabilities</u></b>				
Accrued Interest	157	157	157	157
PWLB repayments due	2,022	2,022	2,087	2,087
Lawn Tennis Association Loan	9	9	9	9
<b>Total Short Term Borrowing</b>	<b>2,188</b>	<b>2,188</b>	<b>2,253</b>	<b>2,253</b>

Balance as at:	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Creditors	3,471	3,471	8,464	8,464
<b>Total Short Term Liabilities</b>	<b>5,659</b>	<b>5,659</b>	<b>10,717</b>	<b>10,717</b>
<b><u>Long Term Liabilities</u></b>				
PWLB – maturity	4,001	7,188	4,001	8,728
PWLB – Annuity	82,755	86,984	80,668	98,017
LOBOs	3,000	3,922	3,000	4,581
Lawn Tennis Association Loan	96	96	87	87
<b>Total Long Term Liabilities</b>	<b>89,852</b>	<b>98,190</b>	<b>87,756</b>	<b>111,413</b>
<b>Total Financial Liabilities</b>	<b>95,511</b>	<b>103,849</b>	<b>98,473</b>	<b>122,130</b>

### Maturity Analysis

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

	31 March 2015		31 March 2016	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,001	4,084	4,001	4,085
PWLB – HRA Self Financing	84,777	84,808	82,755	82,786
Lawn Tennis Association Loan	105	105	96	96
LOBO	3,000	3,043	3,000	3,042
Creditors	3,471	3,471	8,443	8,443
<b>Total</b>	<b>95,354</b>	<b>95,511</b>	<b>98,295</b>	<b>98,452</b>
Less than 1 year	5,502	5,659	10,538	10,695
Between 1 and 2 years	3,168	3,168	3,269	3,269
Between 2 and 5 years	6,802	6,802	7,020	7,020
Between 5 and 10 years	12,865	12,865	13,276	13,276
More than 10 years	67,017	67,017	64,192	64,192
<b>Total</b>	<b>95,354</b>	<b>95,511</b>	<b>98,295</b>	<b>98,452</b>

### 14. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2014/15		2015/16	
	£000	£000	£000	£000
Opening balance				
LOBO (KA Finanz)	100		0	
Soft loans	1,060		833	
	<u>1,160</u>		<u>833</u>	
Movement during the year				



LOBO adjustment	(100)	0
Soft loans	(227)	692
<b>Balance at 31 March</b>	<b>833</b>	<b>1,525</b>

## 15. SOFT LOANS

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Opening balance	2,850	2,817
Advances in year	119	257
Repayments in year	(379)	(335)
Financial instruments adjustments	227	(692)
<b>Closing balance</b>	<b>2,817</b>	<b>2,047</b>

## 16. 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.

<b>Available for sale reserve</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Opening balance	104	165
Unrealised profit/(loss) on certificates of deposits and fixed securities	61	(143)
<b>Closing balance</b>	<b>165</b>	<b>22</b>

## 17. 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:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	22,932	16,191
Less than 1 year	22,045	34,504
More than 1 year	6	6
<b>Total</b>	<b>44,983</b>	<b>50,701</b>

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 £308k on its investments of £50.7m achieving an average interest rate of 0.52%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £507k in the interest received.

The Council paid interest on its borrowings of £3.1m based on an average rate of 3.43%. 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.

## 18. 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 next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will 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:

	2014/15 £000	2015/16 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current service costs	1,774	2,450
Curtailments and past service costs	426	35
Administrative expense	54	54
<b>Net Operating Expenditure</b>		
Net Interest on the Defined Liability	2,830	2,549
<b>Charge to the Surplus or Deficit on the Provision of Services</b>	<b>5,084</b>	<b>5,088</b>
<b>Other charge to the Comprehensive income and expenditure statement</b>		
Return on plan assets (excluding the amount included in net interest expense)	4,805	(1,639)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
	(19,237)	7,768
Actuarial gains and losses arising on changes in financial assumptions		

	2014/15 £000	2015/16 £000
Experience loss/(gain) on defined benefit obligation	373	(205)
Other	0	0
<b>Re-measurement of the net defined benefit liability</b>	<b>(14,059)</b>	<b>5,924</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,084)	(5,088)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,515	3,662
<b>Contribution (From) or To Pensions Reserve</b>	<b>(1,569)</b>	<b>(1,426)</b>

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:

<b>Liabilities</b>	2014/15 £000	2015/16 £000
Opening balance at 1 April	137,582	159,683
Current service costs	1,774	2,450
Interest cost	5,957	5,029
Change in financial assumptions	19,237	(7,768)
Change in demographic assumptions	0	0
Experience loss/(gain) on defined benefit obligation	(373)	205
Benefits paid net of transfers in	(4,792)	(5,043)
Past service costs, including curtailments	426	35
Contributions by scheme participants	502	545
Unfunded pension payments	(630)	(626)
<b>Closing balance at 31 March</b>	<b>159,683</b>	<b>154,510</b>

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

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

	2014/15 £000	2015/16 £000
<b>Assets</b>		
Opening balance at 1 April	71,754	78,227
Interest on assets	3,127	2,480
Return on assets less interest	4,805	(1,639)
Other actuarial gains / (losses)	0	0
Administration expenses	(54)	(54)
Contributions by employer including unfunded	3,515	3,662
Contributions by scheme participants	502	545
Estimated benefits paid plus unfunded net of transfers in	(5,422)	(5,669)
<b>Closing balance at 31 March</b>	<b>78,227</b>	<b>77,552</b>

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

### Net Pension Liability

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

	2014/15 £000	2015/16 £000
Present value of funded obligation	149,932	145,169
Fair value of scheme assets (bid price)	(78,227)	(77,552)
<b>Net Liability</b>	<b>71,705</b>	<b>67,617</b>
Present value of unfunded obligation	9,751	9,341
<b>Net Liability in Balance Sheet</b>	<b>81,456</b>	<b>76,958</b>

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:

	2014/15 £000	2015/16 £000
<b>Surplus or Deficit</b>		
Opening balance at 1 April	(65,826)	(81,456)
Current service costs	(1,774)	(2,450)
Past service costs and curtailments	(426)	(35)
Employer's contributions	3,515	3,662
Administrative expenses	(54)	(54)
Remeasurement of net defined benefit liability	(14,059)	5,924
Interest on net defined benefit liability	(2,830)	(2,549)
<b>Closing balance at 31 March</b>	<b>(81,456)</b>	<b>(76,958)</b>

### Breakdown of Assets Held by Pension Fund shown at Fair Value

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

	31 March 2015		31 March 2016	
	Fund Value £000	Percentage of Fund %	Fund Value £000	Percentage of Fund %
<b>Assets</b>				
Equities	53,460	69	51,718	66
Gilts	818	1	687	1
Bonds	8,701	11	8,515	11
Property	9,717	12	11,265	15
Cash	2,139	3	1,997	3
Target Return Portfolio	3,392	4	3,370	4
<b>Total</b>	<b>78,227</b>	<b>100</b>	<b>77,552</b>	<b>100</b>

### Scheme History

	2011/12 £000	2012/2013 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of liabilities	(121,854)	(136,170)	(137,582)	(159,683)	(154,510)
Scheme assets	64,435	71,972	71,754	78,227	77,552
<b>Surplus or (deficit) in the scheme</b>	<b>(57,419)</b>	<b>(64,198)</b>	<b>(65,828)</b>	<b>(81,456)</b>	<b>(76,958)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £77m 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 2015/16 and are detailed below:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Remeasurement of the net defined liability recognised in the CIES	(21,152)	(5,673)	(293)	(14,059)	5,924
<b>Cumulative remeasurement of the net defined benefit liability</b>	<b>(46,220)</b>	<b>(51,893)</b>	<b>(52,186)</b>	<b>(66,245)</b>	<b>(60,321)</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2013.

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

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8 years	22.9 years
Women	25.2 years	25.3 years
Longevity at 65 for future pensioners		
Men	25.1 years	25.2 years
Women	27.6 years	27.7 years
Rate of inflation – RPI	3.1%	3.2%
Rate of inflation – CPI	2.3%	2.3%
Rate of increase in salary	4.1%	4.1%
Rate of increase in pension	2.3%	2.3%
Rate for discounting scheme liabilities	3.2%	3.5%

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	152,003	154,510	157,060
Projected service cost	2,202	2,253	2,305
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	154,739	154,510	154,282
Projected service cost	2,254	2,253	2,252
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	156,859	154,510	152,199
Projected service cost	2,304	2,253	2,203
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	159,422	154,510	149,754
Projected service cost	2,310	2,253	2,197

#### **Projected Pension Expense for the Year to 31 March 2017**

These projections are based on the Actuary's assumptions as at 31 March 2016.

	<b>2015/16 Projection £000</b>
Service cost	2,253
Net interest on the defined liability (asset)	2,629
Administration expenses	53
<b>Total</b>	<b>4,935</b>
Employer's contributions	3,106

#### **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.

## **19. DEMAND ON THE COLLECTION FUND – COUNCIL TAX**



<b>Council Tax Income</b>	<b>£000</b>	<b>2014/15 £000</b>	<b>£000</b>	<b>2015/16 £000</b>
District council's council tax		5,874		5,946
Parish councils' council tax		2,126		2,176
		<u>8,000</u>		<u>8,122</u>
Current year's actual Collection Fund surplus (Council Tax)	<u>288</u>		<u>404</u>	
<b>Reversal of the difference between:</b>				
Prior year's actual accumulated Collection Fund surplus	272		288	
Share of estimated prior year surplus distributed in year	<u>(20)</u>		<u>(112)</u>	
	<u>252</u>		<u>176</u>	
		36		228
<b>Amount credited to the CIES from Council Tax</b>		<u><b>8,036</b></u>		<u><b>8,350</b></u>

## 20. INCOME FROM NATIONAL NON-DOMESTIC RATES (NNDR)

	<b>£000</b>	<b>2014/15 £000</b>	<b>£000</b>	<b>2015/16 £000</b>
District council's share of NNDR		12,944		13,939
S31 Grant for NNDR Reliefs given		712		884
Tariff to Central Government		(10,320)		(10,517)
Safety Net Receipt from Government		1,381		0
Levy Payable to Government		0		(210)
Current year's actual Collection Fund surplus/(deficit) - NNDR	<u>(1,411)</u>		<u>(1,464)</u>	
<b>Reversal of the difference between:</b>				
Prior year's actual accumulated Collection Fund surplus/(deficit)	200		(1,411)	
Share of estimated prior year surplus/deficit contributed in year	<u>35</u>		<u>(200)</u>	
	<u>235</u>		<u>(1,611)</u>	
		(1,646)		147
<b>Income from NNDR</b>		<u><b>3,071</b></u>		<u><b>4,243</b></u>
<b>Enterprise Zone Relief:</b>				
Enterprise Zone Relief received from Government	309		1,012	
Enterprise Zone Relief due from Government	<u>840</u>		<u>57</u>	
<b>Total Enterprise Zone Relief</b>		<u><b>1,149</b></u>		<u><b>1,069</b></u>
<b>Renewable Energy NNDR</b>		<u><b>0</b></u>		<u><b>12</b></u>
<b>Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)</b>		<u><b>4,220</b></u>		<u><b>5,324</b></u>

## Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2015/16 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 surplus arising in the year (£147k), which is supplemented by a £53k MIRS adjustment, increasing the surplus to the actual amount distributed of £200k (in 2014/15 this was a deficit arising in the year of £1,646k, of which £1,611k was reversed through MIRS, decreasing this to the actual amount contributed of £35k); the accrued Enterprise Zone Relief of £57k (2014/15 £840k), and the Renewable Energy NNDR of £12k (2014/15 £nil).

Further details of the BRRS scheme and its impact on the Statement of Accounts can be found under Note 2 'Changes in Accounting and Presentation' within the Explanatory Forward on page 2.

## 21. GRANT INCOME

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

<b>Credited to Taxation and Non-Specific Grant Income</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
General government grants:		
Revenue Support Grant	3,698	2,597
Capitalisation Redistribution	0	0
New Burdens Grant	22	52
Council Tax Freeze Grant	69	69
New Homes Bonus	1,307	1,581
<b>Total non-specific grant income</b>	<b>5,096</b>	<b>4,299</b>

<b>Capital Grants &amp; Contributions</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Building Foundations for Growth	5,729	0
Dept. for Communities & Local Govt.	484	599
Homes & Communities Agency	66	0
Green Deal	165	0
Dept. of Environment & Climate Change	0	148
Section 106	212	23
Environment Agency	46	1,995
Cabinet Office	24	0
SEEDA	25	0
Disabled Facility Grant repayments	0	75
Other	17	0
<b>Total capital grant contributions</b>	<b>6,768</b>	<b>2,840</b>

<b>Credited to Services</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
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Rent Allowance Subsidy	27,439	26,757
Council Tax Benefit Subsidy	7	7
Benefit Administration Grant	358	336
Council Tax Administration Grant	384	361
Non-HRA Rent Rebate Subsidy	131	148
HRA Rent Rebate Subsidy	11,771	11,686
Discretionary Housing Payment Contribution	216	156
NNDR Cost of Collection Allowance	169	156
New Burdens – Council Tax Support	89	28
New Burdens – IER	102	109
Neighbourhood Planning Grant	25	15
Homelessness Grant	0	3
Coast Protection Grant	0	50
Other	375	230
Total	<b>41,066</b>	<b>40,042</b>
	<b>52,930</b>	<b>47,181</b>

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in Note 34 Developer Contributions.

## 22. 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.

Remuneration Band	Number of Employees	
	2014/15	2015/16
£50,000-£54,999	10	12
£55,000-£59,999	6	1
£60,000-£64,999	2	6
£65,000-£69,999	5	4
£70,000-£74,999	1	3
£75,000-£79,999	1	0
£80,000-£84,999	0	1
£85,000-£89,999	0	0
£90,000-£94,999	4	4
£120,000-£124,999	0	0
£125,000-£129,999	1	0
£130,000-£134,999	0	1
	<b>30</b>	<b>32</b>

### Exit Packages

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

2014/15 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	0	1	£18,160	£1,400
20-40	0	0	0	0	0
40-60	0	0	0	0	0
60-80	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>£18,160</b>	<b>£1,400</b>

2015/16 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	2	0	2	£20,862	£300
20-40	1	0	1	£38,157	0
40-60	0	0	0	0	0
60-80	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>£59,019</b>	<b>£300</b>

### Senior Officers' Emoluments

Under the new 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.

2014/15 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	115	3	10	128	17	145
Dir of Finance, Housing & Comm (S.151 Officer)	81	3	7	91	12	103
Dir of Governance (Monitoring Officer)	81	3	7	91	12	103
Dir of Environment & Corp Assets	81	7	6	94	12	106
Head of Inward Investment	75	0	5	80	11	91
Head of Regeneration and Development	62	0	5	68	9	77
	<b>495</b>	<b>16</b>	<b>40</b>	<b>552</b>	<b>73</b>	<b>625</b>

2015/16 Post holder information (Post title)	Salary (Including fees & Allow- ances)	Expense Allow- ances (Including Fuel)	Car Allowance (eg Benefits in Kind or Cash)	Total Remuneration excluding pension contributions	Pension contrib- utions	Total Remuneration including pension contributions
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	£000	£000	£000	£000	£000	£000
Chief Executive	118	3	10	131	17	148
Dir of Finance, Housing & Comm (S.151 Officer)	83	3	7	93	12	105
Dir of Governance (Monitoring Officer)	83	3	7	93	12	105
Dir of Environment & Corp Assets	83	3	7	93	12	105
Head of Inward Investment	76	0	6	82	11	93
Head of Regeneration and Development	66	0	5	71	10	81
	<b>509</b>	<b>12</b>	<b>42</b>	<b>563</b>	<b>74</b>	<b>637</b>

### Employee Adjustment Account (Accrued Annual Leave)

Under the IFRS Code Dover District Council is required to accrue for untaken annual leave at the end of the accounting period. At the end of 2015/16 this was estimated to be £113k (£99k in 2014/15).

## 23. CAPITAL RECEIPTS

### Usable Capital Receipts

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

	2014/15 £000	2015/16 £000
Balance at 1 April	(3,585)	(4,148)
Usable capital receipts received	(1,568)	(3,199)
	<u>(5,153)</u>	<u>(7,347)</u>
Less: usable capital receipts applied:-		
Expenditure on non-current assets	223	724
Financing for Disabled Facilities and Renovation Grants	55	138
Contribution to Affordable Housing	466	472
Pooled housing capital receipts	261	299
<b>Balance at 31 March</b>	<b><u>(4,148)</u></b>	<b><u>(5,714)</u></b>

### Pooling of Housing Capital Receipts

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2015/16 £299k has been paid to the DCLG in relation to capital pooling requirements (£261k in 2014/15).

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.

## 24. GENERAL FUND AND HRA BALANCES

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

## 25. EARMARKED RESERVES

<b>General Fund Earmarked Reserves:</b>	<b>Opening Balance</b>	<b>Receipts in year</b>	<b>Applied in year</b>	<b>Closing Balance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Special Projects & Events	1,747	1,356	(184)	2,918
Periodic Operations	1,692	1,549	(466)	2,775
Urgent Works	1,766	68	(120)	1,714
Dover Regeneration	1,080	630	(156)	1,555
ICT Equipment & Servers	455	599	(188)	866
Business Rates & Council Tax	1,812	0	0	1,812
District Regeneration & Economic Development	12,500	0	0	12,500
<b>Total</b>	<b>21,052</b>	<b>4,202</b>	<b>(1,114)</b>	<b>24,140</b>

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

**District Regeneration & Economic Development** – This is the renamed “HRA Transfer Reserve”. No definitive plans have been made for the application of the funds in this reserve and any such plan will be reported. However, in broad terms, this reserve is intended to be applied to support the Council’s regeneration plans.

<b>Housing Revenue Account Earmarked Reserves:</b>	<b>Opening Balance £000</b>	<b>Receipts in year £000</b>	<b>Applied in year £000</b>	<b>Closing Balance £000</b>
Major Repairs Reserve	0	4,787	(4,787)	0
Housing Initiatives	4,790	4,700	(1,101)	8,389
<b>Total</b>	<b>4,790</b>	<b>9,487</b>	<b>(5,888)</b>	<b>8,389</b>

**Major Repairs Reserve** –The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

**Housing Initiatives Reserve** – to provide a source of funding for special initiatives arising in respect of affordable housing.

## 26. DEBTORS

<b>Long Term Debtors</b>	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Loans to:		
Leaseholders	21	7
Local organisations	21	19
Local Authorities	299	181
Other:		
Housing benefit debtors <sup>1</sup>	665	783
EKH Single System Loan <sup>2</sup>	0	223
<b>Total</b>	<b>1,006</b>	<b>1,213</b>

<sup>1</sup> **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 2016 which is expected to be recovered after one year.

<sup>2</sup> **EKH Single System Loan** – Dover District Council lent East Kent Housing £223k for the purchase of the new Single Housing System. The loan is to be repaid annually for six years commencing on 1 March 2017.

<b>Short Term Debtors</b>	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
General Fund		
Housing rents and other charges	427	346
Central Government	2,703	2,081
Local Authorities	1,819	1,402
Payments in Advance	389	388
Other debtors	4,364	5,674
	<b>9,702</b>	<b>9,891</b>

Collection Fund		
Local tax payers (district council's share)	1,565	1,786
Central Government	1,051	71
	2,616	1,857
<b>Total</b>	<b>12,318</b>	<b>11,748</b>

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

The decrease in debtors incorporates: a decrease in the Central Government debts (General Fund) relating to amounts owed by H.M.R.C. for VAT (£160k), a decrease in the NNDR 'safety net payment' (£1,381k), and a decrease in other Central Government debtors (£217k), offset by an increase in benefit subsidy due (£1,136k); and a decrease in the Collection Fund debts relating to amounts owed by Central Government for Enterprise Zone Relief (£979k). These were offset by an increase in Other debtors (General Fund) mainly due to an increase in the Council Tax cost debtors (£673k) and money owed for Housing Benefit overpayments (£162k).

<b>Provision for Bad Debts</b>	<b>Council Tax £000</b>	<b>NNDR £000</b>	<b>General Debtors £000</b>	<b>Housing Benefits £000</b>	<b>HRA £000</b>	<b>Total £000</b>
Balance at 1 April 2014	<b>343</b>	<b>737</b>	<b>259</b>	<b>1,448</b>	<b>421</b>	<b>3,208</b>
Write-offs	(13)	(197)	(76)	(141)	(66)	(493)
Contribution to provision	130	121	111	299	71	732
<b>Balance at 31 March 2015</b>	<b>460</b>	<b>661</b>	<b>294</b>	<b>1,606</b>	<b>426</b>	<b>3,447</b>
Write-offs	(23)	(134)	(90)	(121)	(74)	(442)
Contribution to provision	6	256	361	385	94	1,102
<b>Balance at 31 March 2016</b>	<b>443</b>	<b>783</b>	<b>565</b>	<b>1,870</b>	<b>446</b>	<b>4,107</b>

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 78.

### **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.

	<b>At 31 March 2015</b>			<b>At 31 March 2016</b>		
	<b>General Debtors £000</b>	<b>HRA £000</b>	<b>Total £000</b>	<b>General Debtors £000</b>	<b>HRA £000</b>	<b>Total £000</b>
Age of debt < 1 month	695	220	915	1,143	195	1,338



1 – 3 months	87	110	197	89	126	215
3 – 6 months	146	52	198	95	53	148
6 – 12 months	48	106	154	73	144	217
1 year +	208	392	600	164	408	572
<b>Total</b>	<b>1,184</b>	<b>880</b>	<b>2,064</b>	<b>1,564</b>	<b>926</b>	<b>2,490</b>

### Collectability of Debt

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

## 27. CASH & CASH EQUIVALENTS

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. Under the Council's accounting policies these are deemed to be internally managed investments with a maturity date within 100 days of the Balance Sheet date and net cash holdings in the Council's bank accounts.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Cash held by Authority	1	1
Bank call accounts	22,931	16,190
<b>Total Cash and Cash Equivalents</b>	<b>22,932</b>	<b>16,191</b>

## 28. SHORT TERM CREDITORS

<b>As at 31 March</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
General Fund		
Government departments	(4,856)	(3,565)
Other local authorities	(210)	(390)
Housing tenants	(194)	(226)
Other creditors – revenue	(1,878)	(3,966)
Other creditors – capital	(1,119)	(817)
	<u>(8,257)</u>	<u>(8,964)</u>
Collection Fund		
Government Departments	(2,774)	(1,493)
Local Authorities	(1,923)	(2,271)
Local tax payers (DDC's share)	(463)	(1,423)
	<u>(5,160)</u>	<u>(5,187)</u>
<b>Total</b>	<b>(13,417)</b>	<b>(14,151)</b>

The net increase in creditors is mainly due to changes in General Fund creditors, being an increase in Other Revenue Creditors for the joint waste contract (£1,175k), amounts owed to East Kent Housing (£543k) and other revenue items (£370k); offset by a decrease in the amount owed to Central Govt. relating to Housing Benefit subsidy (£1,182k), which is a debtor rather than a creditor this year. While total

Collection Fund creditors remain broadly the same, there has been a decrease in net cash owed to the Government following refunds to NNDR payers, increased arrears and a reduction in the appeals provision (reducing cash in the Collection Fund), offset by an increase in the amount of NNDR that has been prepaid by local tax payers or is awaiting refund.

## 29. 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 2015/16 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 £2.8m can be seen within the separate Collection Fund section.

The significant decrease in appeals provision is partly due to a ratings 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 income, backdated to 1<sup>st</sup> April 2010, for all surgeries falling within this class, and which had been provided for in the 2014/15 accounts. This and other successful appeals have resulted in refunds being made or earmarked for £3.2m during the year, which have been charged against the opening appeals provision, thereby reducing it. The provision has also been reduced following conclusion of further appeals and reassessment of remaining outstanding appeals.

### 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. Another 10% levy (£13,278) will have to be paid in 2016/17, and there may be a further levy of 15%. To provide for these, the provision has been increased by a further 15% of the total claim.

	2014/15 £000	2015/16 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(3,236)	(1,128)
Municipal Mutual Insurance provision	(13)	(33)
<b>Total</b>	<b>(3,249)</b>	<b>(1,161)</b>

## 30. RECEIPTS IN ADVANCE

	2014/15 £000	2015/16 £000
As at 31 March		
Government departments	(565)	(974)
Other local authorities	(709)	(665)
Other	(890)	(906)
<b>Total</b>	<b>(2,164)</b>	<b>(2,545)</b>

### 31. CAPITAL GRANTS UNAPPLIED

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

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(711)</b>	<b>(4,620)</b>
Contributions received	(6,462)	(822)
Applied to projects	2,553	2,167
Contribution to revenue	0	13
<b>Balance at 31 March</b>	<b>(4,620)</b>	<b>(3,262)</b>

### 32. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(768)</b>	<b>(1,514)</b>
Contributions received	(961)	(1,920)
Applied to capital projects	215	2,252
Contribution to revenue	0	249
<b>Balance at 31 March</b>	<b>(1,514)</b>	<b>(933)</b>

### 33. CAPITAL ADJUSTMENT ACCOUNT

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

<b>Capital Adjustment Account</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Balance at 1 April</b>	<b>(112,566)</b>	<b>(126,645)</b>
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	4,210	4,630
Amortisation of intangible assets	73	85
Revaluation losses on property, plant and equipment	305	25
Revaluation gains on property, plant and equipment	(9,860)	(15,904)
Revenue expenditure funded from capital under statute	2,470	2,311
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1,568	2,421
Adjusting amounts written out of the Revaluation Reserve	(1,298)	(1,711)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(743)	(1,334)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,927)	(2,765)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(307)	(2,019)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,553)	(2,167)
Capital expenditure charged against the General Fund and HRA balances	(2,169)	(1,722)
Capital expenditure charged against Earmarked Reserves	(829)	(1,105)
Movements in the market value of Investment Properties debited or credited to the CIES	(48)	(67)
Loan Repayments Made	(1,971)	(2,031)
<b>Balance at 31 March</b>	<b>(126,645)</b>	<b>(147,998)</b>

### 34. DEVELOPMENT CONTRIBUTIONS

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Balance at 1 April</b>	<b>561</b>	<b>406</b>
Contributions received	197	1,200
Transfers to third parties	0	0

Applied to capital	0	0
Applied to revenue	(352)	(85)
<b>Balance at 31 March</b>	<b>406</b>	<b>1,521</b>

### 35. 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.

	<b>2014/15 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2015/16 £000</b>
Balance at 1 April		24,676		37,606
Revaluation gains	14,532		8,958	
Revaluation losses	(201)		(3,304)	
Surplus on revaluation of fixed assets		14,331		5,654
Revaluations relating to disposals written out		(103)		(9)
Historic cost depreciation written out to the capital adjustments account		(1,298)		(1,711)
<b>Balance at 31 March</b>		<b>37,606</b>		<b>41,540</b>

### 36. RELATED PARTY TRANSACTIONS

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

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

<b>Organisation</b>	<b>Value</b>	<b>Details</b>
Deal Town Council	£5,000	Five Members also Town Councillors.
Sandwich Toll Bridge Fund	£31,786.32	Members of Sandwich Town Council are by definition Trustees of this Fund, through this, two Members of Dover District Council are Trustees.
Dover, Deal & District Citizens Advice Bureau	£97,000	Two Members are Trustees of this local charity.
PMC Ltd	£10,345	One Member is a director of this Company which carried out Right To Buy valuations for the Council

Sandwich Town Cricket Club	£10,000	One Chief Officer is parent of junior member of club
Dover Rugby Club	£7,000	One Member is a member of the Rugby Club
Canterbury Archaeological Trust	£4,232	One Member is employed by the Trust

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 21 Grant Income on reporting for resources allocation decision. Grant receipts outstanding at 31 March 2016 are included in note 26.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2015/16 was the fifth year of operation.

In 2015/16 £2.16m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £300k. The balance due from East Kent Housing as at 31 March 2016 was £72k. Dover District Council made a loan to East Kent Housing in 2015/16. Please see note 26 Debtors for further details.

See also note 41 Interest in Companies and Other Entities for further financial information for East Kent Housing.

### 37. MEMBERS' ALLOWANCES

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

	2014/15 £000	2015/16 £000
Basic Allowance	179	176
Special Responsibility Allowance	88	85
Members' National Insurance Contributions	3	4
<b>Total</b>	<b>270</b>	<b>265</b>

The Council also produces a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. This may be seen on notice boards at the Council's main offices and on the Council's website at: <http://www.dover.gov.uk/Council--Democracy/Allowances/Members-Allowances-2015-6.aspx>

### 38. 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 2015/16:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
External audit services – Grant Thornton	71	54
Rebate from Audit Commission	(7)	0
Certification of grant claims and returns	21	12
<b>Total</b>	<b>85</b>	<b>66</b>

In addition during 2015/16 the Council incurred £29k of additional fees relating to 2014/15 grant certification.

### **39. 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 2016 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. 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 £8.2m to £7.3m at 31 March 2016, of which Dover District Council's share would be £1.8m. 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.

Revised future contribution rates will not be set until 2017/18, meaning that the company should be able to meet its pension obligations at least up to that point. The impact of any increase to its future contribution rate will have to be assessed within the context of the negotiation of future management fees.

### **Rent Deposit Scheme**

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £81k.

## **40. 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 2016. The Council does not consider there to have been any material post balance sheet events.

## **41. 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 (unaudited) results of EKH for 2015/16 and the Council's share are as follows:

<b>East Kent Housing Ltd</b>	<b>DDC share 25%</b>		<b>East Kent Housing Ltd</b>	<b>DDC share 25%</b>
<b>2014/15</b>	<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(8,374)	(2,093)	Turnover	(8,760)	(2,190)
8,789	2,197	Expenses	9,629	2,407



415	104	Operational (profit)/loss	869	217
625	156	(Profit)/loss after taxation	1,155	289
2,471	618	Other comprehensive (income) and expenditure	(1,855)	(464)
3,096	774	Total comprehensive (income)/loss for the year	(700)	(175)
58	15	Non-current assets	406	102
1,934	484	Current assets	1,699	425
(1,149)	(287)	Current liabilities	(893)	(223)
(8,429)	(2,107)	Non-current liabilities	(7,984)	(1,996)
620	115	Profit and loss reserve	444	111
(8,206)	(2,052)	Pensions reserve	(7,330)	(1,833)

Note 36, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2015/16. Note 39, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

#### **42. 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. 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

2014/15			2015/16		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>					
<b>Council tax:</b>					
0	(54,127)	(54,127)	0	(56,147)	(56,147)
0	(1)	(1)	0	(3)	(3)
<b>National Non-domestic rates:</b>					
(33,923)	0	(33,923)	(34,775)	0	(34,775)
(1,330)	0	(1,330)	(1,303)	0	(1,303)
(62)	0	(62)	0	0	0
<b>(35,315)</b>	<b>(54,128)</b>	<b>(89,443)</b>	<b>(36,078)</b>	<b>(56,150)</b>	<b>(92,228)</b>
<b>Total Income</b>			<b>Total Income</b>		
<b>Expenditure</b>					
<b>Precepts, Demands &amp; Shares:</b>					
16,135	0	16,135	17,674	0	17,674
2,904	37,569	40,473	3,181	39,222	42,403
0	5,072	5,072	0	5,295	5,295
323	2,436	2,759	354	2,542	2,896
12,908	5,894	18,802	14,151	6,059	20,210
0	2,126	2,126	0	2,175	2,175
32,270	53,097	85,367	35,360	55,293	90,653
<b>Enterprise Zone Relief Payable:</b>					
1,064	0	1,064	1,042	0	1,042
239	0	239	235	0	235
27	0	27	26	0	26
1,330	0	1,330	1,303	0	1,303
<b>Charges to the Collection Fund:</b>					
493	84	577	336	123	459
(190)	822	632	305	(80)	225
5,285	0	5,285	(2,036)	0	(2,036)
154	0	154	156	0	156
5,742	906	6,648	(1,239)	43	(1,196)
0	0	0	787	0	787
<b>39,342</b>	<b>54,003</b>	<b>93,345</b>	<b>36,211</b>	<b>55,336</b>	<b>91,547</b>
<b>Total Expenditure</b>			<b>Total Expenditure</b>		
<b>4,027</b>	<b>(125)</b>	<b>3,902</b>	<b>133</b>	<b>(814)</b>	<b>(681)</b>
(501)	(1,797)	(2,298)	3,526	(1,922)	1,604
<b>3,526</b>	<b>(1,922)</b>	<b>1,604</b>	<b>3,659</b>	<b>(2,736)</b>	<b>923</b>
<b>Balance Carried Forward at 31 March</b>			<b>Balance Carried Forward at 31 March</b>		

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 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 (PCCCK), 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 6% (DDC figure). That means that claimants who weren't paying Council Tax are now required to pay 6% 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	2014/15 Precept £000	2014/15 Surplus £000	2014/15 Total £000	2015/16 Precept £000	2015/16 Surplus £000	2015/16 Total £000
Kent County Council	37,479	90	<b>37,569</b>	38,699	523	<b>39,222</b>
Police and Crime Commissioner for Kent	5,060	12	<b>5,072</b>	5,224	71	<b>5,295</b>
Kent and Medway Fire & Rescue Authority	2,430	6	<b>2,436</b>	2,508	34	<b>2,542</b>
Dover District Council	5,874	20	<b>5,894</b>	5,947	112	<b>6,059</b>
	50,843	128	<b>50,971</b>	52,378	740	<b>53,118</b>
Parish councils	2,126	-	<b>2,126</b>	2,175	-	<b>2,175</b>
<b>Total Demand on the Collection Fund</b>	<b>52,969</b>	<b>128</b>	<b>53,097</b>	<b>54,553</b>	<b>740</b>	<b>55,293</b>

## Council Tax Base

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

Band	2014/15			2015/16		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	3.82	5/9ths	2.12	2.62	5/9ths	1.46
A	3,456.99	6/9ths	2,304.66	3,627.93	6/9ths	2,418.62
B	11,182.07	7/9ths	8,697.17	11,362.47	7/9ths	8,837.48
C	10,565.87	8/9ths	9,391.88	10,660.27	8/9ths	9,475.80
D	5,812.79	9/9ths	5,812.79	5,884.71	9/9ths	5,884.71
E	3,687.02	11/9ths	4,506.36	3,714.94	11/9ths	4,540.48
F	2,058.66	13/9ths	2,973.62	2,072.66	13/9ths	2,993.84
G	1,285.74	15/9ths	2,142.90	1,273.82	15/9ths	2,123.04
H	48.83	18/9ths	97.66	48.81	18/9ths	97.62
	38,101.79		35,929.16	38,648.23		36,373.05
Estimated Collection Rate			<b>97.61%</b>			<b>97.61%</b>
<b>Council Tax Base</b>			<b>35,070.45</b>			<b>35,503.73</b>

## Band D Council Tax

	2014/15 £000	2015/16 £000
Kent County Council	1,068.66	1,089.99
Police and Crime Commissioner for Kent	144.28	147.15
Kent and Medway Fire & Rescue Authority	69.30	70.65
Dover District Council	167.49	167.49
	1,449.73	1,475.28
Parish councils (average)	60.63	61.28
<b>Total</b>	<b>1,510.36</b>	<b>1,536.56</b>

This basic amount of council tax for a Band D property of £1,536.56 for 2015/16 (£1,510.36 for 2014/15) 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 49.3p (48.2p) for large businesses or 48.0p (47.1p) for small businesses in 2015/16 (2014/15) 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 2015/16 and pays a levy, but at a reduced rate by being part of a Kent-wide 'business rates pool' for 2015/16. This is different to 2014/15 when Dover was in a safety net position, and was not in a 'pool', and therefore received safety net funding. 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 £34.775m for 2015/16 (£33.923m for 2014/15), was based on the total rateable value for the Council's area, which at the year-end was £89.541m (£89.353m in 2014/15).

### 3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	<u>2014/15</u>			<u>2015/16</u>		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	2,269	1,843	4,112	3,091	1,653	4,744
Write-Offs	(84)	(493)	(577)	(123)	(336)	(459)
Contribution to Provision	906	303	1,209	43	641	684
<b>Balance at 31 March</b>	<b>3,091</b>	<b>1,653</b>	<b>4,744</b>	<b>3,011</b>	<b>1,958</b>	<b>4,969</b>

### 4. COLLECTION FUND SURPLUSES AND DEFICITS

#### Council Tax

The District Council was required to estimate by 15 January 2015 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 £740k for 2014/15, so there was an additional payment to major preceptors of this amount in 2015/16. The distributable surplus for 2015/16 was estimated as £975k and will be distributed to major preceptors during 2016/17. The actual surplus of £2.736m at 31 March 2016 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2016/17 (N.B. "Council Tax Cash" in note 5 shows cash surpluses at 31 March 2015 and 2016, but these surpluses are mainly due to 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 2014 £000	Movement in Year £000	Surplus at 31 March 2015 £000	Movement in Year £000	Surplus at 31 March 2016 £000
Kent County Council	(1,272)	(90)	(1,362)	(584)	(1,946)
Police and Crime Commissioner for Kent	(171)	(13)	(184)	(78)	(262)
Kent & Medway Fire & Rescue Authority	(82)	(6)	(88)	(36)	(124)
Dover District Council	(272)	(16)	(288)	(116)	(404)
<b>Total</b>	<b>(1,797)</b>	<b>(125)</b>	<b>(1,922)</b>	<b>(814)</b>	<b>(2,736)</b>

#### National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2015 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 rate income. The District Council estimated that the fund would have an accumulated surplus of £501k for 2014/15 and this was paid to major preceptors during 2015/16. The District Council estimated that the fund would have an accumulated deficit of £1,809k for 2015/16 and this will be collected from major preceptors during 2016/17. The actual deficit of £3,659k is an adverse position at 31 March 2016. Therefore the amount collected during 2016/17 will be £1,850k understated (i.e. DDC should be recovering a deficit of £3,659k rather

than only £1,809k). This will be adjusted against the 2017/18 proportionate shares of non-domestic rates income. The main reason for the deficit is that the opening position was already a deficit, while a surplus had been estimated and distributed during 2015/16. This was a result of the need to increase the appeals provision unexpectedly at 31 March 2015, largely due to the national revaluation of purpose-built doctors' surgeries (adverse impact on income), which only came to light after the surplus had been estimated. This is described further in Note 30 Provisions of the Core Statements. 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 2015 £000	Movement in Year £000	Deficit at 31 March 2016 £000
Central Government	50%	1,763	67	1,830
Kent County Council	9%	317	12	329
Kent & Medway Fire & Rescue Authority	1%	35	1	36
Dover District Council	40%	1,411	53	1,464
<b>Total</b>	<b>100%</b>	<b>3,526</b>	<b>133</b>	<b>3,659</b>

## 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:

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
<b>Council Tax:</b>						
Council tax arrears	3,358	453	218	705	0	4,734
Council tax provision for bad debts	(2,193)	(296)	(142)	(460)	0	(3,091)
Council tax overpayments & prepayments	(832)	(112)	(54)	(175)	0	(1,173)
Council tax cash	1,029	139	66	218	0	1,452
Collection Fund surplus	(1,362)	(184)	(88)	(288)	0	(1,922)
	0	0	0	0	0	0
<b>Business Rates (NNDR):</b>						
NNDR arrears	194	0	21	861	1,076	2,152
NNDR provision for bad debts	(149)	0	(17)	(661)	(826)	(1,653)
NNDR provision for appeals	(728)	0	(80)	(3,236)	(4,045)	(8,089)
NNDR overpayments & prepayments	(65)	0	(7)	(288)	(360)	(720)
NNDR cash	431	0	48	1,913	2,392	4,784
Collection Fund deficit	317	0	35	1,411	1,763	3,526
	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

At 31 March 2015

At 31 March 2016

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
<b>Council Tax:</b>						
Council tax arrears	3,220	432	204	666	0	4,522
Council tax provision for bad debts	(2,144)	(288)	(136)	(443)	0	(3,011)
Council tax overpayments & prepayments	(895)	(120)	(57)	(185)	0	(1,257)
Council tax cash	1,765	238	113	366	0	2,482
Collection Fund surplus	(1,946)	(262)	(124)	(404)	0	(2,736)
	0	0	0	0	0	0
<b>Business Rates (NNDR):</b>						
NNDR arrears	252	0	28	1,120	1,401	2,801
NNDR provision for bad debts	(176)	0	(19)	(783)	(980)	(1,958)
NNDR provision for appeals	(254)	0	(28)	(1,128)	(1,410)	(2,820)
NNDR overpayments & prepayments	(278)	0	(31)	(1,238)	(1,547)	(3,094)
NNDR cash	127	0	14	565	706	1,412
Collection Fund deficit	329	0	36	1,464	1,830	3,659
	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6. BUSINESS RATES RELIEFS

The Council has received applications for mandatory 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.



## 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

2014/15 £000		Note	2015/16 £000
	<b>Income</b>		
(19,382)	Dwellings rents	10	(19,767)
(474)	Non-dwelling rents		(490)
(362)	Tenant charges for services and facilities		(413)
(263)	Leaseholder charges for services and facilities		(321)
(178)	Contributions towards expenditure		(178)
<b>(20,659)</b>	<b>Total Income</b>		<b>(21,169)</b>
	<b>Expenditure</b>		
3,535	Repairs and maintenance		2,732
3,672	Supervision and management		3,905
49	Rent, rates, taxes and other charges		53
1,574	Depreciation and impairment of fixed assets	5	1,730
(8,042)	Exceptional Item – revaluation gain, reversal of prior year loss	9	(15,814)
22	Debt management expenses		25
66	Increase in impairment of debtors	12	89
<b>876</b>	<b>Total Expenditure</b>		<b>(7,280)</b>
	<b>Net Cost of Services Included in the Whole Authority</b>		
(19,783)	<b>Comprehensive Income and Expenditure Statement</b>		(28,449)
405	HRA share of corporate and democratic core		450
	HRA share of other amounts included in the whole authority		
	net expenditure of continuing operations but not allocated to		
104	specific services		16
<b>(19,274)</b>	<b>Net Cost of HRA Services</b>		<b>(27,983)</b>
80	(Gain) or loss on sales of HRA non-current assets		(1,388)
2,911	Interest payable and similar charges		2,843
(66)	Interest and investment income		(49)
510	Net Interest on Defined Benefit Liability	13	459
<b>(15,839)</b>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<b>(26,118)</b>

## MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2014/15		2015/16	
£000		£000	£000
(1,786)	Balance on the HRA at the end of the previous year		(1,094)
(15,839)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(26,118)	
	Adjustments between Accounting Basis and Funding under Statute:		
8,042	Impairment of non-current assets	15,814	
3,321	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,066	
(80)	Gain on disposal of non-current assets	1,388	
(155)	Net charges made for retirement benefits	(38)	
2,625	Capital expenditure funded by the HRA	2,370	22,600
(2,086)		(3,518)	
2,778	Transfers to earmarked reserves	3,599	
692	(Increase) or decrease in year on the HRA Balance		81
(1,094)	<b>Balance on the HRA at the End of the Current Year</b>		<b>(1,013)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPES OF DWELLING

#### Movement in Housing Stock 2015/16

	Stock at 1 April 2015	Sales	Acquisitions	Stock at 31 March 2016
Houses/bungalows	2,802	43		2,759
Flats	1,602	4	17	1,615
<b>Total</b>	<b>4,404</b>	<b>47</b>	<b>17</b>	<b>4,374</b>

#### Total Value of Assets

	1 April 2015 £000	31 March 2016 £000
Dwellings	164,928	183,498
Garages	3,287	3,339
Other land and buildings	321	319
Equipment	54	45
Investment properties	415	442
Assets under construction	745	247
	<b>169,750</b>	<b>187,890</b>

### 2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2016 was £573m (£515m as at 31 March 2015). 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.

	2014/15 £000	2015/16 £000
<b>Balance as at 1 April</b>	<b>0</b>	<b>0</b>
Major Repairs Allowance:		
Depreciation	(1,565)	(1,721)
Voluntary Excess Depreciation charge to HRA	(3,321)	(3,066)
Transfer from reserve for capital expenditure	2,927	2,765
Repayment of principal on loan	1,959	2,022
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

#### 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 £8.39m at 31 March 2016 (£4.79m at 31 March 2015).

#### 5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,729k (£1,573k at 31 March 2015) as detailed below.

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Council dwellings	1,440	1,587
Garages	125	134
Intangible assets	8	8
<b>Total</b>	<b>1,573</b>	<b>1,729</b>

#### 6. SUMMARY OF CAPITAL EXPENDITURE

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Capital expenditure:		
Dwellings	4,878	4,108
Other Land & Buildings	1,584	1,670
<b>Total</b>	<b>6,462</b>	<b>5,778</b>
Financed by:		
Funded by HRA	(2,625)	(2,370)
Transfer from Major Repairs Reserve	(2,927)	(2,765)
Capital Grants	(166)	(148)
Excess RTB Receipts	(466)	(472)
S106 Contribution	(212)	(23)
HCA Funding	(66)	(0)
	<b>(6,462)</b>	<b>(5,778)</b>

#### 7. SUMMARY OF CAPITAL RECEIPTS

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Receipts from sales during the year:		
Dwelling sales	(1,598)	(3,175)
Other HRA sales	0	(86)
Sub total	(1,598)	(3,261)
Amount pooled to Government	261	299
	<b>(1,337)</b>	<b>(2,962)</b>

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

£2,370k (£2,625k in 2014/15) 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 £15,814k is due to the reversal of prior year losses. The housing market has started to make a recovery resulting in an increase in value this year. (£8,042k in 2014/15)

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 2016 was £86.56 compared with £84.72 at 31 March 2015.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2015				31 March 2016			
Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Housing Repairs Arrears	Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Housing Repairs Arrears
£000	£000	£000	£000	£000	£000	£000	£000
99	296	395	247	90	255	345	272

12. **IMPAIRMENT OF DEBTORS**

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

	2014/15 £000	2015/16 £000
Balance brought forward as at 1 April	421	426
Provision made in the year	66	89
Less amounts written off	(61)	(69)
<b>Balance carried forward at 31 March</b>	<b>426</b>	<b>446</b>

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:

	2014/15 £000	2015/16 £000
<b>HRA Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Curtailments and past service costs	77	6
Administrative expense	10	10
<b>Net Operating Expenditure</b>		
Net Interest on the Defined Liability (Asset)	509	459
<b>Charge to the Surplus or Deficit on the Provision of Services</b>	<b>596</b>	<b>475</b>
 <b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(596)	(475)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	441	437
<b>Contribution (From) or To Pensions Reserve</b>	<b>(155)</b>	<b>(38)</b>

## CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

- Sir Ernest Bruce Charles                      Charity No 1021750
- 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:

	2014/15	2015/16
	£	£
Income	201	204
Expenditure	0	0
Surplus or (deficit) for year	201	204
Fund balance at 1 April	68,832	69,033
<b>Fund balance at 31 March</b>	<b>69,033</b>	<b>69,237</b>
Represented by:		
Investments	69,033	69,237
	<b>69,033</b>	<b>69,237</b>

### THE SALTER COLLECTION CHARITY

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

	2014/15	2015/16
	£	£
Income	227	228
Expenditure	0	0
Surplus or (deficit) for year	227	228
Fund balance at 1 April	270,518	270,745
<b>Fund balance at 31 March</b>	<b>270,745</b>	<b>270,973</b>
Represented by:		
Collection	180,000	180,000
Investment	90,745	90,973
	<b>270,745</b>	<b>270,973</b>

## CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2014/15	2015/16
	£	£
Income	432	433
Expenditure	0	0
Surplus or (deficit) for year	432	433
Fund balance at 1 April	346,377	496,358
Revaluation Gain / (Loss)	149,549	0
<b>Fund balance at 31 March</b>	<b>496,358</b>	<b>496,791</b>
Represented by:		
Land and other buildings	323,822	323,822
Investment	181,085	181,085
Creditor	(8,549)	(8,116)
	<b>496,358</b>	<b>496,791</b>

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



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

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

We have audited the financial statements of Dover District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Comprehensive Income and Expenditure Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Resources & Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 20(1)(c) of the Act 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.

#### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016. We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Elizabeth Jackson  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

xx September 2016

## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

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

### **ACCRUALS**

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

### **AMORTISATION**

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

### **ANNUAL GOVERNANCE STATEMENT**

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

### **ASSETS**

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

### **BALANCE SHEET**

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

### **BALANCES**

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

## **BUDGET**

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

## **CAPITAL ADJUSTMENT ACCOUNT**

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING**

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

## **CAPITAL FINANCING COSTS**

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

## **CAPITAL RECEIPTS**

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

## **CAPITAL RESERVE**

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

## **CASH EQUIVALENTS**

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

## **COLLECTION FUND**

This is a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the Authority, along with payments to precepting authorities, its own General Fund and, for national non-domestic rates only, a further share payable to Central Government.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **CONTINGENT ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## **CORE / SUPPLEMENTARY FINANCIAL STATEMENTS**

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

## **CREDITORS**

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

## **CURRENT ASSETS**

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

## **CURRENT LIABILITIES**

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

## **DEBTORS**

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

## **DEPRECIATION**

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

## **GENERAL FUND**

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

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

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

## **IMPAIRMENT**

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

## **INDEPENDENT AUDITOR'S REPORT**

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

## **INVESTMENTS**

Investments fall into the following categories depending on when the investment is due to be repaid:

- Short-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year.
- Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.
- Long-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

## **LEASES**

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

## **LIABILITIES**

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

## **NON-CURRENT ASSETS**

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

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

## **PRIVATE FINANCE INITIATIVE (PFI)**

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

## **PROVISIONS**

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

## **RESERVES**

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

## **REVALUATION RESERVE**

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

## **REVENUE/CAPITAL EXPENDITURE**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **REVENUE SUPPORT GRANT**

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



## **SUPPORT SERVICES**

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

## **SUSPENSE ACCOUNT**

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

## **TEMPORARY LOANS**

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

## **USABLE CAPITAL RECEIPTS**

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

## **WORK IN PROGRESS**

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