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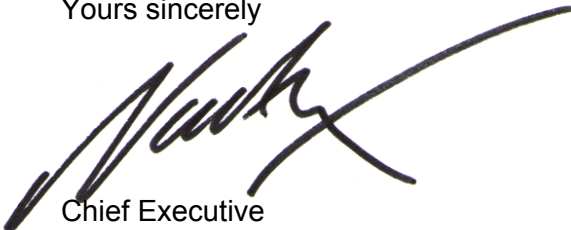
20 September 2010

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE** Committee will be held in the HMS Brave Room at these Offices on Thursday 30 September 2010 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Pauline Hodding on (01304) 872305 or by e-mail at paulinehodding@dover.gov.uk.

Yours sincerely



Chief Executive

Governance Committee Membership:

Councillor D A Mayes	(Chairman)
Councillor M D Conolly	(Vice-Chairman)
Councillor B W Bano	
Councillor M R Eddy	
Councillor C E Kirby	
Councillor J C Record	

DECLARATIONS OF INTEREST

Members are required to disclose the existence and nature of a personal interest at the commencement of the item of business to which the interest relates or when the interest becomes apparent. An explanation in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

AGENDA

1. **APOLOGIES**
2. **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointment of Substitute Members.

3. **MINUTES** (Pages 4-6)

To confirm the attached Minutes of the meeting of the Committee held on 30 June 2010.

4. **INTERIM REPORT ON WRITE-OFF OF INVOICES DEEMED IRRECOVERABLE (Minute No 83)** (Pages 7-9)

As requested by Committee on 16 June 2010, to receive an interim report on invoices written off together with a breakdown of business debts.

5. **RENTAL VALUES AND ASSET VALUATIONS (Minute No 88)** (Pages 10-11)

As requested by Committee on 16 June 2010, to receive an update report on the results of work carried out by Property Services and the Senior Valuer in respect of rental values and asset valuations.

6. **UPDATE FROM THE AUDIT COMMISSION**

To receive a verbal update from the Audit Commission in respect of the revised fees for 2010/11 and the future.

7. **INTERNAL AUDIT QUARTERLY PROGRESS REPORT** (Pages 12-34)

To consider the attached report of the Head of Audit Partnership.

8. **STATEMENT OF ACCOUNTS 2009/10** (Page 35)

To consider the attached report of the Director of Finance and ICT together with the audited Statement of Accounts for 2009/10 which will be bound separately.

9. **TREASURY MANAGEMENT UPDATE – QUARTER 1 2010/2011** (Pages 36-45)

To consider the attached report of the Director of Finance and ICT

10. **ANNUAL GOVERNANCE REPORT 2009/10** (Pages 46-68)

To consider the attached report of the District Auditor, Audit Commission.

11. **EXCLUSION OF THE PRESS AND PUBLIC** (Page 69)

The recommendation is attached.

MATTER WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION

12. **INTERNAL AUDIT QUARTERLY PROGRESS REPORT** (Paragraph 3 – Information relating to the financial or business affairs of any particular person) (Pages 71-81)

To consider the attached report of the Head of Audit Partnership.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting. Basic translations of specific reports and the Minutes are available on request in 12 different languages.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact: Pauline Hodding, Senior Democratic Support Officer, telephone: (01304) 872305 or email: paulinehodding@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Wednesday 30 June 2010 at 6.00 pm.

Present:

Chairman: Councillor D A Mayes

Councillors: B W Bano
M D Conolly
M R Eddy
C E Kirby

Officers: Director of Finance and ICT
Financial Services Manager
Senior Accountant (Revenue)
Senior Accountant (HRA and Projects)
Senior Accountant (Capital and Treasury)
Accountant (Revenue)
Audit Manager, Audit Commission
Principal Auditor, Audit Commission
Senior Democratic Support Officer

An apology for absence was received from Councillor J C Record.

116 MINUTES

The Minutes of the meeting of the Committee held on 16 June 2010 were approved as a correct record and signed by the Chairman.

117 DRAFT STATEMENT OF ACCOUNTS 2009/2010 AND FINANCIAL OUTTURN 2009/2010

Prior to considering the Council's draft Statement of Accounts the Director of Finance and ICT and Accountancy Officers presented the Financial Outturn report, in accordance with the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment England) Regulations 2006 and 2009. Members received details of the process for producing the accounts, technical changes and preparation for International Financial Reporting Standards (IFRS) in 2010/11 and noted the predicted significant increase in the volume of accounts. The Audit Manager reported that the Audit Commission was holding workshops and briefings on IFRS to assist officers and Members and advised that only the accounts for the year 2009/10 would have to be re-stated; those for 2010/11 would be in the IFRS format alone. The new Government had de-commissioned Comprehensive Area Assessments and Use of Resources and it appeared that Audit Commission findings on work already completed would be reported but not scored.

(1) Format and changes to the 2009/10 Accounts

The Director of Finance and ICT reported on the main changes to the accounts, none of which had made a significant impact on the Council's financial position.

- (a) The Statement of Recommended Practice (SORP) recognised that this Council acted as an agent for Kent County Council, Kent Police and Kent Fire and Rescue but the accounts only showed the amounts in respect of this Council's proportion of the Council Tax;

- (b) As with (a) above the accounts only showed amounts owed to or by the Government in respect of non-domestic rates;

(2) General Fund Revenue Outturn

The Financial Services Manager explained the main points of the General Fund Revenue Outturn and the table of variations from original budget. The original budget for 2009/10 had shown a deficit of £23k. Financial pressures previously reported to Members throughout the year, increased the projected outturn to a deficit of £538k as shown in Appendix A(i). The outturn was a deficit of £163k, but if all requests to carry forward £285k of unspent budget to 2010/11 were approved the deficit would increase to £448k, which would give an underlying variance of £90k. The Director believed that not all requests would be granted. The windfall receipt of VAT returns was being allocated to assist in funding shared services set-up costs.

(3) General Fund Reserves and Balances

The underlying General Fund balances of £1.9m reflected the outturn position but did not include the impact of carry forward request. The calculation of direct variances was set out in Appendix B, with the main variances explained in Appendix C.

(4) Housing Revenue Account Outturn

The HRA Outturn details shown at Appendix D to the report showed an increase in the HRA surplus for the year from the original budget of £463k to the outturn of £512k. Contributory factors included reductions in expenditure on repairs and maintenance, supervision and management, and Government revision of the inflationary rate applied to rents which had been offset by the level of negative subsidy payable. The valuation supplied in respect of the properties previously used for sheltered housing reflected the change of valuation basis from individual flats to one single unit in preparation for their disposal.

(5) Collection Fund Outturn

The Fund recorded the collection of Council Tax and Non-Domestic Rates and showed a surplus of £1.3m but this was an accrued figure, not cash. Members were advised that there was no significant cash balance to distribute to the precepting authorities: DDC, KCC, Kent Police and Kent & Medway Fire Authority.

(6) Capital Programme Outturn

The Director reported that there was a favourable variance of £758k for 2009/10, mainly due to slippage in application of funds from SEEDA which had been allocated to the DTIZ development but not yet spent. However the overall cost of the programme remains virtually unchanged.

Although SEEDA would be dissolved by the new Government and its successor had not yet been set up, the monies would still need to be spent on projects which met the earlier criteria. Monies held under an agreement with ASDA had recently been paid back.

(7) Special Projects Outturn

It was confirmed that the special projects listed were 'one-offs' and all were fully financed.

(8) Treasury Management

The Director advised that KCC was working with the LGA on recovering investments made by local authorities including DDC in the Icelandic Bank Landsbanki but the outcome was uncertain. A reserve of £450k had been established to ensure adequate provision for any losses until the position was clearer.

(9) Summary of Assets and Liabilities

Committee discussed the share of pension scheme liabilities owed by DDC, the effects of recent changes to the scheme and the demographic of the staff, together with the returns on investments and interest paid on borrowings.

The Director of Finance and ICT then submitted the draft statement of accounts and reminded the Committee that when it was satisfied with all details the Chairman would be asked to sign page 11 of the document certifying that the accounts presented fairly the financial position of the Council as at 31 March 2010.

Clarification was given on the figures shown in the Remuneration Bands table and the Director undertook to provide a further detailed analysis for inclusion in the Final Accounts in September. It had been cost effective to employ a professional advisor to help with reclaiming VAT and a net total of £756k had been received. The Chairman noted that the Audit Commission Fee had increased by 10% and the Audit Manager reported that the Audit Letter originally presented to Committee on 16 June would be re-presented in September. In addition details of the day rates for the Audit Commission would be provided together with the number of days worked; this information was already provided by the EK Audit Partnership in respect of internal audit work carried out.

RESOLVED: (a) That the Financial Outturn for 2009/10 be received and the following be noted:

- (i) significant changes to be taken into account when considering the accounts;
 - (ii) reasons for the main variations between the budgets and outturn for the General Fund Revenue Account, Housing Revenue Account and Capital Programme;
 - (iii) movements between reserves within the Statement of Accounts.
- (b) That the draft Statement of Accounts for 2009/10 be approved and the Chairman of the Governance Committee be authorised to sign the Statement.

(Councillor B W Bano declared a personal interest for the reason that he was a beneficiary of the Local Government Pension Scheme.)

The meeting ended at 8.00 pm.

REPORT FROM INCOME TAXATION AND ENFORCEMENT MANAGER

GOVERNANCE COMMITTEE – 30 SEPTEMBER 2010

WRITE OFF OF INVOICES DEEMED IRRECOVERABLE**Recommendation**

<i>Information for Members to acknowledge.</i>
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Contact Officer: Mandie Kerry, extension 2191.

Background

1. The Governance Committee, at its meeting on 24 March 2010 approved procedures for write off of corporate debt once all attempts to recover such debts had been exhausted (and without prejudice to future recovery).

Council Tax

Number of invoices	Total amount	Average amount	Reduction in aged debt
1299	£197,672.67	£152.17	10.2%

Reasons for write off

2. Recovery action has taken place over a number of months and years, the amount of write off relates to all years from 1993 to 2009 where recovery action has proved to be exhausted. All the accounts will have been subject to rigorous actions, including bailiff, tracing and court actions, but due to age, amounts, and people' absconding it is no longer viable, economic or the debt has been stated barred to recover, therefore necessary to write off. Action to trace and identify non payers is no part of the daily routine. Recovery years 1993 to 1996 no longer have any outstanding amounts.
3. Attached at Appendix 1 is a breakdown of the invoices and amounts written off.

Business Rates

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
40	£114,374,71	£99.04	£24,071.79	£2,859.36

Reasons for write off

4. The above invoices have yet to be signed off by the delegated officers. These invoices are due to companies going into liquidation, insolvency and those that have been dissolved.

Sundry Debts

5. Sundry debt write offs have been identified, but have yet to be written off, system changes are awaited to allow the debt to be written back to original budget holder.

Appendices

Appendix 1 – Breakdown of the invoices and amounts written off.

MANDIE KERRY

Taxation and Enforcement Manager

Council Tax write off									
Year	No trace	Insolv	Decd	Ctxadj	Unecom	woff5	Prison/remit	Invoices	Amounts
1993		2			1			2	74.92
1994		3						3	696.01
1995		4						4	1,112.28
1996		5						5	1,428.69
1997		13						13	1,310.06
1998		16			1	1		18	2,496.45
1999		17			4	1	1	23	4,541.52
2000		38		1	4	4		47	5,794.34
2001		56				10	1	67	10,238.23
2002		66		1	2	11	1	81	13,929.19
2003		76	2		1	15	3	97	22,174.03
2004		44	3	2	1	18	6	74	19,250.41
2005		32	1	5	3	16	11	68	13,962.36
2006		30	7	1	4	24	8	74	17,251.57
2007		50	15	5	29	30	4	136	23,966.93
2008		80	15	9	77	56	9	247	27,312.97
2009		95	19	2	113	80	4	315	29,248.81
2010		14	6	1			4	25	2,889.90
Invoices	641	68	27	239	266	48	10	1299	
Amount	151,959.61	18,566.71	5,222.77	103.60	11,944.97	8,201.74	1,673.27		£197,672.67

average write off £ 152.17

All debt outstanding over the periods at 31/03/2010	£3,785,906.32
collected for previous years	£213,878.28
writeoff for previous years	£165,533.96
total bad debt	£3,406,494.08
reduction in aged debt	10.02%

Non Domestic Rates

written off previously reported.

1998-2005	1,066.68
2006	2,470.98
2007	7,614.01
2008	36,860.53
2009	2,192.83
2010	735.96
Total	50,940.99

TO BE APPROVED

Companies dissolved	£21,129.87
Liquidation	£35,102.44
Administration	£10,239.33
Other	£47,903.07
Total	£114,374.71

Outstanding Debt as of 31/03/2010	£2,445,416.35
31/08/2010	£1,592,258.80

REPORT OF THE SENIOR VALUER

GOVERNANCE COMMITTEE – 30 SEPTEMBER 2010

RENTAL VALUES AND ASSET VALUATIONS

Recommendation

<i>Members are asked to note the updated report of the Senior Valuer.</i>

Contact Officer: Rob Reid-Easton, extension 2257

Introduction

1. On 16 June 2010 Governance Committee considered the Internal Quarterly Progress Report of the Head of Audit Partnership. Item 2.15 considered Asset Management and under Minute 88, the Committee resolved to receive an update report on the results of work carried out by Property Services and the Senior Valuer in respect of rental values and asset valuations in time for this meeting.

Senior Valuer's Update

2. Internal Audit looked into the asset valuations and found 10 assets to have been incorrectly valued. 4 of these incorrectly valued assets were the result of pay car parks being valued 2 years in a row in 2004 and 2005, but the 2005 values did not get entered into the Council's Asset Register. The asset valuation of pay car parks is based on the gross receipts, which for 3 of the car parks had gone up resulting in a higher asset value, while the fourth went down resulting in a lower value. The net undervaluation of these assets of £105,100 appeared in the next 4 year's financial statements.
3. Good practice for asset valuations is to value the entire portfolio on a rolling 5 year programme. However where there are assets where asset values are subject to large changes, these should be looked at more frequently and large changes reported. As pay car parks fall into this category where there can be quite large changes from year to year, pay car parks will from now on be revalued on a yearly basis and these changes will be reported annually commencing from April 2010.
4. All but one of the remaining incorrectly valued assets were as a result of inaccurate information on the Council's property database. Following consultation with Internal Audit, during April 2010 the estates section went through a data cleansing operation where all leased-in property assets that brought in a rent exceeding £130 per annum had their data entries checked against the current leases to ensure that all details from the leases were correctly entered including rent received, review dates, termination dates and repairs liabilities. This work was completed by early May. Whilst the opportunity was taken to input information on every property, important data for asset valuation such as rent and the term of the lease was found to be correct for all properties, other than those highlighted by Internal Audit. This exercise will ensure that all property assets are correctly valued in future, and that reliable data is maintained on the property database. Properties with rents below £130 will have their data checked later this financial year.

5. The remaining asset identified by Internal Audit was incorrectly valued due to the rent on an asset not being reviewed for a number of years. This was because it was a hotel that required specialist valuation. An external valuation was commissioned in 2006 when the expert valuer recommended that the passing rent should be more than doubled. Unfortunately, the rent review did not happen and the rent was left unchanged, resulting in a loss of rent to the Council and an undervaluation of the asset.
6. This rent review has now taken place. The Council's property database will now pick these rent reviews up consistently, and mechanisms have been put in place to ensure that reminders will be generated until the review takes place.
7. In addition, when a rent review falls due, a brief report will be sent to the Property Services Manager if it is decided that the rent does not need to be reviewed, with comparable evidence to support the valuation. If the rent does need to be changed, then this will go forward for delegated approval as usual.
8. Internal Audit recommended that a sample of the annual asset valuations should be independently reviewed to ensure that valuations are undertaken using the most relevant basis for valuation and that any assumptions made are reasonable. Initial discussions have been held with Thanet District Council's asset valuer with a view to putting in place reciprocal arrangements this year.

Background Papers

Internal Audit Annual Report 2009/ 10.

Resource Implications

There are no financial implications arising directly out of this report.

Consultation Statement

Not applicable.

Impact on Corporate Objectives and Corporate Risks

Asset Valuations are a statutory requirement, however it is essential that accurate data is held by the Council.

ROBERT REID-EASTON

Senior Valuer

The officer to whom reference should be made concerning inspection of the background papers is the Senior Valuer, Dover District Council, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2257.

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 30 SEPTEMBER 2010

INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Recommendations

<i>Members are asked to note the Internal Audit Progress Report of the Head of the Audit Partnership.</i>

Contact Officer: Mrs C Parker, extension 2160

1.0 INTRODUCTION

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th June 2010.

2.0 AUDIT REPORTING

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

2.5 The purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal

audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3.0 SUMMARY OF WORK

- 3.1 There have been eight Internal Audit reports that have been completed during the period. These have been allocated assurance levels ranging from limited assurance to substantial assurance as follows: Two reviews were classified as providing Substantial assurance, three as Reasonable assurance, and one as limited assurance. Additionally, for two reports an assurance level was not applicable as the reviews related to either Housing Benefit quarterly testing or a special project. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 3.2 In addition, twelve follow-up reviews has been completed during the period. There are no continuing concerns regarding this review to bring to Members' attention at this time and we are pleased to report that of these eleven areas followed-up, four have had their assurance level increased due to the positive action taken by management, including one which previously had a split assurance level which was partially Limited.
- 3.3 For the three month period to 30th June 2010, 115.14 chargeable days were spent out of a planned total of 429.45. Approximately 27% of the plan has therefore been completed.
- 3.4 Other performance figures for the East Kent Audit Partnership for the first quarter of 2010-11 show excellent performance against target.

Background Papers

- Internal Audit Annual Plan 2010-11 - Previously presented to and approved at the 24th March 2009 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Resource Implications

There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2010/11 budget.

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

The recommendations arising from each individual internal audit review are designed to strengthen the Council's corporate governance arrangements, controls framework and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the residents of the District.

Attachments

Annex 1 – EKAP Internal Audit Progress Report

CHRISTINE PARKER

Head of Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th June 2010.

2. SUMMARY OF REPORTS:

	Service / Topic	Assurance level
2.1	Members' Code of Conduct and Standards Arrangements	Substantial
2.2	Cemeteries	Substantial
2.3	Risk Management	Reasonable
2.4	Receipt and Opening of Tenders	Reasonable
2.5	Housing Rents	Reasonable
2.6	Procurement	Limited
2.7	Shared Revenues and Benefits database with Thanet District Council.	Not Applicable
2.8	Housing Benefits Testing – 2009-10, Quarter 4	Not Applicable

2.1 Members' Code of Conduct/Standards Arrangements – Substantial Assurance:

2.1.1 Audit Scope

To ensure that the highest possible standards of conduct, probity and propriety are maintained by all Members of Dover District Council and to thereby preserve the integrity and reputation of the organisation.

2.1.2 Summary of Findings

The audit found that there is significant good practice in place through the Member Code of Conduct, specialist training and administrative support to ensure that probity is maintained. The Standards Committee arrangements were strong and the processes generally working well.

2.1.3 Management Response

As a result of the substantial assurance, a management response is not required

2.2 Cemeteries – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems to ensure that the Council's cemetery activities are administered efficiently and effectively.

2.2.2 Summary of Findings

The systems and processes governing the management of the Council's Cemeteries are working very well and almost all of the expected controls have been established and are working effectively. Positive action is taken to control risk and some additional action is being taken to further develop some controls.

2.2.3 Management Response

As a result of the substantial assurance, a management response is not required

2.3 Risk Management - Reasonable Assurance:

2.3.1 Audit Scope

To adopt the best practices in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the Council's vision.

2.3.2 Summary of Findings

The Risk Management process has in place the necessary foundations and is generally working well with most of the expected controls in place. Positive action has been taken to provide instruments and processes to ensure risks are managed. To continue the good work requires further efforts to embed the policy and strategy.

2.3.3 Management Response

Risk management is used as an integral part of service planning and performance reporting and, when required, specific risk assessments are conducted to help with the management decision process. The introduction of a new system and existing staff who have absorbed risk management into their other duties has enabled the workloads and resource requirements to be minimised. Efforts will continue in this direction and where appropriate the risk management process and the ongoing identification of new risks will be further embedded into working practices.

2.4 Receipt and Opening of Tenders – Reasonable Assurance:

2.4.1 Audit Scope

To ensure that the procedure for the receipt of tenders is in accordance with Contract Standing Orders and ensures the probity of the tendering procedure.

2.4.2 Summary of Findings

The Receipt and Opening of Tenders process is generally working well and most of the expected controls are effective.

The Council needs to ensure that staff have the correct delegation of authority to carry out this role; as the shared services processes and procedures are developed the Council should also ensure that the correct delegation is in place for other authorities to act on behalf of Dover District Council within the tender process when joint procurement takes place or some form of assurance from the other authority that their tender processes are sound has been obtained prior to the tender process being carried out.

2.4.3 Management Response

Management are pleased to agree the report with audit and have outlined an action plan to make the improvements recommended.

2.5 Housing Rents – Reasonable Assurance:

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the rent setting, collection and recovery functions are carried out efficiently and effectively.

2.5.2 Summary of Findings

The Housing Rents process is generally working well and most of the expected controls are effective. Positive action is taken to control risk, however, improvement is recommended in connection with performance monitoring, performance reporting and system access.

2.5.3 Management Response

We have agreed the report with audit and outlined an action plan to make the improvements recommended.

2.6 Procurement – Limited Assurance:

2.6.1 Audit Scope

To evaluate the Council's development and promotion of procurement strategies and policies to improve benefits to the Council and its partners and stakeholders, including the development of e-procurement options.

2.6.2 Summary of Findings

This audit review is based on the current procurement processes that are in place at Dover District Council and does not take into account any potential shared service developments that may take place over the next couple of years.

The Procurement Strategy has not been revised since 2004 and the action plan - that supports the strategy and covered the period 2003 to 2005 - has also not been updated; job titles are out of date despite the fact that the officers that are responsible for the Council's Procurement function have fundamentally changed in recent years. Regular reviews are required in order to ensure that the strategy

remain valid and continues to comply with the National Procurement Strategy. Following regular periodic reviews, the Procurement Strategy the strategy needs to be promoted to all staff once it has been revised and updated.

The role of the Procurement Panel, (as presented to CMT in February 2010 in a paper on the future role of Procurement), should be included within any updated Procurement Strategy so that their role and responsibilities are clearly defined. In addition the Council should ensure that the Procurement Strategy is driving the Council's procurement in the correct direction. As part of the role of the Procurement Panel and the Financial Services Supervisor, they should carry out 6 monthly reviews on goods procured to ensure that aggregated total expenditure for each company does not go over the EU threshold. As at the date of this report the Procurement Panel is yet to meet and define its role and responsibilities. This is particularly important given the Council's poor record on CSO compliance in recent years.

Procedures and processes are in place for the Procurement and Creditors officers for the issuing and reconciling of monthly purchases made by staff using corporate credit cards. However, the maintenance of the spreadsheets that are used for monitoring individual purchases - and a cumulative ongoing record - is currently facilitated by an officer in Waste. This needs to be reviewed to ensure the reliance on this officer is removed.

There is a lot of information held on the Council's internet pages in respect of procurement however this needs to be reviewed on a regular basis. Below are the main areas that need to be addressed: -

- The contract register is out of date. Currently there are still expired contracts on the register screen that go back to May 2008.
- There is no mention of green issues and the Council's commitment to reducing its carbon footprint.
- Register of interests are not kept in a central place / database that is accessible to all staff.
- There is no mention of the Authority's requirements for companies to comply with Child Protection legislation.
- The Council's counter fraud and corruption arrangements need to be made available to customers and potential suppliers.

The Council had planned to implement e-procurement in April 2009; as reported within the 2008/09 Creditors audit report. However, to date this has not been implemented. At the time of this audit, the Financial Services Supervisor has advised that that e-procurement is now a future project for 2011/12 as it will be such a large undertaking. The recent audit of the Opening and Receipt of Tenders has highlighted the need to put in place by 2012 an e-tendering process in compliance with the Glover Report. The Financial Services Manager has been tasked with this.

The Council has established an Equalities and Diversity Procurement Guidance for Suppliers which is held on the Internet. The guidance document states that it requires suppliers to complete an equalities monitoring questionnaire on a regular basis to ensure compliance with equalities legislation during the lifetime of the contract. A monitoring process needs to be re-launched to ensure that suppliers are complying with the current equalities legislation.

2.6.3 Management Response

Management were pleased to see procurement on the Internal Audit plan and welcome the report.

The procurement team have been through a significant amount of change in recent years and due to staff turnover they have had 3 different managers since 2007. This has delayed the level of service development and system implementation that is required.

The report serves as a useful baseline for the service. The majority of recommendations to mitigate control risks are agreed and will form part of the Financial Service Manager's action plan.

However, the report does not contain any contextual information on the scale of procurement to which the recommendations relate, and so when the recommended controls are being considered and developed, they will be assessed to ensure that they are proportionate to the level of expenditure concerned, and any burden that they may be place on small / local suppliers.

It should also be noted that Procurement is currently included within the list of proposed shared services for phase 2. Therefore this will be a factor when considering the extent of any service change.

2.7 Shared Revenues and Benefits database with Thanet District Council – An assurance level is not applicable for this work:

2.7.1 Audit Scope

The purpose of this audit review was to provide guidance to the two East Kent cluster Council's in respect of the data protection issues which need to be considered as part of the proposed the merger of the IBS systems for Dover and Thanet for the proposed Shared Revenue and Benefits service

2.7.2 Summary of Findings

Audit research (including discussions with the ICO) have provided assurance that the Council's will not be in breach of the Data Protection Act by sharing their Revenue and Benefits databases as proposed and allowing staff from both sites to process data relating to either Council providing adequate measures are taken to ensure that this is communicated to Customers.

It is the intention of the Council's to communicate this change to new customers by amending the disclosure of the new Shared application forms and to existing through the Benefit review process. It is also suggested that this information is publicised on both Council's Internet sites and at their Gateways and other district offices in order to reach as wide an audience as possible.

2.8 Housing Benefit Testing (Quarter 4 of 2009-10) – An assurance level is not applicable for this work:

2.8.1 Over the course of the 2009/10 financial year the East Kent Audit Partnership completed a sample check of council tax, rent allowance and rent rebate and Local

Housing Allowance benefit claims to support the Audit Commission's verification work.

- 2.8.2 For the fourth quarter of the 2009/10 financial year (January to March 2010) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification.
- 2.8.3 In total 20 benefit claims were checked and of these 2 failed the criteria set by the Audit Commission's verification guidelines as they impact on the subsidy claim and 1 fails on data quality.
- 2.8.4 Overall for 2009/10 80 benefit claims were checked of which there were 9 failures identified (7 impact on the Subsidy Claim and 2 were Data Quality errors. This is an overall failure rate of 11.25% (the 2008/09 error rate was 8% based upon a sample of 75 claims).

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, six follow up review has been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level
a)	Euro	Substantial/ Reasonable/ Limited	Substantial/Reasonable
b)	Partnerships	Reasonable	Reasonable
c)	Car Parks	Substantial	Substantial
d)	ICT – Network Security	Reasonable	Reasonable
e)	Council Tax	Reasonable	Substantial
f)	Business Rates	Reasonable	Substantial
g)	Members' Allowances	Reasonable	Substantial
h)	Housing Benefits - Counter Fraud Arrangements	Limited	Limited
i)	Housing Benefits Overpayments	Substantial	Substantial
j)	Treasury Management	Substantial	Substantial
k)	Creditors	Substantial	Substantial
l)	Community Safety	Substantial	Substantial

- 3.2 As highlighted in the above table, those areas previously reported as having a Limited or No assurance have been reviewed and Members are advised as follows:

a) Euro Handling Procedures:

Management has now completed all of the recommendations contained within the December 2009 report.

The original audit report concluded that Management could place:

- Limited Assurance on the overriding controls in place for the whole council and on the systems operated within both the Cash Office and the Visitor Information Centre;
- Reasonable Assurance on the system operated by the Museum; and
- Substantial Assurance on the system operated by Parking Services.

Due to the positive action taken in this area, the areas previously giving rise to a Limited level of assurance have now increased to Reasonable Assurance.

h) Housing Benefits - Counter Fraud Arrangements:

Management response to two of the recommendations that highlighted a need to focus on risk indicates that the shared service agenda is the reason for the delay in implementation. It is proposed that operational risks will be reviewed as part of the sharing of best practise between the three authorities. It will be important to ensure that any such risk activity can be linked in to Dover District Council's risk management process to facilitate corporate reporting and assessment of this service activity. With the accelerated pace of the shared service agenda, it is understandable that the Council's stretched resources are not allocated to implementing some of the recommendations and efficiencies identified within the original audit report as these will be addressed through the implementation of a shared Benefits service between Canterbury, Dover and Thanet Councils.

It is appreciated that formalising the CRB Policy is a lengthy process and management's response does confirm that good progress is being made in this area.

Positive action via the introduction of new procedures has been taken to recognise the health and safety concerns raised by the audit. Advice from the Health and Safety Officer should still be sought to provide a specialist overview and opinion on the assessment of this risk, not only for operational safety but to also ensure effective management can be monitored and reported on.

Whilst progress has definitely been made towards the implementation of the agreed action plan, with four high category recommendations still in progress it would be premature to raise the assurance level at this time and this will be reviewed again as part of the next full audit of this service area by which time it is anticipated that the assurance level will have increased to at least Reasonable.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: HRA Business Plan, Value for Money Strategy, Housing Benefit Quarterly Testing, Shared Payroll controls, and the shared Revenues and Benefits database being established with Thanet District Council.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2010-11 Audit plan was agreed by Members at the meeting of this Committee on 24th March 2010.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the three month period ended on 30th June 2010, 115.14 chargeable days were spent out of a planned total of 429.45. Approximately 27% of the plan has therefore been completed.
- 7.2 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures. The performance against each of these indicators for 2009-10 is attached as Appendix 4. There are no concerns regarding the resources engaged or outputs achieved at this time, and the East Kent Audit partnership has performed well against it's targets for the first quarter of 2010-11.
- 7.4 The EKAP audit introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 4.

Attachments

- Appendix 1 Summary of High priority recommendations resulting from the period's work
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 Progress to 30th June 2010 against the agreed 2010/11 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th June 2010.
- Appendix 5 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK		
RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Risk Management – Issued July 2010		
a) CMT meetings should have a standard item on the agenda for the consideration of emerging risks.	This will be incorporated into the CMT quarterly performance review which includes the Corporate Risk Register.	November 2010 – Performance and Risk Manager.
b) All current risks, recorded in the risk register, should be updated in line with their review dates.	Risk will be updated as required by the review dates and managers will be reminded to provide this information to the Risk Officers.	Performance and Risk Manager. Ongoing.
c) Service Managers should be required to provide evidence that their Service Assurance Statements comply with policy by containing the portfolio holder's comments when they are submitted to Performance and Risk for the preparation of the Annual Governance Assurance Statement.	Check to be incorporated from 2010/11 statement work.	Governance Investigator Completed.
d) The Covalent review trigger mechanism should be set in each record to ensure that the six monthly monitoring and annual review cycle of risks is completed by the relevant responsible officer.	It has been decided by the Performance and Risk Team not to use the automatic reminder tool for risk updates on the Covalent system as this may be too cumbersome. However the situation will be regularly reviewed and if appropriate may be used for some officers.	Performance and Risk Manager. Completed.
Receipt and Opening of Tenders – July 2010		
To ensure that has e-tendering is developed that controls are put in place so that the processes set by the Democratic Services Team comply with Contract Standing Orders. The Monitoring Officer to ensure that the relevant officer delegations	This will be included in the Procurement work plan that is being put in place.	December 2010 Financial Services Supervisor

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK		
RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
are in place so that the Democratic Services Manager and Officers are able to carry out their role within the tender opening and receipting process.	The required amendments to the Constitution will be made to clearly delegate authority as part of the 2010 Constitution Review.	December 2010 Head of Governance
Housing Rents – July 2010		
Whilst it is acknowledged that the facility to change rent charge is required so that adjustments can be made on garages when they switch from use by tenants and non-tenants, the number of Officers that do have the facility should be restricted. The profile of a “rents super” or a “rents senior” could be amended to facilitate this recommendation.	Complete Review and make amendments	Anite Champion and TSM September 2010
Revenues and Benefits Shared Database with Dover District Council – September 2010:		
Both authorities must notify all existing benefit claimants (data subjects) that their data is being held by TDC and DDC and that employees from both authorities will have access to this data for assessment purposes. All new claimants should also be advised of this by way of an amendment to the declaration on the joint application forms. The advice contained within this report should be shared with the Data Protection Officer at each Council to ensure that they are satisfied that it complies with legislative requirements.	Data declaration on future stocks of stationary & future e-forms to be changed to make customers aware. All ‘year end’ correspondence to have change flagged so that all customers made aware by April 2011.	31/03/11 Interim Revenues & Benefits Manager (TDC), Taxation and Enforcement Manager (DDC)
The declaration on the joint application form must be amended in accordance with the legislation that permits the authority to share the data with another local authority. The advice contained within this report should be shared with the Data Protection Officer at each Council to ensure that they are satisfied with the revision of the wording ensuring that it provides robust protection in the event of challenge.	Data declaration on future stocks of stationary & future e-forms to be changed to make customers aware.	30/09/10 Interim Revenues & Benefits Manager (TDC), Taxation and Enforcement Manager (DDC)

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK		
RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
The data subject must be notified at the outset that their data may be shared for other purposes, within the different departments of the authorities, for example the recovery of an overpayment, the granting of single person discount on council tax, at either authority etc.	Reviewed at times of revised data declaration.	30/09/10 Interim Revenues & Benefits Manager (TDC), Mandie Kerry (DDC)
All staff with access rights to the server and joint information should be reminded that it is an offence to unlawfully disclose information and that it is a disciplinary offence for employees to abuse their access rights. A declaration should be signed by each employee confirming their understanding of this. Use of the Net Consent functionality is probably the most effective means of accomplishing this.	Addressed in general staff awareness sessions	31/03/11 Interim Revenues & Benefits Manager (TDC), Taxation and Enforcement Manager (DDC)
Procurement – September 2010:		
Review the Procurement Strategy to ensure that it is up to date and relevant to the desired procurement service that is to be developed and put in place (Procurement Panel, E-Procurement etc) As part of the Procurement Strategy review, establish an up date the action plan to take into account the future development of the procurement service. Ensure that the Procurement Strategy is easily accessible to all staff and that it is included within the procurement area on the Intranet.	Whilst we wait to see what impact shared services has on Procurement we will write a strategy covering the plans for Procurement and incorporating an action plan which will be available on the Intranet for all staff to view.	Financial Services Team December 2010
Liaise with the other East Kent authorities to establish the possible advantages of developing a joint procurement strategy; and	Quarterly meetings are held with Shepway, Canterbury and Thanet to discuss possible shared procurement opportunities.	Financial Services Supervisor and Financial Services Officer (SM)
Liaise with the other East Kent authorities to establish the possible advantages of a shared procurement service.	See comment from MD regarding shared strategy	

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK		
RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
The Council should identify and review all supplies (such as paper) that are procured from several different suppliers to identify the best price and that the best supplier is used for all of that type of procurement. However this price should be reviewed on a regular basis to ensure that the best price is constantly being obtained.	A review of procedures will be carried out and updated	Financial Services Team December 2010
Ensure that as e-tendering is developed the necessary controls are put in place so that the processes by the Democratic Services Team comply with Contract Standing Orders	A review of procedures will be carried out and updated	Financial Services Team December 2011
Utilise the Council's approved project management tools and methodology to ensure that the e-procurement project is delivered by the end of the 2011-12 financial year. Regular monitoring reports on how the project is developing should be presented to the Procurement Board on a regular basis.	eProcurement will be developed with a view to going "live" prior to April 2012.	Financial Services Team March 2012
Financial Services to reinstate the monitoring process to ensure that suppliers, contractors and consultants comply with Equalities and Diversity and Child Protection legislation. (i.e. Annual completion of a equalities monitoring questionnaire). As part of the process it should be decided who the results are reported to and what the information will be used for.	A review of procedures will be carried out and updated	Financial Services Team March 2011
Arrange the first meeting of the Procurement Panel so that its role, terms of conditions, reporting lines both upwards and downwards through the authority and how it expects to receive information from departments / staff (Report template similar to the one used for Capital applications could be developed) can be put in place.	This will be arranged.	Financial Services Supervisor October 2010
Ensure that the role of the Procurement Panel is advertised across the authority (i.e. Net Consent or Screensaver message) so that staff are fully aware of its role and reporting process.	Once the meeting has been held the Intranet site will be updated and Budget Managers made aware of the Panels role.	Financial Services Supervisor October 2010

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK		
RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
If a health check is still to be carried out by Shepway District Council then arrange a date with them for this to commence and that the findings are reported to the Procurement Board.	This is to be reviewed after the implementation of the recommendations in this report. The final decision regarding the requirement for a health check will be made by the Procurement Panel.	Financial Services Supervisor / Panel March 2011
The Procurement Panel and the Financial Services Supervisor should carry out 6 monthly reviews on goods procured to ensure that aggregated total expenditure for each company does not go over the EU threshold.	To be included on the agenda for the first meeting of the Panel .	Financial Services Supervisor / Panel October 2010.

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Data Protection and Information Management	04-12-08	Limited	Management action plan agreed and in the process of implementation.	As part of 2009-10 Internal Audit Plan
Compliance with Contract Standing Orders	16-06-10	Limited	Management action plan agreed and in the process of implementation.	As part of 2010-11 Internal Audit Plan
Asset Management	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Autumn 2010
Leasehold Services	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Autumn 2010
Procurement	29-09-10	Limited	Management action plan agreed and in the process of implementation.	Quarter 4

PROGRESS AGAINST THE AGREED 2010-11 AUDIT PLAN.

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-10	Status and Assurance Level
FINANCIAL SYSTEMS:				
Housing Benefits – Payments	10	5	0	Quarter 4
Shared Revenues and Benefits database with Thanet District Council	10	6	2.65	Finalised – Not Applicable
Housing Benefits – Quarterly Testing	20	15	3.22	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised
Payroll	5	5	1.07	Work-in-Progress
Bank Reconciliation	5	5	0	Work-in-Progress
Miscellaneous Income/Cash Collection	10	10	0	Quarter 4
Business Rates	10	10	0	Work-in-Progress
Postal Remittances	5	5	0	Quarter 4
HOUSING SYSTEMS:				
Housing Rents	10	10	9.24	Finalised - Reasonable
HRA Business Plan	8	8	0.2	Work-in-Progress
Right to Buy	8	8	0	Work-in-Progress
Homelessness	10	10	0	Quarter 4
ICT SYSTEMS:				
ICT – Procurement and Disposal	7	7	0	Quarter 4
ICT - Internet and e-mail	7	7	0	Quarter 4
ICT – Physical and Environment	7	7	0	Quarter 4
HUMAN RESOURCES RELATED:				
Recruitment and CRB	10	10	0.17	Quarter 4
Absence Management	10	10	9.42	Work-in-Progress
GOVERNANCE RELATED:				
Data Protection and FOI	10	10	0	Work-in-Progress
Members' Code of Conduct and Standards Arrangements	8	8	0.17	Finalised - Substantial
Performance Management	10	10	0	Quarter 4
Value for Money Strategy	10	9	0.17	Work-in-Progress
Business Continuity	10	9	0	Quarter 4

APPENDIX 1

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-10	Status and Assurance Level
Corporate/CMT/Committee	30	30	10.7	Work-in-Progress throughout 2010-11
CONTRACT RELATED:				
Compliance with Contract Standing Orders	15	10	0	Quarter 4
Contract Monitoring	10	10	0	Quarter 3
Receipt and Opening of Tenders	5	4	3.33	Finalised – Reasonable
Procurement	15	14	13.02	Finalised - Limited
SERVICE LEVEL:				
Employee Benefits-in-Kind	10	10	0.24	Work-in-Progress
Customer Services/Gateway	10	10	0	Quarter 4
Dog Warden/Litter Enforcement	8	8	0	Quarter 3
Coast Protection	10	10	0	Quarter 4
Cemeteries	10	9	8.35	Finalised - Substantial
Planning and Building Control	20	18	0	Quarter 4
Museums	10	10	0	Quarter 4
Electoral Registration	10	10	0	Quarter 4
Equality and Diversity	7	7	0	Work-in-Progress
Disabled Facilities Grants	10	10	0	Work-in-Progress
CCTV	10	8	0	Quarter 4
OTHER				
Liaison with Audit Commission	5	5	0	Work-in-Progress throughout 2010-11
Follow-up Work	15	12.81	3.55	Work-in-Progress throughout 2010-11
UNPLANNED WORK				
None at as 30 th June 2010				
FINALISATION OF 2009-10 AUDITS				
Child Protection	19.45	49.64	15.03	Finalised
Insurance			3.39	Finalised – Substantial
Choice Based Lettings			5.95	Finalised – Substantial
Debtors			5.39	Finalised - Reasonable

APPENDIX 1

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-10	Status and Assurance Level
Housing Benefits – Fraud Investigation Arrangements			1.28	Finalised – Limited
Regeneration			1.97	Finalised – Reasonable/Limited
Main Accounting System			0.47	Finalised – Substantial
Housing Benefits - Overpayments			3.55	Finalised – Substantial
Write-offs			0.75	Finalised – Limited/Nil
Climate Change			0.33	Finalised – Reasonable
Performance Management			0.07	Finalised – Reasonable
Leasehold Services			0.31	Finalised – Limited
Local Code of Corporate Governance			2.53	Finalised – Substantial
Payroll			0.41	Finalised – Reasonable
Risk Management			8.21	Finalised - Reasonable
Total	429.45	429.45	115.14	27% Complete as at 30-06-10
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Customer Services	2	2	0.27	First Level Controller sign off charged to project

BALANCED SCORECARD – QUARTER 1

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
Chargeable as % of available days	84%	75%	Cost per Audit Day (Reported Annually)		£300
Chargeable days as % of planned days	27%	25%			
Follow up Reviews;					
<ul style="list-style-type: none"> • Issued • Not yet due • Now overdue for Follow Up 	<p style="text-align: center;">6 15 5</p>	<p style="text-align: center;">- - 0</p>			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
Number of Satisfaction Questionnaires Issued;	16	-	Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	2	-	Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Number of days technical training per FTE	0.74	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent or Very Good' 	50%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	100%	100%	Number of business efficiency/ service Improvement recommendations introduced	3	-



Appendix 5

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

REPORT OF THE DIRECTOR OF FINANCE AND ICT
GOVERNANCE COMMITTEE – 30 SEPTEMBER 2010

STATEMENT OF ACCOUNTS 2009/10

Recommendations

It is recommended that the audited Statement of Accounts for 2009/10 be received.

Contact Officer: Helen Lamb, extension 2063.

Purpose of the Report

To present the audited Statement of Accounts for 2009/10 to Governance Committee.

Background

At your meeting on 30 June 2010 Governance Committee considered and approved the draft¹ Statement of Accounts for 2009/10.

The Audit Commission have now completed their audit of the accounts. The auditors have given an unqualified opinion. Information on changes requested by the auditors is included in the Annual Governance Report which appears later in the agenda. The changes do not alter the outturn for 2009/10 or the overall financial position of the authority as reported to your committee on 30 June 2010.

A number of minor changes to the narrative in the accounts have also been made in order to improve the clarity of the information provided.

Recommendations

It is now recommended that the audited Statement of Accounts for 2009/10 be received.

Attachments

Statement of Accounts 2009/10

MIKE DAVIS

Director of Finance and ICT

¹ A "track changes" version of the final accounts has been e-mailed to Members. This details the changes made since the draft accounts were approved in June for Members to review if required. A paper copy of the track changes version can be supplied if required, the accounts included in the agenda are in their final format.



**Statement
Of
Accounts**

2009/10

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EXPLANATORY FOREWORD

INTRODUCTION

The purpose of this foreword is to offer interested parties a straightforward and understandable guide to the most significant matters reported in these accounts for the year ended 31 March 2010.

The accounts are prepared in accordance with proper practices as set out in the 'Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP)' issued by the Chartered Institute of Public Finance and Accountancy.

A number of changes to the Statement of Recommended Practice (SORP) were introduced with effect from 2009/10. The main changes are as follows:

- Council tax – the SORP now recognises that the Council acts as an agent for the three major precepting bodies (Kent County Council, Kent Police and Kent Fire and Rescue). As such, the accounts now only show the amount owed by and to taxpayers in respect of this Council's proportion of the council tax;
- Non-domestic rates – as with council tax the SORP now recognises that the Council is acting as an agent for the Government. Therefore, the accounts only show a net debtor or creditor in respect of amounts received and paid over to Government;
- Accrued interest – the SORP requires the long-term and current parts of individual financial instruments (loans or investments) to be separated. Therefore, accrued interest on long-term investments is now shown under short-term investments; and
- There is no longer a requirement to include disclosure notes in respect of the building control function, Local Authority (Goods and Services) Act 1970, publicity and Section 137 expenditure under the Local Government Act 1972. The Council has decided to continue to include these notes in part to fulfil statutory requirements to prepare and publish this information.

There have been a couple of amendments to the Accounts and Audit Regulations 2003 as follows:

- Information regarding remuneration has been expanded in order to improve transparency in relation to public sector pay; and
- The Council's responsible financial officer is required to certify that the accounts present a 'true and fair view' and not 'present fairly' as previously.

In the near future wider compliance with international accounting practices will be required. We have reclassified some of the assets previously classified as investment properties as land and buildings in preparation for the introduction of International Financial Reporting Standards from 1 April 2010.

Any changes to other notes have been explained within the accounts.

The Council's accounts consist of:

- **Statement of Responsibilities** (page 11) - this outlines the responsibilities of the Authority and the Head of Finance and ICT with respect to the Statement of Accounts.

- **Statement of Accounting Policies** (page 15) - this explains the basis of the figures used in the accounts. The accounts can only be properly understood if the accounting policies, which have been followed in dealing with material items, are explained. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- **Income and Expenditure Account** (page 25) - this Statement is fundamental to the understanding of a local authority's activities in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides segmental accounting information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the local authority as a whole. When added to the net cost of services these give the local authority's net operating expenditure.

The third section shows the income from local taxation and general Government grants in the period, to give the net deficit or surplus for the year. However, this is an accounting surplus or deficit and includes the costs of depreciation and 'impairments' (the fall in value of assets). The financial surplus or deficit for the year is then contained within the Statement of Movement on the General Fund Balance.

- **Statement of Movement on the General Fund Balance** (page 26) - the Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the General Fund are determined by statute and non-statutory proper practices rather than being in accordance with Generally Accepted Accounting Principles (UK GAAP). This Statement shows the movements that must be taken into account in determining a local authority's budget requirement and in turn its council tax demand.

- **Statement of Total Recognised Gains and Losses** (page 27) - not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded, as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period and these are included in a Statement of Total Recognised Gains and Losses.
- **Consolidated Balance Sheet** (page 28) - this statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

- **Cash Flow Statement** (page 30) - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this Statement, as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Housing Revenue Account** (page 76) - the Council is required by law to account separately for the provision of housing. This account shows the major elements of housing income and expenditure (repairs and maintenance, administration and capital financing costs) and how these are financed by rents and other income.
- **Collection Fund** (page 83) - this shows the transactions of the Council relating to the collection of council tax and non-domestic rates and the way in which these have been distributed to precepting authorities.
- **Annual Governance Statement** (page 88) - the Annual Governance Statement is included alongside the accounting statements. It sets out the conclusions of the Council's review of internal control for 2009/10 as required by the Accounts and Audit Regulations and follows the guidance on best practice: Delivering Good Governance in Local Government issued by CIPFA in 2007. The Annual Governance Statement describes the Council's governance framework and reviews its effectiveness.

Various notes to the accounts are included to support these Statements.

SUMMARY OF THE 2009/10 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Its spending is split between revenue (as shown in the Income and Expenditure Account) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from council tax, non-domestic rates, Government grants, fees and charges and other income. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets.

Income and Expenditure Account for 2009/10

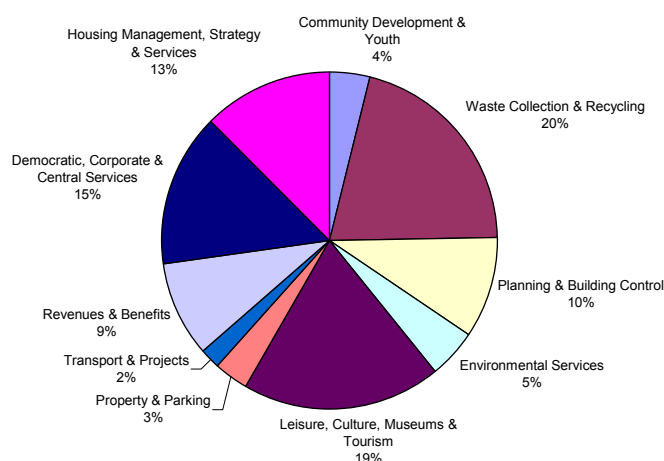
The Council's gross cost of services in 2009/10 was £82m, with gross service income of £70m leading to net expenditure of £12m. However, the expenditure includes a number of capital accounting adjustments including impairments, the loss of value in assets, and reversal of prior year impairments over the last year that are not chargeable to the council tax payer. The Income and Expenditure Account provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

Net expenditure on services 2009/10

	2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure
	£000s	£000s	£000s
Community development and youth	1,091	(436)	655
Waste collection and recycling	4,428	(864)	3,564
Planning and building control	2,488	(854)	1,634
Environmental services	962	(134)	828
Leisure, culture, museums and tourism	4,515	(1,264)	3,251
Property and parking	3,352	(2,771)	581
Transport and projects	301	0	301
Revenues and benefits	44,478	(42,917)	1,561
Democratic, corporate and central services	3,661	(1,150)	2,511
Housing strategy and services	3,636	(1,488)	2,148
	<hr/>	<hr/>	<hr/>
	68,912	(51,878)	17,034
Local Authority Housing (HRA) ¹	16,797	(17,679)	(882)
Revaluation gain of HRA stock ¹	(4,144)	0	(4,144)
Total	<hr/> 81,565	<hr/> (69,557)	<hr/> 12,008

¹ Local Authority Housing and the Exceptional item (revaluation gain) have been excluded from the chart below:

PERCENTAGE ALLOCATION OF EXPENDITURE



Revenue Financing

Revenue financing of £18.4m came from:

	£000s	%
Council tax (1)	7,904	43.1
Revenue Support Grant (2)	1,906	10.4
Non-domestic rates (3)	8,258	44.9
Area Based Grant (4)	170	0.9
Housing and Planning Delivery Grant (5)	73	0.4
Local Authority Business Growth Incentive Grant (6)	46	0.3
Total	18,357	100.0

- (1) Council tax is paid by the residents of the district to the Council. However, only 14.0% of the council tax collected is retained by the district, of which 10.9% is for its own use as 3.1% is to meet the precepts of the various town and parish councils. 71.8% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) Non-domestic rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government for redistribution.
- (4) Area Based Grants are non-ring fenced grants paid direct to the Authority.
- (5) Housing & Planning Delivery Grant was established to reward local authorities for improved delivery of housing and other planning outcomes.
- (6) Local Authority Business Growth Incentives give local authorities an opportunity to encourage local business growth by rewarding qualifying businesses with a non ring fenced grant.

General Fund

The General Fund original budget forecast a deficit of £23k. During the year additional approvals were given for carry forward of unspent budget items from 2008/09, expenditure on the job evaluation process and a supplementary approval to cover pressures on income streams experienced in the year. This resulted in an approved budget deficit of £420k.

The budget monitoring report to March 2010 projected a deficit of £538k. The final outturn shows a deficit on the General Fund balance of £163k and with carry forwards £285k the underlying outturn is a deficit of £448k which is £28k over the total approved budget and £90k below the projected outturn position. This gives an underlying General Fund balance of £1.9m.

The Housing Revenue Account

The Council maintains a housing stock of 4,471 houses and flats. The income and expenditure from this account is included in the Income and Expenditure Account, but is also reported separately from the General Fund and is maintained in an account called the 'Housing Revenue Account' (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved an increase in the HRA balance of £512k in 2009/10 compared to the original budget that forecast an increase of £463k. The main reasons for these variances are as follows:

- A reduction in dwelling rents due to the Government revision of the inflationary rate applied to rents. This reduction was offset by a similar reduction in the negative subsidy payable;
- A significant reduction in repairs and maintenance spend due to a significant reduction in void repairs and a reduction in the volume of response maintenance calls;
- A substantial reduction in supervision and management costs resulting from the closure of the five sheltered schemes previously agreed to be disposed of, the transfer of our Careline activities to Shepway District Council and the transfer of the Gateway freehold. There was also a reduction in income for the same reasons although this was significantly lower than the cost saving;
- Rent rebate subsidy limitation was incurred due to exceeding the limit rent calculated by the subsidy system and was mainly due to the effects of the closure of the five sheltered schemes;
- Revenue Financing of Capital Expenditure required to balance the funding of capital spend on HRA properties (including Decent Homes Expenditure) after allowing for funding from other sources including the Major Repairs Reserve and a grant from the PCT for disabled adaptation works; and
- In addition there was a £4.1m gain on revaluation of dwellings, offset by £1.6m impairment on sheltered housing properties. This is an accounting adjustment, is offset in the Statement of Movement on the HRA Balance and does not constitute a real variance.

Investment in Major Projects

The Council invested £8.69m in major projects in 2009/10, the most significant of which were:

- Investments of £0.7m in respect of works to progress the development of Dover Town Investment Zone and the surrounding area (this includes circa £191k in respect of Dover Sea Sports Centre);
- £4.3m for Housing Revenue Account property projects, particularly towards achieving the Government's Decent Homes standard by 2010;
- £2.3m on grants and loans for private sector housing;
- £102k on improvements to Sandwich Quay public conveniences;
- £103k on the redevelopment of Connaught Park play area;
- £150k on the refurbishment of the Bleriot Memorial; and
- The remainder has been spent on a number of smaller projects.

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

- £3.5m grants from external bodies including SEEDA, HCA and other government departments;
- £3.2m Major Repairs Allowance grant from the Government;
- £684k capital receipts;
- £708k funding from Direct Revenue Financing - HRA; and
- £242k funding from the Special Projects Reserve.

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

Treasury Management

The Council is pro-active in its cash management and in September 2002 it adopted the CIPFA Code of Practice on Treasury Management.

At 31 March 2010 the Council had over £15m managed by the Council's fund manager, Investec and investment balances and day-to-day cash balances that it manages in house. These averaged over £6m in 2009/10.

The Council has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Commerzbank (formally Dresdner Bank) and, due to significant pressure on cash flow at the end of March, the Council also held a temporary 28 day loan for £10m.

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

The Council's investments include £1m with the Icelandic bank Landsbanki. This deposit was made on 26/11/07 for a period of one year and complied with the Council's approved policy for treasury management. In October 2008 Icelandic banks, including Landsbanki, were placed in administration. It is anticipated that the Council will recover up to 95% of its £1m investment. However, the situation remains uncertain and the extent and timing of recovery cannot be guaranteed. An Icelandic Investment Reserve of £450k has therefore been established to ensure adequate provision for any losses until there is more certainty. The accounts include an impairment, calculated in accordance with guidance from CIPFA, reflecting the potential loss of capital and interest.

The Council's Assets and Liabilities

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

As at 31 March	2009 £000s	2010 £000s
Value of land, property and other assets	307,360	313,126
Investments held and cash at bank	25,498	25,266
Money owed to DDC for goods and services	4,988	12,836
Loans owed to DDC (short and long-term)	1,212	1,751
Money owed by DDC for goods and services	(8,918)	(9,005)
Loans owed by DDC (short and long-term)	(10,731)	(20,443)
Grants for assets received but not yet used	(17,817)	(17,398)
Share of pension scheme liabilities owed by DDC	(48,620)	(76,180)
Total Assets less Total Liabilities	252,972	229,953
Financed by:		
Distributable reserves ¹	(15,060)	(15,092)
Non-distributable reserves ²	(237,912)	(214,861)
Net Worth of Council	(252,972)	(229,953)
¹ Distributable reserves are made up of:		
Capital receipts	(939)	(756)
Revenue balances	(9,806)	(10,155)
Other earmarked reserves	(4,315)	(4,181)
	(15,060)	(15,092)

²Non-distributable reserves mainly comprise upwards revaluations of assets from their original purchase value and the pensions reserve.

Use of Resources

The Council's auditor publishes an annual assessment on the Council's use of resources. The 2009 judgement concluded that the Council was performing at level 2 out of 4, which the Audit Commission describe as 'Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively'.

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). (In this authority, that officer is the Head of Finance and ICT);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES

The Head of Finance and ICT is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the code of practice').

In the preparation of this Statement of Accounts the Head of Finance and ICT has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Accounting Code of Practice;
- Kept proper accounting records which were up to date;
- Ensured reasonable steps were taken for the prevention and detection of fraud and other irregularities; and
- Gained appropriate assurance over the accuracy of the Statement of Accounts prior to approval.

HEAD OF FINANCE AND ICT'S CERTIFICATE

I certify that the accounts, as set out, give a true and fair view of the financial position of the Council at 31 March 2010.



Mike Davis CPFA
Head of Finance and ICT
30 June 2010

Acceptance of Accounts
By Chairman of the Governance Committee



Councillor David Mayes
30 June 2010

Independent Auditor's Report to Members of Dover District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Dover District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Head of Finance and ICT and auditor

The Head of Finance and ICT is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance. I am satisfied that, in all significant respects, Dover District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Andy Mack
District Auditor

Audit Commission
16 South Park
Sevenoaks
Kent TN13 1AN

Date:

STATEMENT OF ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2009/2010

GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2010. The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (The SORP). The Code is based on approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS's) approved by the Accounting Standards Board and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is an historical cost basis modified by the revaluation of certain categories of assets.

QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

- **Relevance** - in accordance with FRS 18, Accounting Policies, 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, without material error and have been prepared in a prudent manner.
- **Comparability** - the Statement of Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- **Understandability** - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- **Materiality** - an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the Authority's stewardship and economic decisions.

ACCOUNTING CONCEPTS

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

requirement and an accounting standard, the legal requirement will take precedence.

ACCRUALS OF INCOME AND EXPENDITURE

Debtors and creditors at the year-end are accrued in compliance with FRS 18 ensuring income and expenditure is accounted for in the period to which it relates. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

VALUE ADDED TAX

VAT is accounted for separately and is not included in the Income and Expenditure Account, whether of a capital or revenue nature. Input VAT which is not recoverable from HM Revenue and Customs will be charged to revenue accounts or added to capital expenditure as appropriate. The Council's partial exemption status is generally reviewed on an annual basis.

EXCEPTIONAL ITEMS

The Council accounts for exceptional items in accordance with FRS 3.

FIXED ASSETS

Fixed assets are recognised when payments are made to acquire new assets, when expenditure is incurred that enhance the value of existing assets and when assets under construction are certified as completed during the year following additional cost to achieve completion.

Expenditure on assets that remain work in progress at the end of the financial year is recorded as assets under construction.

All expenditure on fixed assets are capitalised on an accrual basis.

The Council re-values its property assets on a five year rolling programme.

INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. Intangible fixed assets are included in the Balance Sheet at historic cost. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously

assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value;
- Non-operational assets, including investment properties (properties held by an authority but not directly occupied, used or consumed in the delivery of services) and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value; and
- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.

Revaluations of fixed assets are undertaken on a 5-year rolling programme. Material changes to asset valuations will be adjusted in the interim period as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Most of the Council's assets are re-valued as at 1 April, with a year-end review to identify any material changes or impairments. For Council dwellings and garages the revaluation is now undertaken as at 31 December and this valuation is valid for three months, to the 31 March. At year-end the valuation is reviewed to confirm that the December valuation is still acceptable. Should there be a material change in valuation the accounts will be adjusted.

Impairment: the values of each category of assets and of material individual assets are reviewed for impairment within each financial year if events or changes in circumstances indicate that the carrying value may not be recoverable. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in one of two ways:

- Where attributable to the clear consumption of economic benefits (e.g. through physical damage or deterioration), the loss is charged to the relevant service revenue account; or
- Other impairments (e.g. reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or de-commissioned, the value of the asset and the income from the sale are both charged to the Income and

Expenditure Account which, therefore, bears a net gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts in excess of £10,000 are categorised as capital receipts.

Generally a proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Interest on Capital Receipts is credited to the General Fund. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. The loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account and then recorded in the Statement of Movement on the General Fund Balance.

DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policies:

- Newly acquired assets are depreciated in the year of acquisition and assets in the course of construction are depreciated when they are brought into use; and
- Depreciation is calculated using the straight-line method over the following periods:

Buildings	Up to 80 years
Infrastructure	Up to 40 years
Plant and equipment	Up to 12 years
Motor vehicles	Up to 10 years
Intangible assets	Up to 5 years

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

CHARGES TO REVENUE FOR FIXED ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation and so these charges are subsequently removed via the Statement of Movement on the General Fund Balance.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

Revenue expenditure charged to capital under statute represents expenditure which may be capitalised under statutory provisions, but does not represent tangible fixed assets on the Balance Sheet. Revenue Expenditure Charged to Capital under Statute has been written off as expenditure to the relevant revenue expenditure account in the year.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants, third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

SECTION 106 CONTRIBUTIONS

The Council receives funds from property developers to provide community and infrastructure assets as part of the development. These funds are held for periods of time as specified within the planning consent and used to provide and or maintain those assets. See note 17 for further details.

RESERVES

Earmarked Reserves

The Council sets aside specific amounts as reserves for future planned purposes or to cover unforeseen circumstances. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against council tax for the expenditure.

Technical Reserves

Certain reserves are kept to manage the accounting processes for tangible fixed assets, Collection Fund accounting and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies in these accounts.

LEASES

The Council, operating as a lessee, has the following policies:

Operating Leases

Rentals payable under operating leases are charged to revenue services on a straight-line basis over the term of the lease.

Finance Leases

The Council has no finance leases.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are recharged to all their users, including services to the public, capital projects, services under Agency agreements and other support services.

The costs of the Corporate and Democratic Core and unapportionable central overheads have been accounted for separately and are not recharged to the cost of services.

PENSION COSTS

Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council (KCC). The scheme provides defined benefits to members (retirement lump sums and pensions).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate as advised by the scheme actuaries.
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – average of the bid and offer rates; and
 - Property – market value.
- The change in the net pensions liability is analysed into seven components:
 - **Current service cost** – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
 - **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account;
 - **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
 - **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an

- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses; and
- **Contributions paid to the Kent County Council pension fund** – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

FINANCIAL INSTRUMENTS

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

Debtors and creditors are measured at fair value and are carried in the balance sheet at amortised cost (i.e. after appropriate provisions for non-recovery).

Investments are broken down in two ways by maturity:

- If an investment matures within 364 days of the Balance Sheet date it is classed as short-term; or
- If an investment matures after 364 days it is classified as long-term.

Investments are also broken down by:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, these are measured at fair value and carried on the Balance Sheet at amortised cost.
- Available for sale assets – assets that have a quoted market price and do not have fixed or determinable payments. These are measured and carried on the balance sheet at amortised cost using determinations from our fund manager.

The SORP identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations;
- (b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments; and
- (c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The SORP requires authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in the notes to the Core Financial Statements.

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. The notes include an age analysis of overdue debtors at the Balance Sheet date; in addition, a provision for bad debts is also included.

PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

STOCKS

Stocks are included in the Balance Sheet at the lower of cost or net realisable value.

FOREIGN CURRENCY

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

CONTINGENT LIABILITIES / ASSETS

Contingent liabilities/assets are defined as possible obligations/(benefits) that arise from past events and whose existence will be confirmed only by the

occurrence of one or more uncertain future events not wholly within the Council's control.

GROUP ACCOUNTS

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

This Council has determined that it has no interests in subsidiaries, associates or joint ventures.

COLLECTION FUND – CHANGES OF ACCOUNTING POLICY

Council Tax – Balance Sheet

In accordance with SORP 2009, Dover District Council only includes within its Consolidated Balance Sheet its own share of council tax payers' arrears, prepayments and provision for bad or doubtful debts. Additionally, SORP 2009 recognises that there is a net cash surplus or deficit arising from council tax transactions on the Collection Fund, which sits within Dover District Council's bank balances and, therefore, within its Balance Sheet. As a result, the Council now includes an additional creditor or debtor to show the portion of the Cash surplus or deficit that is either owed to or due from the major preceptors.

These changes have arisen under SORP 2009 to recognise that the billing authority (i.e. Dover District Council) acts as an agent of the major precepting authorities in collecting their shares of council tax. The net balance on the Collection Fund, which consists of the debtor, creditor and cash balances mentioned above, is effectively owed to the major preceptors in proportion to their precepts on the Fund. Therefore all major preceptors are now required to reflect their own shares of these balances within their separate annual financial statements. This is a change from prior years, when the full values of these balances were included within the billing authority's balance sheet only (i.e. Dover District Council). This has resulted in the need to restate the 2008/09 comparatives (see "Prior Year Adjustments" note 62 to the core Financial Statements).

The split of the Collection Fund Balance Sheet between the major preceptors is shown within the Supplementary Statements on page 83.

Under SORP 2009, the Council's share of the Collection Fund surplus is no longer shown as a distributable revenue reserve, and the 2008/09 figure has been removed from the Balance Sheet. Instead, various adjustments are made through a separate Collection Fund Adjustments Account in the Balance Sheet, in order to incorporate the revised treatment in the Income and Expenditure Account and Statement of Movement on the General Fund Balance (SMGFB). The Council Tax Adjustments Account is a non-distributable reserve in the Balance Sheet, and the 2008/09 figures have been restated to include it.

Council Tax – Income & Expenditure Account

SORP 2009 requires the Council to show council tax income within its Income and Expenditure Account on the following basis:

- The Council's demand on the Collection Fund,
- Plus or minus: the Council's attributable share of the carried-forward surplus/deficit on the fund at the year-end, and
- Adjusted for the Council's share of the surplus/deficit on the fund at the preceding year-end that has not been distributed/recovered in the current year.

Previously, the Income & Expenditure Account showed the Council's demand on the Collection Fund plus its share of any surplus actually distributed in the year. However, under SORP 2009, a further adjustment is made within the Statement of Movement on the General Fund Balance, which effectively adjusts the council tax income back to the "regulatory amount" (i.e. the Council's demand on the Collection Fund plus its share of any surplus actually distributed). While this change of policy requires a restatement of the 2008/09 comparatives, the total values of the changes arising in the affected Statements are not significant (less than £25k). See "Prior Year Adjustments" note 62 to the core Financial Statements.

Council Tax –Statement of Total Recognised Gains and Losses (STRGL)

Under SORP 2009, the Council's share of the increase in the closing Collection Fund balance is no longer reflected through the STRGL. This requires the restatement of the prior year comparatives, which is not significant in value (less than £25k). See "Prior Year Adjustments" note 62 to the core Financial Statements.

NDR – Balance Sheet

SORP 2009 also requires the Council to aggregate all NDR balances into a single net creditor owed to central Government or a single net debtor due from it. This single aggregate figure includes the NDR payers' arrears, prepayments and provision for bad or doubtful debts, and the separate over/under payment in relation to the "NDR contribution to pool".

This new treatment recognises that any balances relating to NDR payers are effectively assets and liabilities of the Government rather than the billing authority (i.e. Dover District Council). The billing authority acts as an agent for the Government and receives a "cost of collection" administration allowance from the Government for doing so. This is a change from prior years, when the full value of the NDR payers' balances were included as separate assets and liabilities owed directly to or by the billing authority in its balance sheet. This has resulted in the need to restate the 2008/09 comparatives (see "Prior Year Adjustments" note 62 to the core Financial Statements).

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This Account includes both General Fund and Housing Revenue Account activities and summarises the resources that have been generated and consumed in providing services and managing the Council during the last year on continuing operations. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2008/09 Net Expenditure		2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure
£000s		£000s	£000s	£000s
	On its services the Council spent:			
1,295	Central services to the public	11,221	(10,113)	1,108
13,722	Cultural, environmental, regulatory and planning services	15,972	(4,366)	11,606
272	Highways, roads and transport services	2,733	(2,558)	175
(1,432)	Local Authority Housing (HRA)	16,797	(17,679)	(882)
22,959	Impairment / (revaluation gain) of HRA stock (note Error! Reference source not found.)	(4,144)	0	(4,144)
1,573	Other housing services	36,689	(34,459)	2,230
1,659	Corporate and Democratic Core	2,254	(380)	1,874
700	Non distributed costs	43	(2)	41
40,748	Net Cost of Services	81,565	(69,557)	12,008
(13)	(Gain) or loss on disposal of fixed assets			78
207	Loss on financial assets (note 44)			169
	Amounts due to precepting authorities:			
1,676	Town and parish councils (page 85)			1,731
50	River Stour Drainage Board (note 4)			60
426	Interest payable and similar charges (note 40)			412
299	Amounts payable to Housing Capital Receipts Pool (note 36)			451
(1,417)	Interest and investment income			(577)
2,630	Pensions interest cost and expected return on assets (note 37)			3,545
(23)	Exceptional item (note 5)			(756)
44,583	Net Operating Expenditure			17,121
	Demand on the Collection Fund:			
(7,584)	Council tax income (page 83)			(7,939)
(1,365)	General government grants (note 46)			(2,195)
(8,877)	Non-domestic rates redistribution (note 46)			(8,258)
26,757	Total (Surplus) Deficit for the Year			(1,271)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

Restated 2008/09 £000s		2009/10 £000s
26,757	Deficit for the year on the Income and Expenditure Account	(1,271)
(26,421)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (note 1)	1,434
336	(Increase)/decrease in General Fund Balance for the year	163
<u>(2,696)</u>	General Fund Balance brought forward	<u>(2,360)</u>
<u>(2,360)</u>	General Fund Balance carried forward	<u>(2,197)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits:

Restated 2008/09 £000s		2009/10 £000s
26,757	(Surplus)/deficit on the Income and Expenditure Account for the year	(1,271)
1,578	(Surplus)/deficit arising on revaluation of fixed assets	(2,544)
(193)	(Surplus)/deficit arising on revaluation of available for sale financial assets	28
7,990	Actuarial (gains)/losses on pension fund assets and liabilities	26,797
(2)	Collection Fund adjustments	0
64	Any other gains and losses required to be included in the STRGL	8
36,194	Total Recognised (Gains)/Losses for the Year	23,018

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

Restated as at 31 March 2009 £000s		Note	As at 31 March 2010	
			£000s	£000s
62	Intangible fixed assets	19		23
	Tangible fixed assets	20-22		
	Operational assets:			
235,407	Council dwellings		237,996	
49,183	Other land and buildings		51,025	
1,194	Vehicles, plant and equipment		1,194	
8,118	Infrastructure assets		7,842	
447	Community assets		422	
				298,479
	Non-operational assets			
9,540	- Land and buildings		12,037	
2,916	- Assets under construction		826	
494	- Other assets		1,761	
				14,624
307,361	Total fixed assets			313,126
1,600	Long-term investments	39		783
999	Soft loans	42		1,579
721	Long-term debtors	27		729
310,681	Total long-term assets			316,217
	Current assets:			
155	Stock and work in progress	28	128	
6,273	Debtors	29	14,271	
(1,950)	Provision for bad and doubtful debts	29	(2,120)	
23,535	Investments	39	24,483	
363	Cash at bank	54	0	
				36,762
	Current liabilities:			
(3,626)	Short-term borrowing	39	(10,127)	
(7,090)	Creditors	30	(7,080)	
(1,828)	Receipts in advance		(1,925)	
0	Bank overdraft	54	(3,213)	
				(22,345)
326,513	Total assets less current liabilities			330,634
(7,105)	Long-term borrowing	39	(7,103)	
(17,817)	Capital contributions deferred	0	(17,398)	
0	Provisions	32	0	
(48,620)	Liability related to defined benefit pension scheme	58	(76,180)	
				(100,681)
252,971	Total assets less liabilities			229,953

Restated as at 31 March 2009 £000s		Note	As at 31 March 2010	
			£000s	£000s
	Financed by:			
(278,904)	Capital adjustment account	35		(282,018)
(7,761)	Revaluation reserve	34		(10,103)
(193)	Available for sale reserve	40		(164)
484	Financial instruments adjustment account	40		1,433
(154)	Collection Fund adjustment account			(189)
(3)	Deferred capital receipts	31		(1)
48,620	Pensions reserve	58		76,180
(340)	Major repairs reserve	45		(319)
(939)	Usable capital receipts reserve	36		(756)
(3,975)	Earmarked reserves	45		(3,861)
	Revenue balances	47		
(2,360)	- General Fund		(2,197)	
(7,446)	- Housing Revenue Account		(7,958)	
				(10,155)
<u>(252,971)</u>	Total Equity			<u>(229,953)</u>

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes:

Restated 2008/09 £000s		2009/10 £000s	£000s
REVENUE ACTIVITIES			
Cash outflows:			
16,044	Cash paid to and on behalf of employees	17,778	
32,875	Other operating cash payments	33,279	
17,365	Housing benefit paid out	21,183	
1,726	Precepts paid	1,791	
299	Payments to the Capital Receipts Pool	451	
68,309			74,482
Cash inflows:			
(6,903)	Rents (after rebates)	(6,857)	
(7,355)	Council tax receipts	(7,967)	
(8,877)	Non-domestic rates received from national pool	(8,258)	
(1,236)	Revenue Support Grant (note 53)	(1,906)	
(15,110)	DWP grants for housing benefits	(21,069)	
(20,180)	Other Government grants (note 53)	(20,714)	
(7,798)	Cash received for goods and services	(7,089)	
(698)	Other operating cash receipts	(723)	
(68,157)			(74,583)
152	Revenue Activities Net Cash Flow		(101)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash outflows:			
427	Interest paid	413	
Cash inflows:			
(1,524)	Interest received	(409)	
(1,097)			4
CAPITAL ACTIVITIES			
Cash outflows:			
6,879	Purchase of fixed assets	5,141	
1,431	Other capital cash payments	3,156	
Cash inflows:			
(641)	Sale of fixed assets	(961)	
(1,938)	Capital grants received	(2,552)	
4,786	Net cash (inflow)/outflow before financing		4,784
MANAGEMENT OF LIQUID RESOURCES			
(5,211)	Net increase/(decrease) in short-term term deposits	1,065	
1,976	Net increase/(decrease) in other liquid resources	4,326	
			5,391
FINANCING			
Cash inflows			
(1,496)	New short-term loans	(6,500)	
55	Net (Increase)/Decrease in Cash		(6,500)
			3,578

NOTES TO THE CORE FINANCIAL STATEMENTS

1. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCES

Restated 2008/09 £000s		Note	2009/10 £000s	2009/10 £000s
26,757	(Surplus) or deficit for year in the Income and Expenditure Account			(1,271)
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
(26)	Amortisation of intangible fixed assets	19	(30)	
(26,569)	Depreciation and impairment of fixed assets	22	1,264	
775	Excess depreciation charged to the HRA over Major Repairs Allowance	Page 78	1,085	
253	Capital Contributions Deferred and amortisation	26	254	
(280)	Revenue Expenditure Funded from Capital under Statute	33	(333)	
13	Net (gain) or loss on sale of fixed assets		(78)	
154	Share of Collection Fund Surplus for current year		189	
(177)	Removal of prior year residual Collection Fund surplus		(154)	
(310)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		(950)	
(4,490)	Net charges made for retirement benefits in accordance with FRS 17	37	(4,708)	
	Additional items required by statute in determining the Movement on the General Fund Balance			
289	Capital expenditure charged in-year	22	718	
(299)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	36	(451)	
3,760	Employer's contributions payable to the pension fund and retirement benefits direct to pensioners	37	3,945	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance			
797	Statutory transfer of HRA balance	Page 77	512	
	Net transfer to or (from) earmarked reserves:			
(149)	From Local Development Framework Reserve	45	(73)	
(314)	From Special Projects Reserve	45	(245)	
(194)	From Housing and Planning Delivery Grant Reserve	45	(30)	
346	Other transfers to earmarked reserves	45	519	
(26,421)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year			1,434
336	Increase in General Fund Balance for the year			163
(2,696)	General Fund Balance brought forward			(2,360)
(2,360)	General Fund Balance carried forward			(2,197)

2. CHANGE IN PROVISION OF HUMAN RESOURCES FUNCTION

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

The business plan for the Partnership indicated that there would be £2m savings across the partners in the first five years of operation.

The Partnership is hosted by Dover District Council, and the guiding body is the HR Strategic Board which comprises one representative from each of the councils plus the Head of the Partnership. As Dover is the host, all of the EKHRP costs will pass through DDC's Income and Expenditure account, as will the charges to the other partners. In a full year it is expected that the costs of the Partnership are likely to be £1.93m, with charges to the partners of £1.57m.

In 2009/10, costs of £1.33m, with a recovery from our partners of £1.04m have passed through the General Fund Income and Expenditure Account.

Included in the 2009/10 figures are the one-off initial set-up costs (£618k in total, of which our partners contributed £464k).

3. EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This is detailed in the explanatory foreword of this Statement.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with Generally Accepted Accounting Practice, the movement on the General Fund Balance is also an important aspect of the Council's stewardship and indicates the level of General Fund balances actually available to the Council.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are included in the Statement of Movement on the General Fund Balance.

4. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY

In accordance with the Internal Drainage Boards (Finance) Regulations 1991, the Local Government (Finance) Act 1988 and the Land Drainage Act 1991, the River Stour (Kent) Internal Drainage Board is empowered to make a Special Levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage District.

Authorities are required under the Local Government (Finance) Act 1988, to provide the revenue from the non-agricultural sector prior to 1 April 1990. The Levy for 2009/10 was £60k (£50k in 2008/09).

5. EXCEPTIONAL ITEM (VAT)

Following the decision by the House of Lords in the Fleming and Condé Nast case, the Council has made several claims to HMRC in respect of VAT paid over during the period 1973 to 1997, which was subsequently deemed to have been collected by HMRC in error. Claims in respect of cultural services and cemeteries have been agreed and settled during 2009/10 totalling £441,668. HMRC have also paid over £346,063 being interest due on these overpayments. From this income, an amount of £31,509 has been paid to professional advisors who assisted in submitting the claims. Therefore a net £756,222 has been reported as an exceptional item in the Income and Expenditure Account.

6. SIGNIFICANT TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Accordingly, the trading operations listed below all form an integral part of the total cost of particular services and are included within the Net Cost of Services, rather than being shown separately on the Income and Expenditure Account as trading undertakings. Details of those operations with a turnover of expenditure greater than £300k and/or surplus (or deficit) greater than £30k are as follows:

2008/09 Surplus/ (deficit) £000s	Trading Service	Note	Expenditure £000s	2009/10 Income £000s	Surplus/(deficit) £000s
950	Car parks – surface paying	(a)	588	1,405	817
(117)	White Cliffs Careline	(b)	10	12	2
(68)	Miscellaneous properties	(c)	358	243	(115)

- (a) The Council operates 44 off-street car parks in the towns and villages of the District (of these, 16 are free car parks, the costs of which are excluded from the above data). Included in these 44 car parks is the closed multi-storey car park and three others which are managed on behalf of third parties. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (b) The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and back up to people in need. It is now operated in partnership with Shepway District Council, with Shepway as the lead authority.

- (c) The Council owns a range of properties and land that are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so that the exclusion of capital charges have resulted in a lower deficit being shown in the accounts. As a result, the accounts for Miscellaneous Properties show a deficit of £115k that would be increased to £124k if the cost of capital charges had been made.

7. PUBLICITY EXPENDITURE

In accordance with Section 5 of the Local Government Act 1986 the Council is required to disclose total spending on publicity for the year:

	2008/09 £000s	2009/10 £000s
General publicity	210	101
Tourism initiatives	69	79
Tourist information centres	110	81
Recruitment advertising	58	15
Total	447	276

8. LEASES PAYABLE

The Council uses IT equipment, car parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £64k (£66k in 2008/09).

Leasing

Under the Local Government and Housing Act 1989 finance leases used to purchase fixed assets such as vehicles and equipment count as credit arrangements. As such they are subject to capital controls and require resource cover.

This Council therefore does not utilise this facility but chooses to use an operational lease facility. This does not permit the Council to own the goods at any time and therefore they are not subject to capital controls.

Operating Leases

As at 31 March 2010 the Council was committed to making payments of £114k under operating leases in future financial years:

	Vehicles, Plant and Equipment £000s
Leases expiring in 2009/10	0
Leases expiring between 2010/11 and 2014/15	114
Leases expiring after 2013/14	0
	<hr/> 114 <hr/>

In 2010/11 it is expected that the Council will enter into leases for fitness equipment.

Finance Leases

The Council has no finance leases.

9. OFFICERS' REMUNERATION £50K+

The table below shows the number of Council officers whose remuneration exceeds £50,000 grouped into £5,000 bands. Remuneration is defined as 'the amount paid to or receivable by an employee, and includes gross pay (i.e. before deduction of employees' pension contributions), sums due by way of expenses, allowances and the estimated monetary value of benefits such as a leased car and other non-cash items'. Pension contributions made by the Authority are not included.

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000-£54,999	11	19
£55,000-£59,999	0	3
£60,000-£64,999	1	2
£65,000-£69,999	2	2
£70,000-£74,999	0	1
£75,000-£79,999	6	6
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	0	1
£110,000-£114,999	0	0
£115,000-£119,999	1	0
£120,000-£124,999	0	1
	<hr/> 21 <hr/>	<hr/> 35 <hr/>

Senior Officers' Emoluments

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

2009/10

Post holder information (Post title)	Salary (Including fees & Allowances)	Expense Allowances (Including Fuel)	Car Allowance (eg Benefits in Kind or Cash)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	107	3	10	120	16	136
Head of Finance & ICT (S.151 Officer)	69	3	7	79	10	89
Head of Governance (Monitoring Officer)	69	3	7	79	10	89
Head of Property, Leisure & Waste Management	69	4	5	78	10	88
Head of Housing, Culture & Community Safety	69	3	7	79	10	89
Head of Development & Public Protection	69	4	5	78	10	88
Head of Business and Community Transformation	69	3	7	79	10	89
	521	23	48	592	76	668

2008/09

Post holder information (Post title)	Salary (Including fees & Allowances)	Expense Allowances (Including Fuel)	Car Allowance (eg Benefits in Kind or Cash)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	105	3	9	117	15	132
Head of Finance & ICT (S.151 Officer)	69	3	6	78	11	89
Head of Governance (Monitoring Officer)	69	3	5	77	10	87
Head of Property, Leisure & Waste Management	69	3	5	77	10	87
Head of Housing, Culture & Community Safety	69	3	5	77	10	87
Head of Development & Public Protection	69	3	5	77	10	87
Head of Business and Community Transformation	69	3	5	77	10	87
	519	21	40	580	76	656

10. ACCRUAL FOR OFFICERS' ANNUAL LEAVE

Under International Financial Reporting Standards there will be a requirement in future years for authorities to calculate and accrue for the value of all council officers' annual leave which was carried forward at the end of the financial year. For information purposes the value for officers' annual leave carried forward was £121k as at 31 March 2010 (£75k as at 31 March 2009).

11. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

Many authorities are experiencing claims for back pay from appeals about unequal pay arising from the implementation of the single status agreement. At present Dover District Council does not have any equal pay claims. The Council has completed its job evaluation process and no claims have arisen, or been identified, as a result. Work is currently being undertaken on the alignment of terms and conditions with our partner authorities to further minimise the risk of equal pay claims, as shared services and partnership working move forward.

12. AUDIT COMMISSION FEES

The fees incurred relating to external audit were:

	2008/09 £000s	2009/10 £000s
Audit	119	123
Inspection	15	9
Certification of grant claims and returns	31	51
Total	165	183

13. MEMBERS' ALLOWANCES

Totals of allowances paid to Council members during 2009/10, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, are as follows:

	2008/09 £000s	2009/10 £000s
Basic allowance	190	192
Special responsibility allowance	119	113
Travel and subsistence	14	8
	323	313

Basic allowances are a contribution towards the costs of Councillors' constituency work as well as their Council duties at approved meetings. Special responsibility allowances are paid to some councillors to recognise additional responsibilities undertaken on behalf of the Council.

14. RELATED PARTY TRANSACTIONS

In accordance with FRS 8, the financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties and provides the

majority of its funding in the form of grants. Details of grants received from Government departments are set out in note 53 to the Cash Flow Statement.

Declarations have been received from all officers and all Councillors. The statement below lists all related party transactions:

	Receipts £000s	Payments £000s
Kent County Council	1,352	2,408
Kent Police	12	30
Parish and town councils	166	67
Dover, Deal and District Citizens Advice Bureau <i>One member of the District Council was a trustee during 2009/10, and two others were appointed by the Council to be it's representative during 2009/10</i>	20	140
Dover Neighbourhood Forum <i>Seven members of the District Council were appointed by the Council to be It's representatives on the various forums during 2009/10</i>	0	45
Sandwich Technology School <i>One member of the District Council was a Governor of the school during 2009/10</i>	0	6
Dover District Volunteering Centre <i>One member of the District Council was a trustee during 2009/10.</i>	0	5
Dover District Chamber of Commerce <i>One member of the District Council was a member during 2009/10 and another was an employee.</i>	0	5
Gazen Salts Nature Reserve <i>Two members of the District Council were appointed by the Sandwich Town Council to be it's representatives during 2009/10.</i>	0	7
Canterbury Archaeological Trust <i>One member of the District Council was an employee during 2009/10.</i>	0	3
Action with Communities in Rural Kent <i>Two members of the District Council were appointed by the Council to be it's representatives during 2009/10.</i>	0	3
	1,550	2,719

15. BUILDING CONTROL ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control section cannot be charged for, such as the provision of

general advice, dealing with dangerous structures and other local authority initiatives. The following statement shows the income and expenditure of the building control functions, divided between chargeable and non-chargeable activities:

	Chargeable Activities 2009/10 £000s	Non-Chargeable Activities 2009/10 £000s	Total 2009/10 £000s
Expenditure			
Employee expenses	288	91	379
Transport	14	4	18
Supplies & services	18	6	24
Central & support services	(2)	83	81
Total Expenditure	318	184	502
Income			
Building regulation charges	(294)	(1)	(295)
Total Income	(294)	(1)	(295)
Net Deficit for Year	24	183	207

Comparatives for 2008/09

	Chargeable Activities 2008/09 £000s	Non-Chargeable Activities 2008/09 £000s	Total 2008/09 £000s
Expenditure	314	194	508
Income	(275)	(1)	(276)
Net Deficit for Year	39	193	232

Comparatives for 2007/08

	Chargeable Activities 2007/08 £000s	Non-Chargeable Activities 2007/08 £000s	Total 2007/08 £000s
Expenditure	338	222	560
Income	(323)	(2)	(325)
Net Deficit for Year	15	220	235

There is a general duty to break even over a three year period on chargeable activities. Over the last three years this activity has met this criterion and has been on target.

16. LOCAL NEIGHBOURHOOD BOARDS

In 2009/10 the Council contributed £45k to Kent County Council for Neighbourhood Forum grants to organisations. The scheme was established in December 2006 and is funded by Dover District Council and Kent County Council.

Community groups (including parish and town councils, local charities and voluntary groups) have been able to apply for funds of up to £5k provided their proposed use supports the corporate objectives of Dover District Council, and any parish/town priorities. The applications have also been requested to demonstrate the benefit to the community and their sustainability.

These grants are generally for capital purposes, but as they fall below the Council's de-minimus value for capitalisation, they have been treated as revenue expenditure in the accounts.

17. S106 RECEIPTS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are to be provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

	1 April 2009	Income	Expenditure	31 March 2010
	£000s	£000s	£000s	£000s
By Development:				
Land north of Melbourne Ave, Whitfield	378	0	0	378
Old Park Barracks, Whitfield Extension to Tesco Retail Store, Whitfield	222	0	(22)	200
Miscellaneous developments	155	0	(2)	153
	11	14	(37)	(12)
	766	14	(61)	719

	1 April 2009	Income	Expenditure	31 March 2010
	£000s	£000s	£000s	£000s
By Permissible Use:				
Transport /adult education/ play areas	222	0	(22)	200
Transport improvements	546	0	(2)	544
Youth and community	(41)	14	(15)	(42)
Adult social services and education	19	0	(19)	0
Open spaces	17	0	0	17
Miscellaneous community	3	0	(3)	0
	766	14	(61)	719

18. ON-STREET PARKING SURPLUS

This reserve represents the surplus generated through the On-Street Parking Operations which the Council operates on behalf of KCC. The surplus is ring-fenced, and after satisfying any requirements of the

Parking Service, may be used for transport, environmental or environmental projects.

The balance of this fund on 31 March 2009 was £45k. It was agreed that £43k of this could be utilised by Parking Services to update equipment required by the operations and enforcement staff to carry out their normal duties effectively. This leaves a balance of £2k which will be carried forward for future use within the defined parameters.

In 2009/10 the On-street Parking Operation resulted in a deficit of £24k. This balance has been charged against the General Fund, but the Road Traffic Regulation Act allows that any surplus generated in the subsequent four years to be applied in the first instance to the making good of this charge on the General Fund.

19. VALUATION OF INTANGIBLE FIXED ASSETS

The Council has not purchased any intangible fixed assets during the financial year 2009/10. The net book value of all intangible assets after amortisation of £39k is £23k.

20. TANGIBLE FIXED ASSETS HELD

Tangible fixed assets owned by the Council include the following significant items:

	Number as at 31.03.09	Net Book Value as at 31.03.09 £000s	Number as at 31.03.10	Net Book Value as at 31.03.10 £000s
COUNCIL DWELLINGS				
Flats/houses	4640	235,407	4471	237,996
Council garages	953	2,250	953	2,250
OPERATIONAL LAND AND BUILDINGS				
Offices:				
Whitfield complex	1	3,687	1	5,564
Others	3	452	3	448
	4	4,139	4	6,012
Leisure centres and pools:				
Dover Leisure Centre	1	5,522	1	5,466
Deal Leisure Centre	1	6,505	1	6,339
Deal Tennis Centre	1	142	1	141
	3	12,169	3	11,946
Other:				
Dover Museum	1	5,214	1	5,162
Depots and workshops	15	634	15	668
Cemeteries (sites)	8	46	8	41
Car parks	40	3,605	40	3,900
Public conveniences	25	1,682	25	1,766
	89	11,181	89	11,537

Sea defences (kilometres)	7	7,356	7	7,105
Parks and open spaces	28	368	28	341
Deal Pier	1	5,966	1	5,779
Historic buildings:				
Timeball Tower, Deal	1	176	1	176
Grand Shaft, Dover	1	16	1	16
St Martin's Battery	1	0	1	0
Town Clock, St Peter's Church, Sandwich	1	0	1	0
	4	192	4	192

21. VALUATION OF TANGIBLE FIXED ASSETS

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their market value.

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 2009. Housing Revenue Account dwellings and garages were valued on 31 March 2010.

22. MOVEMENT OF FIXED ASSETS 2009/10

	TANGIBLE FIXED ASSETS OPERATIONAL						Total £000s
	Council Dwellings £000s	Garages £000s	Other Land and Buildings £000s	Equip- ment £000s	Infra- structure £000s	Commnty Assets £000s	
Gross Book Value							
At 1 April 2009	235,413	2,250	48,346	3,187	12,925	756	302,877
Reclassification of assets	(3,426)	0	0	67	0	0	(3,359)
Capital exp	4,319	0	108	279	0	0	4,706
Transfer from assets under construction	0	0	0	0	0	0	0
Disposals	(570)	0	0	(26)	0	0	(596)
Impairments	0	0	0	0	0	0	0
Revaluations	2,260	0	2,313	0	0	0	4,573
Revaluation Reserve	0	0	0	0	0	0	0
At 31 March 2010	237,996	2,250	50,767	3,507	12,925	756	308,201

Depreciation

At 1 April 2009

Accumulated	(6)	0	(1,412)	(1,993)	(4,807)	(309)	(8,527)
Current year	(1,990)	(64)	(598)	(346)	(276)	(25)	(3,299)
Restatements	1,996	0	82	26	0	0	2,104
At 31 March 2010	237,996	2,186	48,839	1,194	7,842	422	298,479

Subsequent expenditure on existing fixed assets is capitalised in accordance with FRS 15.

The Council dwellings are valued in accordance with stock valuation guidelines for resource accounting for the Housing Revenue Account issued by the former Department of the Environment, Transport and the Regions. Depreciation has been charged to the Housing Revenue Account for council dwellings and other housing reserve account assets in order to meet Resource Accounting requirements. Details of the Council's non-operational assets are shown below:

TANGIBLE FIXED ASSETS NON-OPERATIONAL

	Investment Property £000s	Surplus Assets £000s	Assets under Construction £000s	Total £000s
Gross Book Value				
At 1 April 2009	9,540	500	2,916	12,956
Capital expenditure completed in year	336			336
Work in progress	0	0	0	0
Work in progress completed in year	2,162	0	(2,229)	(67)
Disposals	0	(469)	0	(469)
Reclassification of asset	0	3,426	139	3,565
Impairments	(1)	(1,688)	0	(1,689)
Revaluation	0	0	0	0
At 31 March 2010	12,037	1,769	826	14,632
Depreciation				
At 1 April 2009				
Accumulated	0	(6)	0	(6)
Current year	0	(2)	0	(2)
Restatement	0	0	0	0
At 31 March 2010	12,037	1,761	826	14,624

See note 19 for details of movement on intangible fixed assets.

In accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2000, all operational buildings are depreciated. This is to reflect the cost of use of the buildings over their useful economic lives.

The total assets employed at the end of the financial year were:

	£000s
Housing Revenue Account	242,903
General Fund	55,576
Total	298,479

Depreciation and impairment of fixed assets included in the Statement of Movement on the General Fund is broken down as follows:

	£000s
Depreciation	
General Fund	(1,151)
Impairment:	
Housing Revenue Account stock	4,178
Operational land and buildings	(73)
Non-operational land and buildings	(1)
Surplus assets – HRA	(1,689)
Total	1,264

Fixed Assets 2009/10
£000s

Intangible Fixed Assets

Tangible Fixed Assets:

Council dwellings	4,320
Piers	
Operational equipment and vehicles	471
Land awaiting development	423
Investment properties	
Community assets	
Total Spending on Fixed Assets	5,214

Capital Expenditure not resulting in Fixed Assets:

Revenue expenditure funded by capital	2,031
Private sector housing loans	1,443
Total Capital Expenditure to be financed	8,688

Financed by:

Government supported borrowing	187
Capital receipts	684
Direct revenue financing	718
Capital grants	3,552
Major Repairs Reserve	3,263
Special Projects Reserve	284
Total Financing	8,688

Impairments – General Fund

There have been no material impairments of General Fund assets in 2009/10

23. REVALUATION GAIN OF HRA STOCK

Housing stock impaired in 2008/09 was re-valued resulting in a revaluation gain in 2009/10 of £4.144m.

24. CAPITAL FINANCING REQUIREMENT

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

	2008/09 £000s	2009/10 £000s
Opening Capital Financing Requirement	6,796	7,045
Capital Investment:		
Intangible fixed assets	0	
Operational assets	5,894	4,791
Non-operational assets	1,475	423
Revenue exp funded by capital and loans	2,316	3,474
Sources of Finance:		
Capital receipts	(2,000)	(684)
Government grants	(3,438)	(3,552)
Major repairs reserve	(3,579)	(3,263)
Direct revenue financing	(289)	(718)
Special projects reserve	(130)	(284)
Closing Capital Financing Requirement	7,045	7,232

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

	2008/09 £000s	2009/10 £000s
Fixed assets	307,360	313,126
Long-term debtors	110	729
Private Sector Housing loans	999	1,579
Capital contributions deferred	(17,817)	(17,403)
Less: receipts in advance	3,716	3,248
Capital adjustments account	(278,904)	(282,018)
Revaluation reserve	(7,761)	(10,103)
Grants relating to long-term debtors	(916)	(2,511)
Financial adjustments (soft loans)	258	585
	7,045	7,232

25. COMMITTED CONTRACTS

As at 31 March 2010 the Council was contractually committed to capital expenditure amounting to £762k in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Dover Sea Sports Centre	57	Dec 10
Kingsdown Beach – emergency work	136	May 10
Sea Change Partnership	250	Sept 10
Aylesham Leisure Project	279	Sept 10
Other capital projects	40	-
	762	

The Council was committed to the following major contracts as at 31 March 2010. Where contracts expire during 2010/11 and will require re-negotiation, only that portion to which the Council is currently committed has been included. There are other major contract commitments which are contingent upon the extent of the work carried out, which cannot be evaluated in advance (e.g. housing repairs, re-roofing, etc).

	Approximate Annual Value £000s	Estimated Completion Date
Cleaning of Council offices	75	Mar 2014
Cleaning of communal areas	122	Mar 2013
Cleaning of public conveniences	180	Mar 2014
Landscape maintenance	884	Mar 2016
Dog wardening	48	Mar 2010
Pest control – part year	40	Oct 2010
Street sweeping – part year	504	Sep 2010
Refuse collection – part year	715	Sep 2010
Recycling – part year	602	Sep 2010
Haulage – recycle	90	Sep 2010
	3,260	

26. CAPITAL CONTRIBUTIONS DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Capital Contributions Deferred Account. The grant is then released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charge made for that asset. To negate the effect of this on the council tax an adjustment is made in the Statement of Movement on the General Fund Balance.

	2008/09 £000	2009/10 £000
Balance as at 1 April	17,811	17,817
Grants and contributions received	259	2,552
Grants amortised to services via Income and Expenditure Account	(253)	(254)
Grant applied on assets not depreciated		(2,712)
Grant adjustments		(5)
	17,817	17,398

During 2009/10 grants for private sector housing were received amounting to £0.9m (£1.1m during 2008/09). £1m has been used for private sector loans. Unapplied grant as at 31 March 2010 was £3,248m as detailed below:

	£000s
Private Sector Housing	1,556
Growth Point	726
SEEDA DTIZ	915
HCA DTIZ	51
	3,248

27. LONG-TERM DEBTORS

Long-term debtors consist of mortgages and loans advanced to both individuals and organisations under various Acts of Parliament or utilising general powers. Changes during the year were:

	Outstanding 31.03.09 £000s	Movement in year £000s	Outstanding 31.03.10 £000s
Mortgages to:			
Housing associations	58	0	58
Right to buy mortgages	3	(2)	1
Loans to:			
Leaseholders ¹	70	(2)	68
Local organisations	50	(5)	45
Assisted car purchase advances	1	(1)	0
Other:			
Housing benefit debtors ²	539	18	557
Total	721	8	729

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

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

28. STOCKS AND WIP

	As at 31.03.09 £000s	As at 31.03.10 £000s
Stocks:		
General Fund	67	70
Work in Progress:		
Housing Revenue Account	83	34
General Fund	5	24
Total	155	128

29. DEBTORS AND PROVISION FOR BAD DEBTS

	Restated as at 31 March 2009 £000s	As at 31 March 2010 £000s
Dover District Council Debtors:		
Amounts falling due in one year:		
Housing rents and charges	544	411
Government departments and Inland Revenue	1,738	3,362
Other local authorities	441	1,630
Sundry debtors	2,529	2,742
Prepayments	388	523
	5,640	8,668
Less provision for bad debts	(1,734)	(1,853)
	3,906	6,815
Collection Fund Debtors:		
Amounts falling due in one year:		
Government departments	0	5,083
Other local authorities	153	0
Local taxpayers	480	520
Less provision for bad debts	(216)	(267)
	417	5,336
Total all Debtors	4,323	12,151

The 2008/09 debtors' analysis has been restated to show Collection Fund debtors in accordance with SORP 2009. See Accounting Policies on page 15 and Prior Year Adjustments Note 62 to the Core Financial Statements.

Provision for Bad and Doubtful Debts

The following provisions have been made against possible non-collection of debt. Separate provisions are maintained for non-collection of business rates and council tax and only DDC's share of council tax debts are shown below:

	General Fund £000s	Housing Revenue Account £000s	Collection Fund £000s	Total £000s
Balance brought forward 01.04.09	1,346	388	216	1,950
Provision made in year	203	106	59	368
Less amounts written off	(105)	(85)	(8)	(198)
Balance carried forward 31.03.10	1,444	409	267	2,120

30. CREDITORS

	As at 31 March 2009	As at 31 March 2010
	£000s	£000s
Dover District Council Creditors:		
Government departments	(1,342)	(2,537)
Other local authorities	(512)	(892)
Housing rents	(139)	(84)
Sundry creditors – revenue	(3,784)	(2,401)
Sundry creditors – capital	(787)	(829)
	(6,564)	(6,743)
Collection Fund Creditors:		
Amounts falling due in one year:		
Local taxpayers	(86)	(102)
Government departments	(440)	0
Other local authorities	0	(235)
Collection Fund non DDC	0	0
	(526)	(337)
Total all Creditors	(7,090)	(7,080)

The 2008/09 creditors' analysis has been restated to show Collection Fund creditors in accordance with SORP 2009. See Accounting Policies on page 15 and Prior Year Adjustments Note 62 to the Core Financial Statements.

31. DEFERRED CAPITAL RECEIPTS

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

	£000s
Balance brought forward as at 1 April 2009	3
Less: principal repayments	(2)
Balance carried forward as at 31 March 2010	1

32. PROVISIONS

A review of potential provisions has taken place in 2009/10 and it has been concluded that none are required at this stage.

33. REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

Certain types of expenditure incurred by the Council do not fall within the Code of Practice's definition of fixed assets, but are classified as expenditure for capital purposes with respect to capital controls. Such expenditure includes home improvement grants and similar advances to finance capital investment by other parties. These are categorised as

'Revenue Expenditure Funded by Capital under Statute'. As this expenditure does not represent an asset to the Council the Revenue Expenditure Funded by Capital under Statute balance has been written out of the Balance Sheet by charging it to the service revenue accounts on the basis that the 'asset' has no continued value to the Council. As these assets have already been financed under capital control arrangements a corresponding credit is required in the Statement of Movement on the General Fund balances to negate the impact on the Income and Expenditure Account.

	2008/09 £000s	2009/10 £000s
Capital Expenditure		
Home improvement grants	1,033	1,554
Land contamination testing	65	55
Bleriot Memorial	0	181
Grants/contributions to organisations	326	272
	<u>1,424</u>	<u>2,062</u>
Grants/contributions received	(1,144)	(1,729)
Total net spend	280	333
Written off to revenue in year	(280)	(333)
Net book value of assets at 31 March	<u>0</u>	<u>0</u>

34. REVALUATION RESERVE

The Revaluation Reserve Account represents the change in the value of the Council's fixed assets due to revaluations and restatements.

Movements on the account during 2009/10 are detailed below:

	£000s
Balance as at 1 April 2009	7,761
Revaluation gains and restatements	2,468
Depreciation adjustment historic cost	<u>(126)</u>
Balance carried forward as at 31 March 2010	<u>10,103</u>

The Revaluation Reserve is a technical reserve, and does not represent funds available to the Council.

35. CAPITAL ADJUSTMENTS ACCOUNT

The Capital Adjustments Account contains the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation in addition to those that are required to be charged to revenue to repay the principal element of external loans.

	£000s
Balance brought forward as at 1 April 2009	278,904
Add:	
Capital financing:	
Reserves applied	3,547
Revenue applied	718
Capital receipts applied	684
Disposal adjustments	125
Allocation of grant from Capital Contributions Deferred Account	254
Depreciation adjustment for Revaluation Reserve	126
Impairment of fixed assets	2,338
Long-term debtors	2
	<u>286,698</u>
Less:	
Carrying amount of assets disposed	(1,009)
General Fund depreciation	(1,151)
General Fund amortisation	(30)
Revenue expenditure funded from capital under statute	(333)
HRA depreciation	(2,157)
	<u>282,018</u>

The Capital Adjustments Account is a technical account, and does not represent funds available to the Council.

36. USABLE CAPITAL RECEIPTS RESERVE

The balance on this reserve is available to fund capital expenditure in future years.

	£000s	£000s
Balance brought forward as at 1 April 2009		939
Add:		
Receipts in year:		
Sales – General Fund	0	
Dwelling sales - Housing Revenue Account	623	
Other sales - Housing Revenue Account	338	
Mortgage and loan repayments	2	
	<u>963</u>	
Less:		
Amounts pooled by central Government	(451)	
Receipts used to finance capital expenditure	(684)	
Administration cost on disposal	(10)	
	<u>(1,145)</u>	
Balance as at 31 March 2010		<u>757</u>

37. MOVEMENT ON PENSIONS

The cost of retirement benefits in the Net Cost of Services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against

council tax 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 General Fund Balance. The following adjustments have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09	2009/10
	£000s	£000s
Income and Expenditure Account		
Pension costs chargeable to council tax	(3,180)	(3,348)
Contributions in respect of unfunded benefits	(580)	(597)
Current service costs	1,290	1,128
Curtailments	0	35
Past service costs	570	0
Included within net cost of services	(1,900)	(2,782)
Interest cost per actuary	6,790	6,541
Expected return on assets per actuary	(4,160)	(2,996)
Pensions interest cost and expected return on assets	2,630	3,545
Statement of Movement on the General Fund Balance		
Current service costs per actuary	(1,290)	(1,128)
Curtailments per actuary	0	(35)
Past service costs per actuary	(570)	0
Interest cost per actuary	(6,790)	(6,541)
Return on assets per actuary	4,160	2,996
Net charges made for retirement benefits in accordance with FRS 17	(4,490)	(4,708)
Contributions in respect of unfunded benefits	580	597
Payments to the pension fund	3,180	3,348
Employer's contributions payable to the Pension Fund	3,760	3,945

See note 58 for further pension information.

38. TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments and borrowing disclosed in the Balance Sheet are made up of the categories of 'financial instruments' shown in note 39.

39. FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31.03.09	31.03.10	31.03.09	31.03.10
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost (2)	7,105	7,103	3,626	10,127
Bank overdraft	0	0	0	3,213
Creditors	0	0	7,716	6,265
Total borrowings	7,105	7,103	11,342	19,605
Investments				
Loans and receivables (3)	0	769	9,708	8,904
Available for sale financial assets (1)	1,589	0	13,827	15,579
Equities (Gateway)	11	10	0	0
Stocks	0	4	0	0
Debtors	182	172	3,417	4,791
Cash	0	0	363	0
Total investments	1,782	955	27,315	29,274

Notes:

- (1) Fund Manager (Investec) balances are now classified as Available for Sale (Fair Value 2007/08) to ensure the accounts are SORP 2009 compliant.
- (2) LOBO loan of £3m has been reclassified as long-term debt due to the economic conditions and interest rate views. The LOBO is not now expected to be 'called' (interest rate change and an opportunity to repay) so is included in long-term borrowing. The maturity period for a LOBO should be taken as being the contractual period to maturity.
- (3) The investment with Landsbanki has been classified as a long-term investment in 2009/10 to reflect the current expected timings of the repayment of the investment.

40. FINANCIAL INSTRUMENTS GAINS/LOSSES

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

2009/10	
Financial Liabilities	
Measured at amortised cost	
£000s	
Interest expense	
Public Works Loans Board	(263)
LOBO (Dresdner Bank)	(142)
Temporary borrowing (markets)	(8)
LOBO adjustment	1
Net loss for the year	(412)

The above includes interest for PWLB and LOBO loans; the adjustment relates to the LOBO restatement to amortised cost.

	2009/10		
	Financial Assets		
	Loans and Receivables £000s	Available for Sale £000s	Total £000s
Interest income	157	364	521
Gains on de-recognition	0	11	11
Losses on de-recognition	0	(144)	(144)
Interest and investment income	157	231	388
Losses on valuation (soft loans)	(942)	0	(942)
Gains on revaluation	99	0	99
Net gain for the year	(686)	231	(455)

The revaluations for the interest payable and receivable, impairments for financial assets (Landsbanki Investment) and calculations for soft loans form the balance of the Financial Instruments Account.

THE FINANCIAL ADJUSTMENT ACCOUNT

	£000s	£000s
Opening balance		
LOBO (Dresdner Bank)	101	
Soft loans	258	
Impairment	125	
		484
Movement during the year		
LOBO (Dresdner Bank)	(1)	
Soft loans	844	
Impairment (Landsbanki)	106	
		949
Balance as at 31 March 2010		1,433

AVAILABLE FOR SALE RESERVE

	£000s
Opening balance	193
Unrealised profit:	
Certificate of deposits	(20)
Fixed securities	(9)
Closing balance	164

41. FAIR VALUE FOR ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities that are carried in the Balance Sheet at amortised cost is disclosed below:

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 2010. The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing;
- 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.

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 09		31 March 10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	4,084	5,688	4,084	5,492
PWLB - EIP	3	3	2	2
LOBOs	3,144	3,319	3,143	3,617
Market loans	3,500	3,500	10,000	10,000
Creditors	7,716	7,716	6,265	6,265
Financial Liabilities	18,447	20,226	23,494	25,376

Where fair value is more than the carrying amount, this is because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. Where the Council has a commitment to pay interest below current market rates, this reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 09		31 March 10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash and liquid assets	2,855	2,855	3,355	3,555
Deposits with banks and building societies	7,216	7,216	6,289	6,344
Other	15,416	15,416	15,579	15,579
Debtors	3,599	3,599	4,963	4,963
Financial assets	29,086	29,086	30,186	30,441

42. SOFT LOANS

The Council has made a number of renovation loans to homeowners and landlords at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 at a higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on 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 the amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement in the General Fund Balance.

	2008/09 £000s	2009/10 £000s
Opening balance of soft loans	298	999
Loans advanced	892	1,443
Present value of interest forgone	(191)	(843)
Loan written off	0	(20)
Closing balance of soft loans	999	1,579

43. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £5m (£3m fixed term deposit) and a limit on the maximum size of one transaction in placing a deposit of £3m. The limit for the RBS group is £5m.

As at 31 March 2010 the Council's internal portfolio investment funds were deposited the government supported banks and so the risk to the Council was considered to be minimal.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The Council does not generally allow credit for customers. However, £4.010m of the Council's debt is overdue for payment. The risk that these debts will not be paid is mitigated by a provision for bad and doubtful debts of £2.120m (of which £0.267m relates to the Collection Fund in respect of the Council's share of council tax payers' debts), which is calculated in accordance with the Council's accounting policies.

Debt in relation to NDR is excluded from credit risk, as DDC is merely an agent for the Government, which ultimately bears the full risk for non-collection from business rates payers. In addition, the risk in relation to council tax is shared with the preceptors on the Collection Fund and therefore only DDC's proportion of debt is included in the assessment of risk below. The past due amount can be analysed by age as follows:

	31.03.10 £000s
General Fund/HRA:	
Less than three months	1,065
Three to six months	329
Six months to one year	342
More than one year	1,744
Total	3,480
Collection Fund:	
Less than one year	187
More than one year	343
Total	530

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 50% of loans are due to mature within any one financial year.

The maturity structure of financial liabilities is as follows (at nominal value):

LIQUIDITY RISK

On 31.03.09 £000s	Loans outstanding:	On 31.03.10 £000s
4,003	Public Works Loans Board	4,002
3,500	Market debt	10,000
3,000	LOBO	3,000
10,503	Total	17,002
3,501	Less than 1 year	10,001
1	Between 1 and 2 years	1
1	Between 2 and 5 years	0
0	Between 5 and 10 years	0
7,000	More than 10 years	7,000
10,503	Total	17,002

The LOBO has been reclassified as long-term debt, this has resulted in £3m being moved from less than one year to more than ten years, please see note 41.

3. Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account;
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account;
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value, which would also be reflected in the STRGL; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

INTEREST RATE RISK

The Council received interest of £387k on its investments of £24m achieving an average interest rate of 1.61%. A one percentage decrease would mean a reduction of £240k in the interest received. A one percentage increase would result in an increase of £240k on investments.

Price Risk

The Authority does not invest in equity shares and is not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

The Council has no financial assets or liabilities that are denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44. ICELANDIC INVESTMENT

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. At this time the authority had a £1m one-year deposit with Landsbanki at an interest rate of 6.17% and a maturity date of 26 November 2008.

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

Based on the latest information available the Authority believes that it is appropriate to consider an impairment adjustment for the deposit, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Local authorities' legal advice remains that deposits have priority status under Icelandic law and would, therefore, be repaid ahead of any creditors that did not have priority status. Decisions about the priority status of local authority deposits will be made by the Icelandic courts. Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011.

Based on the assumption that local authority deposits do have priority status and other relevant information indicates that recovery of around 95% could be achieved over the period October 2011 to October 2018.

The estimated recovery profile used in calculating the impairment is detailed below.

October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

Recovery is subject to the following uncertainties and risks:

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

Failure to secure priority status would have a significant impact upon the amount of the deposit that is recoverable. If priority status is not achieved the recoverable amount may only be around 38p in the pound.

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

The impairment loss recognised in the Income and Expenditure Account in 2009/10 of £169k plus £207k charged in 2008/09, totalling £376k, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £106k has been transferred to the Financial Instruments Adjustment Account. The balance of £61k relates to loss of interest that has been borne in full by the General Fund.

45. MOVEMENTS ON RESERVES

EARMARKED RESERVES

	Balance as at 01.04.09 £000s	Receipts in year £000s	Applied in year £000s	Balance as at 31.03.10 £000s
General Fund:				
Special projects	1,947	0	(637)	1,310
Investment income	100	0	(100)	0
Equalisation				
Local Development Framework	412	44	(117)	339
Housing and planning Delivery Grant	280	73	(103)	250
Major events	199	20	(26)	193
Cluster preparation	217	678	(435)	460

Corporate review	31	0	(31)	0
Invest to Save	358	0	(153)	205
Benefits overpayments	259	0	0	259
On-street parking	45	0	(43)	2
Members' ICT	7	8	0	15
Concessionary fares	72	210	0	282
Iceland Investment	0	450	0	450
Elections	48	48	0	96
Total	3,975	1,531	(1,645)	3,861

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2009/10 totalled £487k of which £242k was for capital projects and £245k was for revenue projects. In addition £150k has been transferred to the Iceland Investment reserve.

Investment Income Equalisation Reserve – this reserve was set up to mitigate the impact of shortfall in returns. The reserve has been fully applied in 2009/10.

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

Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2010 represents the unspent grant that will be utilised in future years.

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

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

Corporate Review Reserve – the Council has recently undertaken a job evaluation process. The balance on this reserve has been applied to fund the additional costs of the process in 2009/10.

Invest to Save – the Invest to Save Reserve has been established to finance projects where there is a clear payback, typically within five years. Any such payback will be generated by reductions in the budget of the service benefiting from the investment and will be used to repay the Invest to Save Reserve.

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

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

Members' ICT – this reserve has been established to level out the budgeting impact of replacing members' ICT equipment after elections.

Concessionary Fares – the additional grant received in 2008/09 was set aside to even out pressures in the scheme costs. Outturn savings in 2009/10 have been transferred to the reserve to cover risk of additional costs associated with ongoing appeals.

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

Iceland Investment Reserve – this reserve has been established to set aside funds to cover the risk of losses on the Icelandic Investment.

Housing Revenue Account:

	Balance as at 01.04.09	Receipts in year	Applied in year	Balance as at 31.03.10
	£000s	£000s	£000s	£000s
Major Repairs Reserve	(340)	(3,242)	3,263	(319)

Major Repairs Reserve – the housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

46. GENERAL GOVERNMENT GRANTS

	2008/09 £000s	2009/10 £000s
Revenue Support Grant	1,236	1,906
Area Based Grant	129	170
Local Authority Business Incentive Grant	0	46
Housing & Planning Delivery Grant ¹	0	73
Total	1,365	2,195
Non-domestic rates	8,877	8,258
Total	10,242	10,453

¹ Housing & Planning Delivery Grant was classified within Net Cost of Services in 2008/09 but is now classified as a general government grant.

47. REVENUE BALANCES

	Restated Balance as at 01.04.09 £000s	Net Movement in year £000s	Balance as at 31.03.10 £000s
General Fund	2,360	(163)	2,197
Housing Revenue Account	7,446	512	7,958
Total	9,806	349	10,155

2008/09 Revenue Balances have been restated to remove the Collection Fund reserve in accordance with the changes under SORP 2009. See Accounting Policies on page 15 and Prior Year Adjustments Note 62 to the Core Financial Statements.

48. PERFORMANCE REWARD GRANT

Performance Reward Grant under the Public Service Agreement 2 (PSA2), which is also known as Kent Agreement 1 (KA1), was a Kent-wide agreement between KCC and the 11 Kent local authorities (on behalf of the Local Strategic Partnerships, each comprising a local authority and its partners), running from April 2005 to March 2008. Under the agreement, reward monies would be given by KCC up to a maximum of £500k per district council/Local Strategic Partnership for 100% achievement of targets.

Targets were achieved in some areas and, as a result, in 2008/09, DDC was awarded £210k. In 2009/10, DDC was awarded a further £249.8k, which is allocated 50% to revenue and 50% to capital. Spend and allocation of the grant is subject to agreement by East Kent chief executives, and is currently proposed to be used in meeting costs associated with joint working initiatives.

All sums due under Kent Agreement 1 have now been accounted for.

49. MINIMUM REVENUE PROVISION

The Minimum Revenue Provision (MRP) represents the statutory minimum amount that local authorities must charge to their revenue accounts each financial year in respect of debt repayments. The amount due is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendment Acts.

In calculating the 2009/10 Statutory General Fund MRP, the Council would have based it on 4% of the opening capital financing requirement. This is in line with regulations implemented under the Local Government Act 2003 and Option 1 of the new 2007/08 guidance which is a more flexible MRP system. Taking into account the aggregate debt levels of the General Fund and HRA, the MRP for Dover District Council for 2009/10 is nil (nil in 2008/09). The Council will review this basis annually and additional calculations may be required in future years if expenditure in incurred which is excluded from Option 1.

50. OUTSTANDING UNDISCHARGED OBLIGATIONS FROM LONG-TERM CONTRACTS (PRIVATE FINANCE INITIATIVES)

Dover District Council, together with nine other Kent district, borough and city councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'.

The PFI contract with Kent Community Partnerships Limited (KCP), a special purpose vehicle wholly owned by Housing 21, is held by KCC, and the participation of the district, borough and city councils is controlled through a 'back-to-back' agreement with KCC. The contract and agreements were completed on 5 October 2007.

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail, older people. It is anticipated that there will be 47 units in the Dover District Council area, 40 for the elderly, frail and vulnerable and 7 for residents with learning difficulties.

Dover District Council's main contribution towards the scheme is through the provision of the Roly Eckhoff House site and adjoining land, which has been leased to KCC for 99 years for a nominal annual rent. In exchange, and in consideration of the acceptance of a fixed proportion of the risks inherent in the Better Homes Active Lives PFI, Dover District Council will receive nomination rights over the new units to be built on the site. The nomination rights will be for the first thirty years of the project, with an entitlement to extend these rights for a further five years and, by agreement with Kent Community Partnership Limited, for a further period of five years thereafter. From the time that these nomination rights expire until the end of the 99-year term of the lease, the properties will be used for social housing. The site (valued in 2007 at £480k) has been removed from the Council's accounts.

Kent County Council has assured the district, borough and city councils that the risks of an early termination of the agreement are extremely low. Assurances have been provided that, on the best evidence available, the PFI credits and the interest earned on these over the 30 year period of the PFI, together with the income derived from lettings, should be sufficient to enable the project to be wholly self-financing.

However, if the amounts that are payable to the PFI contractor exceed the sums that are held, the partner councils are required, under the back-to-back agreement, to contribute towards this shortfall. Payments to the PFI contractor do not start to fall due until the site is built and is ready for occupation and, as the PFI credits accrue from the date of completion of the Agreement, there is likely to be an appreciable buffer in place during the initial years. The risk of a contribution being required from the District Council under these provisions increases towards the end of the 30-year period.

The back-to-back agreement also includes contingency provisions for contractor default and in the event of major difficulties being encountered. The initial proposal would be to seek to pass the PFI contract to an alternative contractor. In the event of a suitable alternative contractor not being appointed there may be a need for the County Council to terminate the PFI contract and, dependent upon the prevailing circumstances, to

compensate the original contractor and its funders. Effectively this would mean that all partners would take the units back and the level of Dover District Council's liability is estimated as follows:

- Contractor default - £3.876m in year 10 and £3.740m in year 20.

The PFI contract also provides for the contractor to be compensated in the event of the project being seriously prejudiced or rendered impossible to perform by circumstances outside the control of the parties – (force majeure). In the case of the Roly Eckhoff site it is estimated that the maximum amounts payable by the District Council would be in the order of:

- Force majeure - £4.488m in year 10 and £3.332m in year 20.

Apart from those risks identified above there are not believed to be any other significant risks, liabilities or obligations arising from this PFI.

51. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

2008/09 £000		2009/10 £000	£000
26,757	(Surplus)/Deficit on Income & Expenditure Account page 25		(1,271)
	Non-cash transactions:		
(3,417)	Depreciation (including HRA)	840	
13	Gains on disposal of fixed assets	(78)	
(25,547)	Impairment of assets	(1,763)	
(314)	Financial instrument adjustments	(949)	
(730)	FRS 17 pension cost adjustment	(763)	
254	Government grants deferred	254	
(51)	Revenue contribution to Government grants deferred	(106)	
12	Housing administration fees	10	
(1)	Collection Fund adjustment	0	
		<hr/>	(2,555)
	Items on an accruals basis:		
29	Increase/(decrease) in stock and work in progress	(27)	
(386)	Increase/(decrease) in debtors	2,897	
3,671	(Increase)/decrease in creditors	1,290	
(956)	(Increase)/decrease in receipts in advance	(98)	
		<hr/>	4,062
	Items classified elsewhere in the cash flow:		
(427)	Interest paid	(413)	
1,524	Interest received	409	
(1,424)	Other capital cash payments	(2,062)	
1,145	Capital grants received	1,729	
		<hr/>	(337)
<hr/> 152 <hr/>	Net Cash Outflow from Revenue Activities		<hr/> (101) <hr/>

52. RECONCILIATION OF LIQUID RESOURCES

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Investec Asset Management	13,648	1,987	15,635
Banks and building societies	8,531	228	8,759
Global Treasury Fund	1,161	(1,150)	11
Net Cash (Inflow)/Outflow	23,340	1,065	24,405

53. ANALYSIS OF GOVERNMENT GRANTS

2008/09 £000s		2009/10 £000s	£000s
1,236	Revenue Support Grant		1,906
	DSS Grants for Rebates		
15,110	Rent allowances	19,681	
10,192	Rent rebates	10,894	
7,512	Council tax benefits	8,423	
445	Council homeless rent rebates	404	
63	Discretionary payments	55	
969	Administration	1,092	
			40,549
159	Non-domestic rate collection	167	
129	Area Based Grant	170	
333	Additional concessionary fares grant	428	
83	Planning Delivery Grant	73	
100	Growth Point – CIF bid	114	
98	Homelessness grant	84	
-	LA Business Growth – LAGBI	46	
97	Other	152	
			1,234
36,526	Total Government Grants		43,689

54. ANALYSIS OF BALANCE OF CASH

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Bank (Overdraft) / Balance	363	(3,576)	(3,213)

55. ANALYSIS OF CHANGES IN FINANCING

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Short-term borrowing	3,501	6,500	10,001
Public Works Loan Board	7,230	(1)	7,229
Net Cash (Inflow)/ Outflow	10,731	6,499	17,230

56. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	As at 31.03.09 £000s	Net Movement £000s	As at 31.03.10 £000s
Cash in hand	363	(3,576)	(3,213)
Short-term investments	23,342	1,852	25,194
Short-term borrowing	(3,501)	(6,500)	(10,001)
Long-term investments	1,600	(1,600)	0
Long-term borrowing	(7,230)	1	(7,229)
Long-term debtors	721	3	724
Soft loans	1,258	1,442	2,700
	16,553	(8,378)	8,175

Reconciliation of Net Debt

	£000s
Opening net debt at 1 April	16,553
Decrease in cash balance	(3,576)
Increase in short-term investments	1,852
Increase in short-term borrowing	(6,500)
Decrease in long-term investments	(1,600)
Decrease in long-term borrowing	1
Long-term debtors	3
Soft loans	1,442
	8,175

57. DATE STATEMENT OF ACCOUNTS AUTHORISED FOR ISSUE

The date that the accounts were authorised for issue was the date that the Head of Finance and ICT, Mike Davis, signed the Statement of Responsibilities for the Statement of Accounts on page 11.

58. PENSION ARRANGEMENTS

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits payable when employees retire. This future commitment needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in The Local Government Pension Scheme, administered locally by Kent County Council, in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). This is a defined benefit final salary scheme. The scheme is funded meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the

Authority is required to make against council tax is based on the cash paid in to the fund in the year as determined by the fund actuary, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account	2008/09 restated £000s	2009/10 £000s
Net Cost of Services:		
Current service costs	1,290	1,128
Losses/(gains) on curtailments	-	35
Past service costs	570	-
Net Operating Expenditure:		
Interest cost	6,790	6,541
Expected return on scheme assets	(4,160)	(2,996)
Net Charge to the Income and Expenditure Account	4,490	4,708
Statement of Movement on the General Fund Balance	2008/09 as restated £000s	2009/10 £000s
Reversal of Net Charges made for Retirements in Accordance with FRS 17	(4,490)	(4,708)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's contributions payable to scheme	3,180	3,348
Retirement benefits payable to pensioners	580	597
	(730)	(763)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £26.797m were included in the Statement of Total Recognised Gains and Losses (£7.72m in 2008/09). The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses (STRGL) is £46.22m.

The total movement recognised in the STRGL is:

Statement of Total Recognised Gains & Losses (STRGL)	2008/09 £000s	2009/10 £000s
Actuarial (gains)/losses on pension fund assets and liabilities	7,720	26,797
Value of scheme assets restated at bid price	270	-
(Gain)/Loss recognised in STRGL	7,990	26,797

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £000s	2009/10 £000s
1 April	99,380	96,160
Current service cost	1,290	1,128
Interest cost	6,790	6,541
Contributions by scheme participants	660	687
Actuarial (gain) / loss	(7,990)	40,267
Estimated benefits paid	(3,960)	(4,004)
Unfunded pension payments	(580)	(597)
Past service costs	570	-
Losses/(gains) on curtailments	-	35
31 March	96,160	140,217

Reconciliation of scheme assets:

	2008/09 restated £000s	2009/10 £000s
1 April	59,210	47,540
Expected return on scheme assets	4,160	2,996
Actuarial gain /(loss)	(15,710)	13,470
Employer contributions	3,760	3,945
Contributions by scheme participants	660	687
Benefits paid	(4,540)	(4,601)
31 March	47,540	64,037

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £16.466m (£11.61m loss in 2008/09).

Scheme History

	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s
Present value of liabilities	(113,220)	(110,960)	(99,380)	(96,160)	(140,217)
Fair value of assets	62,240	65,630	59,210	47,540	64,037
Surplus/(deficit) in the scheme	(50,980)	(45,330)	(40,170)	(48,620)	(76,180)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £76m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The statutory arrangements for funding are that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2011 is £3.483m.

Balance Sheet Disclosure

Net Pension Liability as at	31 March 2009	31 March 2010
	£000	£000
Present value of funded obligation	87,430	130,954
Fair value of Scheme assets (bid value)	(47,540)	(64,037)
Net Liability	39,890	66,917
Present value of unfunded obligation	8,730	9,263
Net Liability in Balance Sheet	48,620	76,180

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Under the requirements of FRS17, a (net) pensions liability was created in the Balance Sheet. However, so that FRS17 has no effect on demands on council tax, and there is no demand on earmarked reserves, the Pensions Reserve holds an equal and opposite balance.

Further information can be found in Kent County Council's Superannuation Funds Annual Report which is available on request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

In addition, further information provided by the actuary has been included within Dover District Council's Outturn Report.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.5%
Gilts	n/a	4.5%
Other Bonds	5.4%	5.5%
Property	4.9%	5.5%
Cash	4.0%	3.0%
Expected Return on Assets	6.3%	6.9%

Mortality assumptions:

Longevity at 65 for current pensioners:

Men	21.5 years
Women	24.4 years

Longevity at 65 for future pensioners:		
Men		22.6 years
Women		25.5 years

Rate of inflation	3.1%	3.9%
Rate of increase in salaries	4.6%	5.4%
Rate of increase in pensions	3.1%	3.9%
Rate for discounting scheme liabilities	6.9%	5.5%

Take-up of option to convert annual pension into retirement lump sum	50%	50%
--	-----	-----

The scheme's assets consist of the following categories, by proportion of the total assets held:

	2008/09 %	2009/10 %
Equity investments	66	74
Gilts	-	1
Other Bonds	17	14
Property	9	7
Cash	8	4
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06 restated %	2006/07 restated %	2007/08 restated %	2008/09 restated %	2009/10 %
Differences between the expected and actual return on assets	15.8	(0.6)	(17.4)	(33.0)	21.0
Experience gains and (losses) on liabilities	(0.6)	0.5	0.6	0.1	0.9

Post Balance Sheet Event

In his emergency budget announcement on 22 June 2010 the Chancellor of the Exchequer stated that as from April 2011 public sector pension increases will be based on the Consumer Price Index (CPI) instead of the Retail Price Index (RPI). This change is deemed to be a non-adjusting post balance sheet event in accordance with FRS21, which will have the effect of reducing the value of the Council's pension liabilities. The Council has not yet taken formal advice from actuaries, but based on national and local reports produced by actuaries, and on its own analysis, the Council estimates that the impact could be a reduction in the region of 5% (£7m) to 10% (£14m) of total pension liabilities.

59. SECTION 137 EXPENDITURE

No expenditure was incurred under this power in 2009/10 by Dover District Council.

60. LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. This did not apply to the Council in 2009/10.

61. CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2008/09	2009/10
	£	£
Income	2,755	438
Expenditure	0	(6,526)
Surplus / (Deficit) for year	2,755	(6,088)
Fund balance 1 April	71,342	74,097
Fund balance 31 March	74,097	68,009
Represented by:		
Investments	71,933	68,009
Bank	2,164	0
	74,097	68,009

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:

	2008/09	2009/10
	£	£
Income	0	436
Expenditure	(3,358)	(6,155)
Surplus / (Deficit) for year	(3,358)	(5,719)
Fund balance 1 April	361,783	358,425
Revaluation	0	(10,704)
Fund balance 31 March	358,425	342,002
Represented by:		
Dwellings	190,000	0
Land and other buildings	174,273	174,273
Investment	0	179,732
Creditor	(5,848)	(12,003)
	358,425	342,002

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

THE SALTER COLLECTION CHARITY

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

	2008/09	2009/10
	£	£
Income	0	0
Expenditure	(1,230)	(3,273)
Deficit for year	(1,230)	(3,273)
Fund balance 1 April	295,711	294,481
Revaluation	0	0
Fund balance 31 March	294,481	291,208
Represented by:		
Dwellings	120,000	120,000
Collection	180,000	180,000
Creditor	(5,519)	(8,792)
	294,481	291,208

62. PRIOR YEAR ADJUSTMENTS

Collection Fund

The treatment of the Collection Fund within the Council's Statement of Accounts has changed under SORP 2009, as detailed under the Statement of Accounting Policies on page 15. The details that follow show the restatement of the comparative figures for 2008/09 under the SORP legislation compared to the original figures shown in the 2008/09 Statement of Accounts, which were prepared under SORP 2008.

	2008/09 Restated SORP 2009	2008/09 Original SORP 2008	Variance
	£000	£000	£000
Income & Expenditure			
Account 2008/09			
Demand on Collection Fund 2008/09	(7,557)	(7,557)	0
15/01/08 Distribution	0	(50)	50
Share of Surplus for 2008/09	(154)	0	(154)
Difference – not distributed 2007/08	127	0	127
	(7,584)	(7,607)	23

SMGFB 2008/09			
Reverse share of Surplus for 2008/09	154	0	154
Remove 2007/08 residual surplus to leave 2007/08 distribution	(177)	0	(177)
	(23)		(23)
2008/09 Original I & E Entries	(7,607)	(7,607)	0
General Fund impact	0	0	0

	2008/09 Restated SORP 2009	2008/09 Original SORP 2008	Variance
	£000	£000	£000
STRGL 2008/09			
Deficit on the Income and Expenditure Account for the Year	26,757	26,734	23
Collection Fund Deficit – element relating to authority	(2)	23	(25)
Total Recognised (Gains)/Losses for the Year	36,194	36,196	(2)

Balance Sheet 2008/09

	2008/09 Restated SORP 2009 £000	2008/09 Original SORP 2008 £000	Variance £000
Debtors (Collection Fund only)			
Council Tax arrears	480	3,446	(2,966)
Provision for bad or doubtful debts – Council Tax	(216)	(1,549)	1,333
Other Local Authorities ¹	153	0	153
Business Ratepayers' arrears, i.e. NDR	0	2,116	(2,116)
Provision for bad or doubtful debts – NDR	0	(162)	162
	<u>417</u>	<u>3,851</u>	<u>(3,434)</u>
Cash²	<u>(177)</u>	<u>(177)</u>	<u>0</u>
Creditors (Collection Fund only)			
Council Tax overpayments and pre-payments	(86)	(614)	528
Other Local Authorities ³	0	(954)	954
Business Ratepayers' over- payments and pre-payments	0	(865)	865
Government – NDR Pool Contribution ⁴	(440)	(1,529)	1,089
	<u>(526)</u>	<u>(3,962)</u>	<u>3,436</u>
Financed by:			
Collection Fund Adjustment Account			
Balance brought forward at 01.04.08	(177)	0	(177)
Reverse share of Surplus for 2008/09	(154)	0	(154)
Remove 07/08 residual surplus to leave 07/08 distribution	177	0	177
Balance carried forward 31.03.09	<u>(154)</u>	<u>0</u>	<u>(154)</u>
Collection Fund Surplus	<u>0</u>	<u>(152)</u>	<u>152</u>
Balance Sheet Impact	<u>(440)</u>	<u>(440)</u>	<u>0</u>

¹ Other major preceptors' share of Council Tax 'cash deficit' in Collection Fund Balance Sheet owed to Dover District Council under SORP 2009.

² Total Council Tax 'cash deficit' within Collection Fund Balance Sheet, included within Dover District Council's own cash and bank balances.

³ Share of Total Collection Fund balance owed to other major preceptors under SORP 2008

⁴ The SORP 2009 NDR Pool Contribution figure shows the amalgamation of all NDR balances into a single Government Debtor.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is legal prohibition on cross subsidy to or from local taxpayers.

HRA INCOME AND EXPENDITURE ACCOUNT

2008/09 £000s	Note	2009/10 £000s
Income		
(16,151) Dwellings rents	8	(16,326)
(345) Non-dwelling rents		(382)
(493) Charges for services and facilities		(292)
(218) Contributions towards expenditure - Supporting People		(246)
(108) Contributions towards expenditure - leaseholders		(171)
(17,315) Total Income		(17,417)
Expenditure		
4,054 Repairs and maintenance		3,826
3,432 Supervision and management		2,955
73 Rent, rates, taxes and other charges		88
5,336 Negative subsidy entitlement (including MRA)	9	5,245
0 Rent rebate subsidy limitation – transfer to General Fund	15	102
2,370 Depreciation	3	2,157
22,959 Exceptional item – impairment	7	(2,489)
14 Debt management expenses		12
169 Increased provision for bad debts	11	106
38,407 Total Expenditure		12,002
Net Cost of HRA Services per Authority Income and Expenditure Account		
21,092		(5,415)
337 HRA share of Corporate and Democratic Core		382
98 HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		7
21,527 Net Cost of HRA Services		(5,026)
(19) (Gain)/loss on sales of HRA fixed assets		78
(731) Interest and investment income		(241)
451 Pension interest costs and expected return on pensions assets		685
21,228 (Surplus)/deficit for the year on HRA Services		(4,504)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008/09 £000s		2009/10 £000s
21,228	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	(4,504)
(22,025)	Net additional amount required by statute to be debited/(credited) to HRA Balance for the year	3,992
<u>(797)</u>	(Increase)/decrease in the HRA balance	<u>(512)</u>
<u>(6,649)</u>	HRA surplus brought forward	<u>(7,446)</u>
<u>(7,446)</u>	HRA surplus carried forward	<u>(7,958)</u>

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year.

2008/09 £000s		Note	2009/10 £000s
(22,960)	Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	7	2,489
19	Gain/(loss) on sale of HRA fixed assets		(78)
(621)	Net charges made for retirement benefits in accordance with FRS 17	12	(747)
<u>(23,562)</u>			<u>1,664</u>
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year		
775	Transfer to/(from) the Major Repairs Reserve	3	1,085
473	Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners	12	535
289	Capital expenditure funded by the HRA	6	708
<u>1,537</u>			<u>2,328</u>
<u>(22,025)</u>	Net additional amount required by statute to be debited/(credited) to HRA Balance for the year		<u>3,992</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2009/10

	Stock at 01.04.09	Sales	Transfers / Disposals	Stock at 31.03.10
Houses/bungalows	2,862	5	0	2,857
Flats	1,778	4	160	1,614
Total	4,640	9	160	4,471

Total Value of Assets

	01.04.09 £000s	31.03.10 £000s
Operational assets:		
- Dwellings	235,407	237,996
- Garages	2,250	2,186
- Other land and buildings	68	68
- Equipment	190	95
Non-operational assets	1,290	2,558
	239,205	242,903

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2009 was £523m. The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost of providing social housing.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance that is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years as at 31 March 2010 is £319k (31 March 2009 £340k).

Major Repairs Reserve

	2008/09 £000s	2009/10 £000s
Balance as at 1 April	(783)	(340)
Major Repairs Allowance:		
Depreciation	(2,370)	(2,157)
Transfer to/from Major Repairs Reserve	(775)	(1,085)
Transfer from reserve for capital expenditure	3,579	3,263
MRR Adjustment	9	0
Balance as at 31 March	(340)	(319)

4. SUMMARY OF CAPITAL EXPENDITURE

	2008/09 £000s	2009/10 £000s
Capital expenditure:		
Dwellings	4,055	4,320
Total	4,055	4,320
Financed by:		
Capital receipts	0	(12)
Direct revenue financing	(289)	(708)
Major Repairs Reserve	(3,579)	(3,263)
Government supported borrowing	(187)	(187)
PCT Grant - Disabled Adaptations	0	(150)
	(4,055)	(4,320)

5. SUMMARY OF CAPITAL RECEIPTS

	2008/09 £000s	2009/10 £000s
Receipts from sales during the year:		
Dwelling sales	(406)	(623)
Other HRA sales	(141)	(338)
Sub total	(547)	(961)
Amount pooled to Government *	299	451
	(248)	(510)

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

6. CAPITAL EXPENDITURE FUNDED BY THE HRA

This relates to improvements to existing Housing Revenue Account properties, partly funded by the Housing Revenue Account as shown in note 4.

7. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised a number of impairments during the year:

- £98k caused by revaluation of St Nicolas House from £848k to £750k
 - £501k caused by revaluation of William Muge from £748k to £247k
 - £631k caused by revaluation of Snelgrove House from £878k to £247k
 - £458k caused by revaluation of Manley House from £950k to £492K
- Total impaired £1,689k

Assets previously impaired in 2008/09 have been revalued giving a gain of £4,144k.

The total impairment adjustment is (£2,489k).

8. 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 2010 was £70.36, compared with £68.08 at 31 March 2009.

The increase for 2009/10 was reduced from the original guideline advised by Government following the receipt of revised guidelines to reflect the economic climate.

9. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than notional expenditure, resulting in a payment of subsidy to the Government of £5,245m in 2009/10 (£5.336m in 2008/09). Details are shown below:

	2008/09 £000s	2009/10 £000s
Rents	15,085	15,435
Interest on receipts	0	0
	<u>15,085</u>	<u>15,435</u>
Less:		
Management allowance	2,076	2,142
Maintenance allowance	4,600	4,752
Major repairs allowance	3,144	3,242
Debt management expenses	37	37
Subsidy capital financing	0	17
Requirement		
Prior year adjustment	(108)	0
	<u>9,749</u>	<u>10,190</u>
Subsidy Paid	<u>5,336</u>	<u>5,245</u>

10. RENT ARREARS

The position for rent arrears is shown below:

31 March 2009				31 March 2010			
Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s	Former Tenant Arrears £000s	Current Tenant Arrears £000s	Housing Repairs Arrears £000s	Total Rent Arrears £000s
133	377	176	686	117	324	205	646

11. PROVISION FOR BAD DEBTS

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

	2008/09 £000s	2009/10 £000s
Balance brought forward as at 1 April	472	388
Provision made in the year	169	106
Less amounts written off	(253)	(85)
Balance carried forward as at 31 March	388	409

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

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

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

The following adjustments have been made:

	2008/09 £000s	2009/10 £000s
Income and Expenditure Account		
Reverse actual contributions	(82)	(76)
Reverse unfunded benefits	(100)	(115)
Reverse back funding	(291)	(344)
Current service costs	72	55
Curtailments	0	7
Past service costs	98	0
Included within Net Cost of Services	(303)	(473)
Interest cost per actuary	1,165	1,264
Expected return on assets per actuary	(714)	(579)
Pensions Interest Cost and Expected Return on Assets	451	685
Statement of Movement on the HRA Balance		
Current service costs per actuary	(72)	(55)
Curtailments per actuary	0	(7)
Past service costs per actuary	(98)	0
Interest cost per actuary	(1,165)	(1,264)
Return on assets per actuary	714	579
Net Charges Made for Retirement Benefits in Accordance with FRS 17	(621)	(747)
Contributions in respect of unfunded benefits	99	115
Payments to the pension fund	374	420
Employer's Contribution Payable to the Pension Fund	473	535

13. STOCK CONDITION

The Council is required to meet the Government's Decent Homes' standards by December 2010. This Council has produced an HRA business plan that demonstrates it can meet the Decent Homes target.

Five sheltered accommodation schemes required significant investment, so the Council took the decision to close these schemes. Bede and Dunstan has been sold and the remaining four sites William Muge, Manley House, St Nicholas House and Snelgrove House were fully decanted by 31 March 2010, and are awaiting disposal.

14. COMMITTED CONTRACTS

As at 31 March 2010 the Council was committed to HRA repairs and maintenance works in respect of the following projects:

	Total Commitment £000s	Estimated Completion Date
Decorations and associated repairs	500	Mar 2015
Housing response maintenance and voids	2,100	Mar 2015
Rewiring	500	Dec 2014
Maintenance of UPVC windows and doors	190	Mar 2014
Disabled adaptations	500	Apr 2013
Communal cleaning	140	Mar 2013
Heating installations	650	Mar 2012
Heating services	500	Mar 2012
Kitchen improvements	1,000	Jun 2011
Structural repairs	200	Jul 2010
Re-roofing	200	Jun 2010
	<u>6,480</u>	

15. RENT REBATE SUBSIDY LIMITATION

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

In 2009/10 average rent exceeded "limit rent", due mainly to the disposal / decant of the five sheltered schemes (see note 13). This resulted in Rent Rebate Subsidy Limitation being incurred by the General Fund that required reimbursement from the Housing Revenue Account.

THE COLLECTION FUND

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administering collection are accounted for in the General Fund. Any balance on the fund is distributed to the precepting authorities in the next financial year.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2009/10

2008/09 £000s	Note	2009/10 £000s
INCOME		
(33,227) Non-domestic rates	2	(29,162)
- Exceptional Item	2	4,577
(33,227) Total Non-domestic rates		(24,585)
(47,764) Council tax	1	(48,899)
(7,637) Transfers from General Fund	3	(8,514)
(88,628)		(81,998)
EXPENDITURE		
Precepts and demands:		
39,867 Kent County Council		40,856
2,539 Kent and Medway Fire Authority		2,630
7,557 Dover District Council		7,904
5,104 Kent Police Authority		5,361
Collection Fund surplus paid out:		
50 Dover District Council		-
272 Kent County Council		-
17 Kent and Medway Fire Authority		-
35 Kent Police Authority		-
		56,751
Non-domestic rates:		
33,073 Payment to national pool	2	24,426
154 Cost of collection allowance	2	159
		24,585
154 Provision for non-payment of council tax	4	420
88,822		81,756
194 (Surplus)/deficit for the year		(242)
(1,300) Surplus as at 1 April 2009		(1,106)
(1,106) Surplus as at 31 March 2010		(1,348)

COLLECTION FUND BALANCE SHEET

Note	TOTAL £000	Apportionment to Major Preceptors			
		Kent County Council £000	Kent Police Authority £000	Kent Fire & Rescue Authority £000	Dover District Council £000
Balance Sheet at 31 March 2010					
Net Assets:					
	3,708	2,663	352	173	520
4	(1,909)	(1,371)	(181)	(89)	(268)
	(725)	(521)	(69)	(34)	(101)
	274	197	26	13	38
Net Assets	1,348	968	128	63	189
<hr style="border-top: 3px double #000;"/>					
Financed by:					
Collection Fund surplus	1,348	968	128	63	189
<hr style="border-top: 3px double #000;"/>					
Balance Sheet at 31 March 2009					
Net Assets:					
	3,446	2,481	325	160	480
4	(1,549)	(1,115)	(146)	(72)	(216)
	(614)	(442)	(58)	(28)	(86)
	(177)	(128)	(17)	(8)	(24)
Net Assets	1,106	796	104	52	154
<hr style="border-top: 3px double #000;"/>					
Financed by:					
Collection Fund surplus	1,106	796	104	52	154
<hr style="border-top: 3px double #000;"/>					

Under SORP 2009, Dover District Council only includes within its Consolidated Balance Sheet its own share of Council Tax arrears, prepayments and provision for bad or doubtful debts shown above. However, the net Cash surplus or deficit sits fully within Dover's Balance Sheet, so an additional creditor or debtor is included to show the portion of Cash above that is either *owed to* or *due from* the major preceptors. This is shown within the Creditors and Debtors Notes to the Core Statements, within the lines headed "Other Local Authorities". See also Accounting Policies on page 15.

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

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

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

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

Band	Estimated number of taxable properties after discount	Proportion of Band D charge	Band D equivalent dwellings
Dis A	8.25	5/9	4.58
A	5,249.99	6/9	3,499.99
B	13,921.75	7/9	10,828.03
C	11,809.20	8/9	10,497.07
D	5,993.70	1	5,993.70
E	3,706.75	11/9	4,530.47
F	2,038.60	13/9	2,944.64
G	1,287.60	15/9	2,146.00
H	47.70	2	95.40
	44,063.54		40,539.88
	Less adjustment for collection rates		98.20%
	Council tax base 2009/10 *		39,810.15

*Tax base 2008/09 was 39,795.66

Estimated income from this tax base was £56.751m (after adjustment for collection rates), including town and parish council precepts of £1.731m. Actual income was £56.993m (after bad debts), an increase of £0.242m.

The actual income of £56.993m comprised £48.899m council tax recoverable directly from taxpayers, £8.514m transferred from the General Fund in respect of those on benefits, less £0.420m bad debts.

2. NON-DOMESTIC RATES (NDR)

Under arrangements for uniform business rates the Council collects non-domestic rates for its district based on rateable values multiplied by a uniform rate in the pound as determined by the Government. The non-domestic rate multiplier for 2009/10 was 48.1p for qualifying properties of less than £15k rateable value and 48.5p for all others (2008/09 45.8p and 46.2p respectively). The aggregate rateable value for the Council's district as at 31 March 2010 was £73.978m (£76.446m as at 31 March 2009).

Amounts collected, less certain reliefs and other deductions, are paid to a central pool (the NDR pool) managed by central Government. Authorities then receive back their share of the pool based on a standard amount per head of the local adult population.

The contribution for the pool was calculated as follows:

	2008/09 £000s	2009/10 £000s
Gross Amount	33,343	30,388
Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief		
Less: Exceptional Item- Credit (see below)	-	(4,577)
Less: Discretionary Relief	(100)	(122)
Reductions for charitable occupation, non-profit making bodies and hardship		
Losses in Collection: Bad and doubtful debts	(1)	(1,005)
Overpayments: Interest on repayments	(15)	(99)
NDR Income	33,227	24,585
Costs of Collection: Allowance for collecting NDR	(154)	(159)
Net Contribution to NDR Pool	33,073	24,426

Exceptional Item – NDR Credit for Channel Tunnel:

Since the balance sheet date, there has been a back-dated revaluation of the rateable value for the Channel Tunnel, reducing their liability for the years 2005/06 to 2009/10 (inclusive) by £4,384k and additionally requiring an interest refund to be made for those years of £193k. The total refund due is £4,577k and the size of this adjustment is considered sufficient to be reflected in the Collection Fund Income and Expenditure Statement for the year.

This adjustment has no effect on the net debtor owed by central Government within DDC's main Statements of Account following the changes in disclosure requirements under SORP 2009.

3. TRANSFERS FROM THE GENERAL FUND

Where council tax benefit has been granted, an amount equal to the benefit subsidy payable to the Authority's General Fund, plus the proportion that is not subsidised, is transferred into the Collection Fund from the Authority's General Fund. The transfer from the General Fund in 2009/10 was £8.514m (£7.637m in 2008/09).

4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt relating to the Collection Fund. However, only Dover District Council's share of the Council tax figure is shown in its balance sheet under SORP 2009 (see also Collection Fund Balance Sheet above). The NDR debt provision is now aggregated with NDR Payers' debts and any over/under payment to Government based on the final contribution to pool, to form a single Government debtor or creditor in Dover District Council's Balance Sheet.

	NDR £000s	Council Tax £000s	Total Provision £000s
Brought forward 01.04.09	163	1,549	1,712
Add: provision made in year	1,005	420	1,425
Less: amounts written off	(74)	(60)	(134)
Provision 31.03.10	1,094	1,909	3,003

The increase in provisions is mainly due to the impact of the recession.

Annual Governance Statement

FOR THE PERIOD 1 APRIL 2009 TO 31 MARCH 2010

1.1 SCOPE OF RESPONSIBILITY

1.1.1 Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Dover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.1.2 In discharging this overall accountability, Members and Senior Officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.dover.gov.uk or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

1.1.4 This Statement explains how Dover District Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement of Internal Control.

1.1.5 Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:

- Overseeing the implementation and monitoring the operation of the Local Code;
- Reviewing the operation of the Local Code in practice; and
- Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

1.1.6 In addition, Dover District Council's Head of Governance has been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound System of Internal Control which facilitates the effective exercise of Dover District Council's functions, and includes arrangements for the management of risk.

1.2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

1.2.2 The System of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The System of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dover District Council's policies and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.2.3 The governance framework has been in place at Dover District Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

1.3 **THE GOVERNANCE FRAMEWORK**

1.3.1 The key elements of the systems and processes that comprise the Authority's governance arrangements are summarised below:

1.3.2 Identifying and communicating our vision and outcomes for citizens and service users

In March 2008 Members agreed a Corporate Plan for the period 2008 to 2020. An Interim Corporate Plan was agreed in March 2010, reaffirming long-term aims, but taking account of the economic position and re-assessing the needs of the community. Both documents are available on the Council's website.

1.3.3 Reviewing our vision and its implications for our governance

Progress towards the achievement of the objectives is monitored through the Performance Management Framework and the key output from this process, the Performance Report. During the year the Major Projects Board was replaced with the Projects Assurance Group, which monitors key projects and reports risks and successes to the Corporate Management Team.

1.3.4 Established clear channels of communication with all sections of our Community and other stakeholders, ensuring accountability and encouraging open consultation

The Council's Communication and Consultation Strategy which was agreed by Cabinet on 6 October 2008 included actions for the two years 2008/09 and 2009/10. The Strategy was reviewed by Cabinet in February 2010. Together with our Equality and Diversity Strategy, this helps to ensure that all groups in our Community have a voice, can be heard and are suitably consulted.

1.3.5 Defining and documenting the roles and responsibilities of the Executive, Non-executive, Scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. There are two Overview and Scrutiny Committees who support and monitor the work of the Executive. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

1.3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of Members and Officers of Dover District Council, its partners and the Community are defined and communicated through codes of conduct and protocols. These include:

- Members' national Code of Conduct;
- An effective Performance Management System;
- Regular Performance Appraisals for staff linked to

- A Fraud and Corruption Policy;
- Member/Officer Protocols; and
- A Standards Committee with five independent members.

Details of the Complaints Procedures are available on the Internet and in public offices for members of the public to refer to.

1.3.7 Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle-blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective formal and informal Complaints Procedure. Should a complainant remain dissatisfied, they may refer the matter to the Local Government Ombudsman. During 2009/10 no complaints against Dover District Council were judged by the Local Government Ombudsman to have resulted from maladministration.

1.3.8 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Head of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last major review was adopted by Council on 27 January 2010. The significant changes were:

- Revisions to responsibilities for functions;
- Revisions to delegations;
- Revisions to delegations specifically in respect of the Shared Services agenda and specifically the Dover / Shepway Partnership;
- Strengthening way of working with Neighbourhood forums
- Revisions to Council procedure rules
- To update the process of dealing with petitions
- Review members allowances

In addition to the above, members agreed job profiles and descriptions for their own roles.

1.3.9 Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Dover District Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for Officers to ensure that, as far as is possible, all Officers understand their responsibilities both to the Council

and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all Officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published in full on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in an internal newsletter, internal meetings, use of Net Consent (via log in to the ICT systems) and where appropriate, arranging training for all or key members of staff.

In 2002, as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to a regular review. This strategy was last reviewed as part of the 2009 update of the Code of Corporate Governance.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance. Any areas identified in need of review have been included in the Action Plan for 2010/11.

The Solicitor to the Council has also provided his opinion on the Council's compliance with its legal obligations. He is satisfied that the Council is in all material respects complying with relevant legal obligations.

1.3.10 Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Dover District Council, through its budget monitoring and control processes, ensures that financial resources are being used to their best advantage. Monthly financial management reporting is made to the Corporate Management Team, Cabinet and Members. The report is also made available to all budget managers. A summary of the financial position is also made in the quarterly Performance Reports.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years.

Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements in services are in line with corporate objectives. In recognition of the ever-increasing demands on limited resources a complete review of service delivery is planned for 2010/11.

Through the Quarterly Performance Report, corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's VFM tool, which is reported via the Quarterly Performance Report through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

1.3.11 Financial Management

Responsibility for ensuring that an effective System of Internal Financial Control is maintained and operated rests with the Section 151 Officer. The System of Internal Financial Control provides reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal Financial Control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2009/10 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget on a monthly basis;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the Prudential Code and associated indicators;
- Monthly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

The Council had funds invested with Icelandic bank Landsbanki at the time of its collapse during 2008/09. Disclosure of this was made at the time, and reports have been made to Members detailing how this impacts on the

delivery of services. The UK Government, the Local Government Association (LGA) and UK local authorities are participating in the winding up of Landsbanki and are working to protect the status of UK local authorities as preferred creditors.

1.3.12 Effectiveness of Internal Audit

The Internal Audit function is provided by the East Kent Audit Partnership (EKAP), which reports primarily to the Head of Governance and to the Section 151 Officer where appropriate. The EKAP operates under a Charter, which defines its relationship with the Council's Officers and with the Governance Committee. This Charter is reviewed annually. The main responsibility of EKAP is to provide assurance and advice on the Internal Control System of the Council to the Corporate Management Team and Members. EKAP reviews and appraises the adequacy, reliability and effectiveness of Internal Control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use is made of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the System of Internal Audit. EKAP has measured itself against CiPFA guidance, and this work was reviewed by the Head of Governance (Monitoring Officer) and Head of Finance and ICT (Section 151 Officer). The review concluded that an effective System of Internal Audit is provided through the East Kent Audit Partnership. Additionally the operation of EKAP was reviewed during the year by the Audit Commission, which concluded that it can continue to place reliance on their work. The Head of the Audit Partnership provides an annual report to the Council's Governance Committee on internal control. The full details of the review will be reported to the Governance Committee, alongside this document as it is a key element of the review of the System of Internal Control and governance framework.

1.3.13 A Governance (Audit) Committee

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal and External Audit and to ensure that any actions agreed are implemented. It has previously assessed its value against CIPFA guidance. The Committee has produced a Guide to assist the community and other members to better understand how it operates. An

Annual Report summarising its work during 2009/10 will be submitted to the Annual Council Meeting in May 2010.

1.3.14 Performance and Risk Management

Dover District Council produces a Quarterly Performance Report, which reports on the Best Value Performance Indicators and Local Performance Indicators which are key to the measurement of the attainment of corporate objectives. Additionally, it provides information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Corporate Management Team and by Members. All Members receive a copy of the Report, and it is formally considered by the Cabinet and Scrutiny (Policy and Performance Committee) and placed on the Council's Intranet.

The Performance and Risk Manager has provided a positive opinion on the Council's compliance with its Risk Management Strategy. The Governance Committee considers the effectiveness of the risk management arrangements and has not provided any adverse comments.

1.3.15 **ICT**

ICT governance arrangements consider the following areas to ensure soundness of the Council's arrangements for the acquisition of ICT and the security of data and equipment:

- Stakeholder engagement and representation;
- Strategic planning for information and technology investment, procurement and deployment;
- Policy development and agreement;
- High level monitoring of programme delivery;
- 'Business as usual' performance monitoring;
- Standards selection and implementation;
- Risk management;
- Policing policy, standards, conformance with legislation, and proper use.

The work of the ICT division continues to support the principles of sound governance.

1.3.16 The development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training

Training and Development Plans are agreed with officers on an individual basis as part of their Personal Performance Reviews. Specific training is a pre-requisite for Members appointed to a number of committees. Scrutiny Committee reviews the annual training plan for Members.

1.3.17 Incorporating good governance arrangements in respect of partnerships and other group working

In 2008/09 review work began to ensure that all key

governance criteria are incorporated into new and existing partnerships. Work on assessing the arrangements of pre-existing partnership continues.

1.3.18 The ethical conduct of Members and Officers of this Council

Arrangements are in place to ensure that complaints made under the Local Filter Arrangements for the review of Members' behaviour under the national Members Code of Conduct are dealt with locally.

The Standards Committee and the Head of East Kent Human Resources have provided a positive opinion on the Council's compliance with its Ten Principles of Good Conduct.

1.4 **REVIEW OF EFFECTIVENESS**

1.4.1 Dover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the System of Internal Control. This review is informed by:

- The work of the Internal Auditors and the Head of the East Kent Audit Partnership's Annual Report;
- The work of Heads of Service and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment; and
- The External Auditors in their Annual Audit and Inspection Letter and other reports, including the Use of Resources and Direction of Travel Statements.

1.4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

1.4.3 Council

At a corporate level the Corporate Plan for the period 2008-2020 was agreed in March 2008. This was reviewed in March 2010, and an Interim Plan for 2010/11 – 2013/14 agreed. Service Plans and the Constitution have all been subject to review in year. The Council's Quarterly Performance Report shows our performance against our key priorities. The Council has previously adopted the model Code of Conduct for Members.

1.4.4 Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet and the Scrutiny (Policy and Performance) Committee receive and consider the Quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets.

1.4.5 Governance Committee

The Governance Committee receives quarterly updates from the Head of EKAP on the assurance which can be placed against various systems and processes during the year, including reviews of internal controls, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved one of the two highest levels of audit assurance.

Additionally, this Committee receives the Council's Annual Constitutional Review for recommendation to Council and ensures the effectiveness of the Council's risk management arrangements.

1.4.6 Standards Committee

The Standards Committee receives a quarterly report on the progress of formal complaints against the Council. It also considers alleged breaches of the Code of Conduct by Members of Dover District Council and the members of the Town and Parish Councils of the district. An Annual Report of the work of the Standards Committee throughout the year will be presented to the Annual Council Meeting in May 2010. The report to the Annual Council Meeting in May 2009 commented positively on work undertaken by the committee during 2008/09, in particular the introduction of the Local Filter.

1.4.7 Internal Audit

Based on the work undertaken by them during the year, the Head of EKAP considered that appropriate steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to Reasonable or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Head of EKAP has stated that the Council can have very high levels of assurance in respect of all of its main financial systems and the majority of its Governance arrangements. Following Audit reviews, almost all of the main financial systems which feed into the production of the Council's Financial Statements have achieved a Substantial assurance level. The Council can therefore be very assured in these areas.

1.4.8 External Agencies and commissioned reviews

The Council has previously been accredited under the "Investors in People" scheme. During 2009/10 a re-assessment was undertaken which resulted in recommendations for retaining the status. However, due to the range of challenges currently facing the Council, including budgetary constraints and a shift to Partnership working, it was decided not to submit to a further inspection to maintain this accreditation at this time. The Council will however implement a range of actions consistent with the requirements for liP to ensure that the liP status can be readily re-gained when it has the capacity to undertake a fresh re-assessment.

1.5 **IMPROVEMENTS DURING THE YEAR**

1.5.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

1.5.2 **Focusing on our purpose and on outcomes for the Community and creating and implementing a vision for the local area.**

An Interim Corporate Plan has been agreed to help document the focus of our work.

Plans for partnership working with our neighbouring East Kent Authorities to deliver some key services and make efficiency gains have progressed, with a joint Human Resources service now in place. A joint waste collection service is due to commence in October 2010. Plans for other joint services are being developed.

1.5.3 **Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

An annual review of the Constitution occurs to ensure that there is clarity between the respective roles of Members and Officers. Members' job descriptions linked to their individual roles have been agreed.

Joint committees with neighbouring authorities have been established to oversee joint working arrangements.

1.5.4 **Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

Communication of values is promoted through the use of Net Consent log in software, which requires the reading of and then acknowledgement by users to show their acceptance of policies and procedures.

1.5.5 **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

Procedures in managing the key corporate policies have been strengthened to ensure that risks attributable to the change in the economic climate are carefully managed with the aim of ensuring projects can still be successfully implemented.

1.5.6 **Developing the capacity and capability of Members and Officers to be effective.**

Through the Local Development Framework Advisory Committee, Planning Committee, Cabinet and Council and the careful management of staffing resources, the Council's Local Development Core Strategy was deemed to be sound

following examination by an independent Planning Inspector. It was formally adopted by the Council in February 2010.

Training courses have been extended to include Town & Parish Councillors.

1.5.7 Engaging with local people and other stakeholders to ensure robust public accountability.

The format of the Neighbourhood Forums has been subject to review to ensure engagement is meaningful.

1.6 **SIGNIFICANT GOVERNANCE ISSUES**

1.6.1 On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by the Heads of Service, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

1.6.2 Tasks to address further development:

1.6.3 Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area.

A Priority Service Review will be undertaken during 2010/11 to ensure that resources are properly focussed on the outcomes important to the community.

1.6.4 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Constitution has received its annual review, and work has commenced to ensure that the next review addresses the new Leader models and will be recommended for adoption by the Council during 2010.

1.6.5 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

With the increased incidence of joint working between authorities, Senior Management and Members needs to be particularly vigilant to ensure that decisions are properly made by those within the Authority with the power to make them.

Work will commence to ensure that Partners' standards are compatible with those adopted by the Council.

1.6.6 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Improving the resilience for all major ICT systems, and upholding existing principles to protect information.

1.6.7 Developing the capacity and capability of Members and Officers to be effective.

Development of a formal workforce planning strategy.

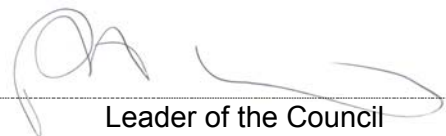
1.6.8 Engaging with local people and other stakeholders to ensure robust public accountability.

Implement changes to the Neighbourhood Forum process, ensuring that the element of accountability is not lost.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Governance Committee and the Scrutiny (Policy and Performance) Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:



Leader of the Council

Date: 7/6/10



Chief Executive

Date: 7/6/10

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

Evaluation: either there is a sound system of control designed to achieve the system objectives, or, while most of the necessary controls of the system are in place, there are minor weaknesses which result in a negligible level of risk to achievement of the system objectives;

And/or

Testing: either the controls are being consistently applied and are operating as intended, or, there is evidence that the level of non-compliance with some of the key controls may result in a negligible level of risk to achievement of the system objectives.

Reasonable Assurance

Evaluation: while most of the necessary controls of the system are in place, there is scope for some improvement, resulting in a marginal level of risk to achievement of the system objectives;

And/or

Testing: there is evidence that the level of non-compliance with some of the key controls may result in a marginal level of risk to achievement of the system objectives.

Limited Assurance

Evaluation: Only some of the necessary controls of the system are in place, putting achievement of the system objectives at a critical level of risk;

And/or

Testing: There is evidence of substantial non-compliance with many key controls not operating as intended, leaving the achievement of the system objectives at a critical level of risk.

No Assurance

Evaluation: a substantial number of the necessary key controls of the system are absent or weak leaving the system open to fundamental error or abuse;

And/or

Testing: there is evidence of significant non-compliance with the basic controls leaving the system open to fundamental error or abuse.

GLOSSARY OF FINANCIAL TERMS

ACCOUNTS - 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 2003*.

AMORTISATION – this is the equivalent of depreciation for intangible assets, it is an annual charge made to the income and expenditure account to reduce the value of an intangible asset to zero over its useful economic life.

AUDIT COMMISSION - an independent body created by the Local Government Finance Act 1982 with the responsibility for the external audit of local authority accounts.

BALANCE SHEET - 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 - a statement of a council's plans for net revenue and capital expenditure over a specified period of time.

CAPITAL ADJUSTMENT ACCOUNT – this account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

CAPITAL EXPENDITURE - generally, expenditure that 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 - 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 - 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 – 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.

CENTRAL SERVICES TO THE PUBLIC - this includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

COLLECTION FUND – is the fund into which council tax and non-domestic rates are paid, prior to the distribution of the various precepts and prior to payment to the non-domestic rates pool.

COMMUNITY ASSETS - assets that a council intends to hold in perpetuity, that have no determinable finite useful life, and in addition may have restrictions on their disposal e.g. parks and cemetery land.

CONTINGENT ASSETS – 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 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.

CORPORATE AND DEMOCRATIC CORE - comprises all activities that local authorities engage in because they are elected, multi-purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management, bank charges and the cost of democratic representation.

COUNCIL TAX - a local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

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 SERVICE COST (PENSIONS) - the increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

DEBTORS - amounts due to an authority but unpaid at the Balance Sheet date.

DEFERRED CHARGES – are capital payments that do not give rise to an asset such as house renovation grants.

DEPRECIATION - the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effect of time or obsolescence through technological or other changes.

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FIXED ASSETS - tangible assets that yield benefits to a local authority and the services it provides for a period of more than one year. Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the authority. Examples of intangible assets are computer software licences and patents for goods or services.

GENERAL FUND – is the main revenue account of a council from which payments are made to provide services, and into which receipts are paid, including the council's share of council tax.

HOUSING REVENUE ACCOUNT - the statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings, financed by rents, grants and other income.

IMPAIRMENT - a reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT – 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.

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

NET BOOK VALUE - the amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT – is an authority's borrowings less cash and liquid resources.

NET SERVICE EXPENDITURE - comprises all expenditure less all income, other than income from council tax and Revenue Support Grant, in respect of a particular service.

NON-DISTRIBUTED COSTS – are overheads that do not benefit specific end-services and therefore cannot be attributed to them. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

NON-DOMESTIC RATES - businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of their business premises. The total business rate collected nationally is re-distributed to district councils based on population.

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

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

PRECEPT - the demand on the collection fund by one authority (e.g. Kent County Council, Police or Fire Authorities), which is collected from the council tax payer by another (e.g. Dover District Council). Precepts on Dover are also made by town and parish councils in the district. These are charged to the General Fund.

PRIOR YEAR ADJUSTMENTS - these are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

PUBLIC WORKS LOANS BOARD - a government agency that provides longer-term loans to the public sector at interest rates only slightly higher than those at which the Government itself can borrow.

REVALUATION RESERVE – this reserve records unrealised revaluation gains arising from holding fixed assets.

REVENUE EXPENDITURE - the day-to-day running costs of services including salaries, running expenses and capital charges.

REVENUE SUPPORT GRANT - a general grant paid by central Government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Income and Expenditure Account.

REVENUE ACCOUNT – is an account that records the day-to-day expenditure and income of an authority on such items as salaries and wages, running costs of services, the purchase of consumable materials and equipment, and the financing costs of capital assets.

SUPPORT SERVICES - an allocation of the net cost of the administrative and professional departments that provide support for council services (e.g. Legal Services, Finance, Human Resources), together with the costs of pooled administrative buildings.

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 - the cost of work done on an incomplete project at the year-end that had not been recharged at the Balance Sheet date.

REPORT OF THE HEAD OF FINANCE AND ICT

GOVERNANCE COMMITTEE – 30 SEPTEMBER 2010

TREASURY MANAGEMENT UPDATE – QUARTER 1 2010/2011

Recommendations

<i>That the report be noted.</i>

Contact Officer – Helen Lamb, extension 2063.

Purpose of the Report

1. CIPFA issued the revised Code of Practice for Treasury Management in November 2009, following consultation with Local Authorities during the summer. The revised Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice.

Economic Background

2. The first quarter of 2010/11 saw:
 - The new coalition government enact a fiscal squeeze set to be the most severe since the end of the 1930's, through its Emergency Budget on the 22nd June;
 - Activity indicators suggest that the recovery picked up a little pace in the first quarter;
 - High street spending recovered after a weak start to the year;
 - The labour market showed some tentative signs of improvement;
 - The UK's trade position deteriorated, despite the weak pound;
 - CPI inflation remained above target, however the measure of underlying inflation fell;
 - The Monetary Policy Committee maintained QE and kept Bank Rate on hold at 0.5%;
 - The equity rally went into reverse over concerns about the shape of the global recovery;
 - The recovery in the US remains fairly strong, but remains weak in the euro-zone.
3. The key development of the first quarter was the Emergency Budget delivered on the 22nd June that unveiled plans by the new Chancellor to severely tighten fiscal policy. According to the new (and independent) Office for Budget Responsibility, cyclically adjusted net borrowing – the portion of borrowing that will not disappear with economic growth – will now fall from 8.7% of GDP in the fiscal year just gone to 0.8% in 2014-15.
4. The Budget directed the bulk of the fiscal tightening at households and the public sector instead of private companies. Key measures within the Budget included a rise in the standard rate of VAT from 17.5% to 20%, to take effect in January 2011. Plans for social security payments were also scaled back. However, the burden on lower

income households was partly offset by an increase in the income tax personal allowance by £1,000 to £7,475 from April 2011 from which high earners will not benefit.

5. Meanwhile, activity surveys suggested that the recovery gathered pace in the first quarter after the economy's 0.3% expansion. Encouragingly, the labour market has shown some tentative signs of improvement. The number of people claiming unemployment benefit fell by 32,000 in April and 31,000 in May, leaving the total at 1.48m. Employment also rose by 5,000 in the three months to April. However, the workforce increased at a faster rate, so that the total number of unemployed according to the wider ILO measure still rose by 23,000 in the three months to April.
6. The UK's trade position continued to deteriorate, despite the support provided by the lower pound. The trade in goods and services deficit widened from £3.2bn to £3.3bn in April. Exported goods volumes fell again, this time by a monthly 0.5%. However, the export orders balances of the activity surveys continued to suggest that volumes would pick up soon.
7. Inflationary pressures have finally begun to ease. CPI inflation rose from 3.4% to a recent peak of 3.7% in April before falling back to 3.4% in May. Temporary factors, such as the rise in the rate of VAT to 17.5% in January and the rise in oil prices last year, continued to support above-target inflation.
8. The Monetary Policy Committee (MPC) continued to keep Bank Rate on hold at 0.5% and to maintain its stock of asset purchases. The Bank of England's quarterly Inflation Report in May also projected inflation to be below the 2% target at the two-year horizon, suggesting that rates will remain on hold for a considerable period. Some MPC members expressed concern that the recent bout of high inflation could lead to a permanent shift in inflation expectations if it persisted much longer.

Economic Forecast

9. The Council's Treasury Advisers, Sector, provide the following forecast:

Sector's Interest Rate View												
	NOW	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.50%	2.00%	2.25%	2.75%	3.00%	3.50%
5yr:FW LB Rate	2.29%	2.50%	2.60%	2.80%	2.95%	3.20%	3.45%	3.80%	4.15%	4.40%	4.50%	4.65%
10yr:FW LB View	3.58%	3.80%	3.85%	4.00%	4.20%	4.40%	4.50%	4.70%	4.75%	4.90%	4.90%	5.05%
25yr:FW LB View	4.31%	4.45%	4.50%	4.55%	4.70%	4.80%	4.90%	5.05%	5.15%	5.20%	5.25%	5.25%
50yr:FW LB Rate	4.29%	4.45%	4.55%	4.60%	4.75%	4.85%	4.95%	5.05%	5.25%	5.25%	5.30%	5.30%

- The forecast is based on moderate economic recovery and MPC inflation forecast being below target in two years' time;
- The first Bank Rate increase is expected to be in 2011; and to reach 3.75% by March 2013;
- Long term PWLB rates are expected to steadily increase to reach 5.25% by early 2013 due to huge gilt issuance, reversal of QE and investor concerns over inflation;
- There is considerable uncertainty in all forecasts due to the difficulties of forecasting the timing and amounts of QE reversal, the tough cuts outlined in the Emergency Budget, speed of recovery of banks profitability and balance sheet position, changes in the consumer saving ratio, rebalancing of the UK economy in terms of export and import etc;
- The balance of risks is weighted to the downside;

- There is still some risk of a “double dip” recession.

Treasury Management Strategy Statement

Annual Investment Strategy

10. The Treasury Management Strategy Statement (TMSS) for 2010/11 was approved by Council on 3rd March 2010. The Council’s Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council’s investment priorities as follows:
 - Security of Capital
 - Liquidity
11. The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions, using Sector’s suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector.
12. A full list of investments held as at 30 June 2010, compared to Sector’s counterparty list, and changes to Fitch, Moodys and S&P’s credit ratings during Q1 of 2010/11 are shown in Appendix A.
13. As illustrated in the economic background section above, investment rates available in the market are at an historical low point. There were no new funds available for investment purposes in the first quarter of 2010/11. These funds are normally available on a temporary basis, and the level of funds available is mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £22m core cash balances for investment purposes (i.e. funds available for more than one year).

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.42%	1.29%	77,000

14. As illustrated, the authority outperformed the benchmark by 87 basis points. The Council’s budgeted investment return for 2010/11 is £454,770, and performance for the year to date is £36,700 below budget.

Borrowing

Prudential Indicators

15. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Prudential Indicators (affordability limits) are outlined in the approved TMSS. Prudential Indicators as at 30 June 2010 are attached at appendix 2.
16. Officers can confirm that the Prudential Indicators were not breached during the first quarter of 2010/11. Sector’s target rate for new long term borrowing (50 years) for the first quarter of 2010/11 was in the range of 4.65% to 4.75%. Due to the overall financial position no new borrowing has been required for capital purposes.

17. As outlined below, interest rates have gradually increased during the quarter across all bands, with the low points in June for 1, 5, 10, 25 and 50 year PWLB loans. The high points were in April for 1, 5, 10, 25 and 50 year PWLB loans.
18. It is anticipated that further borrowing will be required during this financial year to support the planned capital programme in particular the proposed new tennis centre in Deal.
19. During the first quarter there has been a lot of volatility in the financial markets and this has had an impact on the PWLB rates. Also the concern over the Euro zone debt crisis has led to an influx of investments into the UK as they are seen as a "safe haven". This in turn has had an impact on borrowing rates with rates coming down. PWLB rates at the end of the quarter were:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.60%	0.85%	2.26%	3.52%	4.28%
Date	15/06/2010	10/06/2010	29/06/2010	29/06/2010	24/05/2010
High	0.93%	1.23%	2.99%	4.27%	4.73%
Date	26/04/2010	26/04/2010	26/04/2010	12/04/2010	12/04/2010
Average	0.76%	1.02%	2.63%	3.93%	4.50%

20. Details of the Council's borrowing as at 30th June 2010 is attached at appendix 3.

Update to 30 August 2010

21. Appendix 4 shows the portfolio position at the end of August. During the period Investec have had a number of investments mature totalling £4.8m. As at the end of August these had been reinvested into HSBC Securities (£2.1m) and Commercial Paper (£2.7m). The call account/Money Market Fund balance has reduced from £11.2m to £4m. The balance was high at the end of June due to the refunds relating to NDR and Housing Benefit for 2009/10 having been received. The majority of this balance was paid out on 1st July 2010 to repay the temporary borrowing and for payments to the major precepting authorities.

Investment Portfolio Options

22. At the Investment Advisory Committee on 28th July 2010 it was proposed to move £1.5 million from the Council's portfolio investments to a SIBA call account or other more liquid accounts. This would give greater flexibility in managing year-end cash flow issues, and return portfolio balances to a level that equated to Core Balances.
23. The year end cash flow estimate has been forecast and projects that we will have a cash shortfall of £4.5m over the year end period. In order to reduce short-term borrowing at year end it is proposed to retain an appropriate level of investments maturing at the end of the calendar year and only reinvest once the cash flow returns to a positive position.
24. A review of Investec balances and performance is being undertaken in order to assess the benefits of keeping balances with Investec compared to bringing the funds in-house. Investec are meeting with the team on 27th September 2010 and a verbal update on the position will be given at the meeting.

MIKE DAVIS
Head of Finance and ICT

Appendix 1

Investments held as at 30 June 2010 compared to Sector's Counterparty list:

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	
Investec Investments							
Rabobank	Certificate of deposit	AA-/F1+/1	05/05/2011	1.300	1,500,000	Netherlands - Gov 'AAA'	
Euro Inv Bank FRN	Floating rate	'AAA'	06/08/2010	0.690	800,530	France - Gov 'AAA'	
Lloyds Bank	Certificate of deposit	AA-/F1+/1	09/08/2010	0.560	2,300,000	UK - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	22/02/2011	1.120	599,731	UK - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	02/09/2010	0.450	1,200,000	Finland - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	06/08/2010	0.550	1,100,000	Finland - Gov 'AAA'	
BNP Paribas	Certificate of deposit	AA-/F1+/1	05/08/2010	0.610	500,000	France - Gov 'AAA'	
RBS	Certificate of deposit	AA-/F1+/1	26/07/2010	0.580	1,600,621	UK - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	26/07/2010	0.580	400,104	UK - Gov 'AAA'	
Barclays	Certificate of deposit	AA-/F1+/1	16/08/2010	0.640	800,366	UK - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	30/12/2010	0.990	1,299,975	UK - Gov 'AAA'	
Crédit Suisse First Boston	Certificate of deposit	AA-/F1+/1	23/07/2010	0.580	712,262	Switzerland - Gov 'AAA'	
Barclays	Certificate of deposit	AA-/F1+/1	10/09/2010	0.630	1,504,673	UK - Gov 'AAA'	
					14,318,262		
UK	Commerical paper			2.330	1,199,216	UK - Gov 'AAA'	
GBP cash - settled balance					39,975		
					15,557,454		
In-house Investments - Portfolio							
Landisbanke Islands	Term deposit	Not rated by sector	26/11/2008	6.170	1,000,000	Iceland - Gov 'BBB-'	364 days
Lloyds	Term deposit	AA-/F1+/1	23/11/2010	1.820	2,000,000	UK - Gov 'AAA'	364 days
Lloyds	Term deposit	AA-/F1+/1	06/12/2010	1.820	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	AA-/F1+/1	19/10/2010	1.500	1,000,000	UK - Gov 'AAA'	180 days
Natwest	Bond	AA-/F1+/1	19/03/2011	2.000	1,500,000	UK - Gov 'AAA'	364 days
					6,500,000		

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating
Call Accounts/MMF	Balance as at 30/06/10	Rate				
DMA	0					
Global Treasury Fund	890,106	0.43%				
SIBA	2,775,197	0.75%				
SIBA SEEDA	899,634	0.50%				
SIBA HCA	46,564	0.50%				
SIBA ASDA	319,426	0.50%				
Alliance & Leicester	3,254,401	0.80%				
BoS	3,002,605	0.75%				
Abbey	1					
	11,187,934					

Prudential Indicators – As at 30th June 2010

Prudential Indicator	2010/11 Indicator £'000	Quarter 1 – Actual £'000
Capital Financing Requirement (CFR)	7,751	7,241
Net borrowing	5,260	4,557
Authorised limit for external debt	20,000	17,000
Operational boundary for external debt	15,000	17,000
Principal sums invested > 364 days	0	0
Borrowing - Under 12 months	10,000	10,000
Borrowing - 12 months to 2 years	1	1
Borrowing - 2 years to 5 years	0	0
Borrowing - 5 years to 10 years	0	0
Borrowing - 10 years and above	7,000	7,000

Dover District Council Borrowing - 2009/10

INT. TYPE	Date Loan Taken Out	Date Loan Matures	REPAYMNT DATES	LOAN NO	PRINCIPAL BALANCE 01-Apr-09	INT RATE %	Annual Interest 2009/10	Lender	Type of loan
Fixed	02/10/1997	02/10/2057	APR-OCT	479961	1,000,000	6.75	67,500	PWLB	Principal due on maturity
Fixed	28/05/1997	28/05/2057	MAY-NOV	479542	2,000,000	7.38	147,500	PWLB	Principal due on maturity
Fixed	23/08/1946	23/06/2026	JUNE-DEC	131582	781	2.50	20	PWLB	Equal installment of principal
Fixed	27/09/1946	27/06/2026	JUNE-DEC	131583	146	2.50	4	PWLB	Equal installment of principal
Fixed	09/09/1949	01/03/2011	AUG-FEB	236548	30	3.00	0	PWLB	Equal installment of principal
Fixed	15/08/1952	15/03/2012	MAR	364484	2,025	4.25	115	PWLB	Equal installment of principal
Fixed	16/11/2001	30/09/2026	SEPT-MAR	486237	1,000,000	4.75	47,500	PWLB	Principal due on maturity
Variable	16/12/2002	16/12/1942	JUNE-DEC	NA	3,000,000	4.75	142,500	Dresder Bank	Repayable if called by bank
					7,002,982		405,139		

Investments held as at 30 August 2010 compared to Sector's Counterparty list:

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Rabobank	Certificate of deposit	AA-/F1+/1	05/05/2011	1.16	1,500,000	Netherlands - Gov 'AAA'	
Credit Agricole CIB	Certificate of deposit	AA-/F1+/1	16/11/2010	0.650	2,300,000	France - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	22/02/2011	0.970	599,731	UK - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	02/09/2010	-0.140	1,200,000	Finland - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	15/11/2010	0.640	1,100,000	Finland - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	30/12/2010	0.780	1,299,975	UK - Gov 'AAA'	
Barclays	Certificate of deposit	AA-/F1+/1	10/09/2010	0.520	1,504,673	UK - Gov 'AAA'	
HSBC Securities	Certificate of deposit	AA-/F1+/1	10/08/2011	1.390	2,100,000	UK - Gov 'AAA'	
					11,604,380		
UK	Commerical paper		15/11/2010	0.530	3,895,106	UK - Gov 'AAA'	
BNP Paribas	Deposit		01/09/2010	0.440	100,007		
GBP cash - settled balance					1,719		
					15,601,212		
In-house Investments - Portfolio							
		Not rated by sector					Duration
Landisbanke Islands	Term deposit		26/11/2008	6.170	1,000,000	Iceland - Gov 'BBB-'	364 days
Lloyds	Term deposit	AA-/F1+/1	23/11/2010	1.820	2,000,000	UK - Gov 'AAA'	364 days
Lloyds	Term deposit	AA-/F1+/1	06/12/2010	1.820	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	AA-/F1+/1	19/10/2010	1.500	1,000,000	UK - Gov 'AAA'	180 days
Natwest	Bond	AA-/F1+/1	19/03/2011	2.000	1,500,000	UK - Gov 'AAA'	364 days
					6,500,000		

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government	Options available
Call Accounts/MMF	Balance as at 30/08/10	Rate					
DMA	0						
Global Treasury Fund	40,106	0.51%					
SIBA	2,998,288	0.75%					
SIBA SEEDA	900,756	0.50%					
SIBA HCA	46,622	0.50%					
SIBA ASDA	10,839	0.50%					
Alliance & Leicester	402	0.80%					
BoS	2,669	0.75%					
Abbey	1						
	3,999,681						

Annual Governance Report

Dover District Council

Audit 2009/10

September 2010

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Head of Finance and ICT on 16 September 2010.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 10
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Andy Mack
District Auditor

30 September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	8
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	10

Audit opinion

- 1 My work on the 2009/10 financial statements is substantially complete. I have set out the outstanding items required to complete the audit in paragraph 9. Subject to the satisfactory completion of my work, I plan to issue an unqualified audit opinion on the financial statements in September 2010.

Financial statements

- 2 The financial statements presented for audit were prepared to a sound standard overall. Not all working papers were available at the start of my audit, but officers responded promptly to provide the necessary information as the audit progressed.
- 3 During my audit I identified some errors and omissions in the draft financial statements which management have subsequently corrected. The more significant of these amendments are detailed in Appendix 2. None of the amendments impact on the Councils overall outturn position or balance sheet, however, there was a material error in the Cash Flow Statement due to a difference in accounting treatment arising from the prior period adjustment made to the Collection Fund.

Value for money

- 4 I intend to issue an unqualified opinion on the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of resources.

Key messages

Independence

- 5 I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements that are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 7** This report outlines the findings of our work on the Council's financial statements for the year ended 31 March 2010.
 - 8** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
 - 9** Key areas where work remains outstanding as at 17 September 2010 are;
 - reviewing a draft version of the “Summary of Accounts and Review of the Year” to ensure the content is consistent with the financial statements;
 - checking a final version of the accounts which contains all agreed amendments; and
 - obtaining a signed letter of representation.
 - 10** I expect that I will complete any remaining work to allow the issue of my audit opinion by 30 September 2010. Should any significant issues arise from my remaining work I will bring them to the attention of the Chair of the Audit Committee.
-

Errors in the financial statements

- 11** My audit of the Council's accounts seeks to ensure the accounts are materially correct and present a true and fair view of the financial transactions of the Council in 2009/10.
- 12** I set the materiality level for this audit at £1.7 million. I also set a threshold below which I judge any errors to be 'trivial' and do not seek any amendments to the accounts. I have set the trivial threshold at £17,000.
- 13** I am also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant in helping you to fulfil your governance responsibilities.
- 14** During the audit I identified several errors and omissions in the accounts, all of which have been agreed and adjusted by officers. Appendix 2 details the misstatements that have been corrected. There was one material error following a change in the accounting treatment of Non Domestic Rates, the correction of which did not impact the Council's reported outturn or assets and liabilities at 31 March 2010:

- The Cash Flow Statement included National Non-Domestic Rates collected for and rebated to government. Cash inflow was overstated by £29,755k and cash outflow overstated by £35,120k.
- 15** In addition I identified some improvements in disclosure for the statements and supporting notes. Details of these are also in Appendix 2.
- 16** There were changes in the finance team during the year, with both the Capital Accountant and HRA Accountant leaving the Council in 2009. The remaining finance staff received training to cover these roles and a Capital Accountant contractor provided technical accounting support in producing the financial statements. However, these changes led to some accounting tasks being carried out by staff that were new to the role, resulting in an increased number of errors in the financial statements.

Recommendation

R1 Conduct an early review of work completed by less experienced staff so errors are identified and corrected on a timely basis.

Important weaknesses in internal control

17 I have not identified any important weaknesses in internal control that require reporting to those charges with governance.

Letter of representation

18 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Key areas of judgement and audit risk

19 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. See Table 1 below.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Icelandic bank investment. Risk relating to the recovery of investments held in Icelandic banks and their valuation in the Council's accounts.	The Council has followed the approach outlined by CIPFA in the update (May 2010) to LAAP Bulletin 82. I have concluded that following amendments agreed with management, the balance included in the accounts is fairly stated.

Financial statements

Accounting practice and financial reporting

20 I consider the non-numeric content of your financial reporting. Table 2 below contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
Accounting for shared service arrangements.	As host of the East Kent Partnership HR service, the Council includes the costs of the entire shared service in its Income and Expenditure account along with income from the other parties for their share of the service. I have considered this accounting treatment and confirm that it complies with SORP.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion. I have based my conclusion on my work on the scored use of resources judgement.

Value for money conclusion

- 21** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 22** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Glossary

Annual governance statement

- 23** Governance is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, culture and values by which the body is directed and controlled and through which they are accountable to and engage with their communities.
- 24** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code. It also includes how it has monitored the effectiveness of its governance arrangements in the year and any planned changes.

Audit closure certificate

- 25** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

- 26** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
 - whether they were prepared properly, following the relevant accounting rules. income.

Qualified

- 27** The auditor has some reservations or concerns.

Unqualified

- 28** The auditor does not have any reservations.

Material

29 Information is material if its omission or misstatement could influence the decisions of users of the financial statements.

Value for money conclusion

30 The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Dover District Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Dover District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Head of Finance and ICT and auditor

The Head of Finance and ICT is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered,

whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority’s Responsibilities

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

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance. I am satisfied that, in all significant respects, Dover District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Andy Mack
District Auditor

Audit Commission
16 South Park
Sevenoaks
Kent TN13 1AN

30 June 2010

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 3

Adjusted misstatements	Nature of adjustment
Cash Flow Statement	Cash inflow was overstated by £29,755k and cash outflow overstated by £35,120k regarding National Non-Domestic Rates collected for and rebated to government.
Balance Sheet	Icelandic deposits were mis-categorised - long-term investments understated by £765k and short-term investments overstated by the same amount.
Balance Sheet	Error in valuation of deposits - short-term investments were understated by £85k.
Other disclosure items and notes to the Core Financial Statements	<p>Amendments have been made to improve various disclosures in the financial statements as follows:</p> <ul style="list-style-type: none"> • Amendment to asset and liabilities figures stated in the Explanatory Forward, see page 10. • Correction to accounting policies reference to 2008 SORP instead of 2009 SORP, see page 13. • Incorrect disclosure of shared service partnership costs (amended from £1.19m to £1.33m) and income (amended from £0.94m to £1.04m), see note 2. • Correction to disclosure of senior officer's pension contributions, see note 9. • Fixed assets note amended to clarify car parks owned by DDC and those not owned, but managed by the Council, see note 20. • Disclosures under fair value for assets and liabilities carried at amortised cost were

Appendix 2 – Amendments to the draft accounts

	<p>incomplete when considered against SORP Guidance as they did not include relevant debtors and creditors, see note 41.</p> <ul style="list-style-type: none">• Clarification of impairment to Icelandic deposits in the year (amended from £376k to £169k), see note 44.• Change to wording of Reserves note to clarify movement in the Special Projects Reserve, see note 45.• Removal of note on LAA Grant.
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Appendix 3 – Draft letter of representation

To: Andy Mack
Appointed Auditor
16 South Park
Sevenoaks
Kent
TN13 1AN

Dover District Council: Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Dover District Council, the following representations given to you regarding your audit of the Council's financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

Appendix 3 – Draft letter of representation

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
- I also confirm that I have disclosed:
- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

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

Fair Values

- I confirm the reasonableness of the significant assumptions within the financial statements.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties, other than those already disclosed in the financial statements.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Pension Provision

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council no significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements, other than those already disclosed.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. It is the Council's current intention to hold those assets classified as long term investments on the balance sheet to the date of maturity.

The Annual Governance Report and this letter were considered by Members at the Audit Committee on 30 September 2010.

Signed on behalf of Dover District Council

.....

Name: Mike Davis

Position: Head of Finance and ICT

Date: 30 September 2010

Appendix 4 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes

Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
9	R1 - Conduct an early review of work completed by less experienced staff so errors are identified and corrected on a timely basis.	3	Helen Lamb Head of Finance	Yes	<p>The vacant Capital & Treasury post has now been recruited and it is planned to retain staff in their current roles for the foreseeable future if no further retention issues are experienced. This will allow additional experience to be gained by the team and earlier completion of work and preparation of papers should be achieved.</p> <p>Greater opportunity to review workings across the team would therefore become possible and will be incorporated into the closing timetable and processes.</p>	16 Sept 2010

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

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Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

EXCLUSION OF THE PRESS AND PUBLIC

Recommendation

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the item to be considered involves the likely disclosure of exempt information as defined the paragraph of Part I of Schedule 12A of the Act set out below:

<u>Item Report</u>	<u>Paragraph Exempt</u>	<u>Reason</u>
Internal Audit Quarterly Progress Report	3	Information relating to the financial or business affairs of any particular person