

Public Document Pack



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17 September 2013

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 26 September 2013 at 6.00 pm when the following business will be transacted.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Nicky", written over a white background.

Chief Executive

Governance Committee Membership:

Councillor T J Bartlett (Chairman)
Councillor K E Morris (Vice-Chairman)
Councillor M R Eddy
Councillor S J Jones
Councillor A S Pollitt
Councillor M A Russell

AGENDA

- 1 **APOLOGIES**
To receive any apologies for absence.
- 2 **APPOINTMENT OF SUBSTITUTE MEMBERS**
To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST**

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

Where a Member has a new or registered Disclosable Pecuniary Interest (DPI) in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Where a Member is declaring an Other Significant Interest (OSI) they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

4 **MINUTES**

To confirm the Minutes of the meeting of the Committee held on 20 June 2013 (to follow).

5 **CONSTITUTION REVIEW - PROVISION OF MEMBER TRAINING TO SERVE ON SPECIFIC COMMITTEES** (Pages 5 - 12)

To consider the attached report of the Director of Governance and Monitoring Officer.

6 **REVIEW OF THE CONSTITUTION**

To consider the report of the Director of Governance (to follow).

7 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 13 - 30)

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

8 **GRANT CERTIFICATION WORK PLAN** (Pages 31 - 38)

To consider the attached report from Grant Thornton.

9 **REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE** (Pages 39 - 74)

To consider the attached report from Grant Thornton.

- 10 **2013/14 AUDIT FEE LETTER** (Pages 75 - 78)
To consider the attached report of Grant Thornton.
- 11 **FINANCIAL OUTTURN 2012/13** (Pages 79 - 102)
To consider the report of the Director of Finance, Housing and Community.
- 12 **AUDIT FINDINGS REPORT** (Pages 103 - 134)
To consider the attached report from Grant Thornton.
- 13 **STATEMENT OF ACCOUNTS 2012/13** (Pages 135 - 233)
To consider the attached report of the Director of Finance, Housing and Community.
- 14 **TREASURY MANAGEMENT QUARTER ONE REPORT** (Pages 234 - 252)
To consider the attached report of the Director of Finance, Housing and Community.
- 15 **GOVERNANCE LOCAL CODE REVISION** (Pages 253 - 302)
To consider the attached report of the Director of Governance.
- 16 **GOVERNANCE ASSURANCE STATEMENT MID-YEAR UPDATE** (Pages 303 - 304)
To consider the attached report of the Director of Governance.

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.
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Democratic Support Officer, telephone: (01304) 872305 or email:
jemma.duffield@dover.gov.uk for details.

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

Subject: CONSTITUTION REVIEW - PROVISION OF MEMBER TRAINING TO SERVE ON SPECIFIC COMMITTEES

Meeting and Date: Governance Committee – 26 September 2013

Report of: David Randall, Director of Governance and Monitoring Officer

Classification: Unrestricted

Purpose of the report: This report identifies at paragraph 3.4 revisions to the Constitution to ensure member training to serve on specific committees is clearly specified.

Recommendation: The Governance Committee recommends to Council the revisions to the Constitution Part 2, Article 13 – Decision Making, as outlined at paragraph 3.4 to 3.6 and at Annex 1.

1. Constitution

1.1 One of the functions of the Governance Committee is to monitor and review the Constitution and make recommendations, as necessary to the Council.

1.2 Part 2, Article 13 of the Constitution – Decision Making, paragraph 13.09 - Member Training, states that:

"Only members (and named substitutes where appropriate) who have received the appropriate training may serve on the Appeals, Licensing, Regulatory, Governance, Planning and Standards Committees".

2. Induction and Training for Members

2.1 Every four years as part of the preparation for the District Council elections, a range of induction and training is planned by the Democratic Services Team to ensure that Councillors, both returning and new have the necessary skills required to fulfil their role, including ensuring the necessary skills required to serve the various committees. In particular timely training is provided for Councillors who are going to serve on the Licensing, Regulatory, Governance, Planning, Standards and Appeals Committees, which constitutionally require each councillor to be trained before they can serve on these committees, as outlined in paragraph 1.2 above.

2.2 However, although the Constitution requires councillors to be trained before they serve on the above committees, it doesn't provide any criteria as to what is considered acceptable training to ensure that the members have the necessary skills to serve effectively on the specific committees identified at paragraph 1.2. Historically, this has usually been addressed at the time of District Council elections by the Democratic Services Team identifying a suitable training provider (internal or external) and then working together to agree the training content. However this approach doesn't assure consistency and this is particularly evident when a by-election is held and/or councillors are appointed mid term to one of the committees at paragraph 1.2 or are required to substitute for a councillor on one of these committees.

2.3 In order to provide a framework where training is provided by officers as a result of a change in membership it would be useful for a standard specification to be established and incorporated into the Constitution. This need was highlighted following a change in membership on Committees at the Annual Council meeting this year.

3. **Lessons Learnt**

3.1 Therefore, it is recommended that the Constitution is amended at Part 2, Article 13, with changes and additions to paragraph 3.09 as shown in bold:

(a) "Only members (**and substitutes**) who have received the appropriate training may serve on the Appeals, Licensing, Regulatory, Governance, Planning and Standards Committee. **The training requirements are set out in the Appendix to this article**".

3.2 Appendices A to F are provided as an annex to this report and it is recommended that they form an addition to the Constitution.

4. **Identification and Evaluation of Options**

4.1 The options for the Committee are:

(a) To note the revised procedure at paragraphs 3.1 and 3.2 and appendices A to F. This is the recommended approach. The advantage of this approach is that it brings more certainty to the process allowing appropriate training to be provided to allow all new councillors, councillors changing committees and councillors substituting on committees to quickly assimilate the required knowledge to allow them to effectively serve on the relevant committees.

(b) To not change the procedure, not learn lessons. With the increased flexibility following the relaxation on substitutes, this approach is not recommended.

5. **Resource Implications**

5.1 No additional resource implications.

6. **Attachments**

6.1 Annex 1 – Constitution Part 2, Article 13, Appendix A to F

Contact Officer: David Randall, extension 2141.

Training Criteria for the General Purposes Committee

Constitution: Part 3, Responsibility for Functions, Section 2, Responsibility for Council Functions

Training provider: In-house by the Monitoring Officer or Solicitor to the Council

When: As required, in advance of the committee meeting. .

- Content:**
1. To understand the functions of the General Purposes Committee and the role individual councillors fulfil on the committee.
 2. An understanding of the relevant legislation
 3. An understanding of the Officer Conditions of Service
 4. Awareness of the procedures to be followed when hearing and then deliberating on an appeal
 5. To understand the appeal processes.

Training Criteria for the Licensing Committee

- Constitution:** Part 3, Responsibility for Functions, Section 2, Responsibility for Council Functions
- Training provider:** In-house by the Licensing Team Leader
- When:** At the start of the new 4 year Council and as required, if membership changes or substitutes require training, co-ordinated in advance of the next committee meeting
- Content:**
1. To understand the functions of the Licensing Committee and the role individual councillors fulfil on the committee.
 2. To understand the licensable activities, the licensing objectives and the types of licence.
 3. To understand the Hearing process when considering an application, including what the Sub-Committee can consider and how it makes decisions (e.g. adjournments, information requests and the use of conditions).
 4. To understand the types of applications (application for a licensable activity, variation of an existing licence and a review of an existing licence).

Training Criteria for the Regulatory Committee

- Constitution:** Part 3, Responsibility for Functions, Section 1 and 2, Responsibility for Council Functions
- Training provider:** In-house by the Licensing Team Leader
- When:** At the start of the new 4 year Council and as required, if membership changes or substitutes require training, co-ordinated in advance of the next committee meeting
- Content:**
1. To understand the functions of the Regulatory Committee and the role individual councillors fulfil on the committee.
 2. To understand the procedures for hearings at Committee and the type of licensable activities that the Committee may be required to consider.
 3. To understand the Council's policies and guidelines in respect of the Hackney Carriage and Private Hire trades as they affect applications and other matters brought before Committee, including the Council's Fit and Proper Persons policy.
 4. To understand the Council's policies and guidelines in respect of other forms of licensable activities.
 5. To understand the appeal processes.

Training Criteria for the Governance Committee

- Constitution:** Part 3, Responsibility for Functions, Section 2, Responsibility for Council Functions
- Training provider:** In-house by the Monitoring Officer and/or S151 Officer
- When:** At the start of the new 4 year Council and as required, if membership changes or substitutes require training, co-ordinated in advance of the next committee meeting
- Content:**
1. To understand the functions of the Governance Committee.
 2. To understand the role individual councillors fulfil on the committee
 3. To understand the role and work of internal audit, including the audit plan, audit assurance levels, risks and controls, audit reports and audit recommendations.
 4. To understand the role of management in agreeing, accepting and then implementing audit recommendations.
 5. To understand the role and work of external audit.
 6. To understand risk management arrangements including risk assessment and risk mitigation.
 7. To understand the Annual Governance Assurance Statement process and the monitoring and follow up actions.
 8. To understand the Council's financial management and reporting process, in particular an understanding of the Statement of Accounts.

Training Criteria for the Planning Committee

- Constitution:** Part 3, Responsibility for Functions, Section 1, Responsibility for Council Functions
- Training provider:** Either In-house by the Head of Regeneration and Development or a suitably qualified nominee or by an accredited external provider
- When:** At the start of the new 4 year Council and as required, if membership changes or substitutes require training, co-ordinated in advance of the next committee meeting
- Content:**
1. To understand the functions of the Planning Committee and the role individual councillors fulfil on the committee.
 2. To understand the different types of planning application.
 3. To understand planning policy, what a material consideration is and the duties imposed by statute.
 4. To understand the legislation in respect of bias and predetermination and understand the application of the Code of Conduct in respect of the Planning Committee.
 5. To have an understanding of the Protocol on Good Practice in Planning Procedures.
 6. To understand the site visit procedure, including dealing with lobbying from members of the public.

Training Criteria for the Standards Committee

- Constitution:** Part 3, Responsibility for Functions, Section 2, Responsibility for Council Functions
- Training provider:** In-house by the Monitoring Officer or Solicitor to the Council
- When:** At the start of the new 4 year Council and as required, if membership changes or substitutes require training, co-ordinated in advance of the next committee meeting
- Content:**
1. To understand the functions of the Standards Committee.
 2. To understand the role individual councillors fulfil on the committee, in particular in relation to exercising their functions in relation to ethical standards and the new member code of conduct.
 3. To understand the role and responsibilities of the Monitoring Officer.
 4. To understand the role of the Independent Person.
 5. To understand the formal service complaints procedures, the role of the Local Government Ombudsman and the issues relating to maladministration.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 26 September 2013

Report of: Christine Parker, Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: 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 30 June 2013

Recommendation: That Members note the update report.

1. Summary

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 2013.

2. Introduction and Background

- 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.

SUMMARY OF WORK

- 2.7 There have been seven Internal Audit reports that have been completed during the period, of which six reviews were classified as providing Substantial Assurance. The remaining piece of work was of a nature for which an assurance level is not applicable i.e. quarterly housing benefit claim testing. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 2.8 In addition eight follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the three-month period to 30th June 2013, 51.18 chargeable days were delivered against the planned target of 300, which equates to 18.96% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2013-14 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2013-14 - Previously presented to and approved at the 14th March 2012 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: 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 2013.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	Disabled Facilities Grants	Substantial
2.2	Business Continuity and Emergency Planning	Substantial
2.3	CCTV	Substantial
2.4	Dover Museum and Visitor Information Arrangements	Substantial
2.5	EK Services - Network Security	Substantial
2.6	Members' Code of Conduct & Standards Arrangements	Substantial
2.7	EK Services – Housing Benefit Quarterly Testing (Qtr 1 of 2013-14)	Not Applicable

2.1 Disabled Facilities Grants – Substantial Assurance:

2.1.1 Audit Scope

To ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

2.1.2 Summary of Findings

The Disabled Facilities Grants process is generally working well and most of the expected controls are effective. Positive action is taken to control risk and monies are being recovered in accordance with the grant conditions, sundry debtor invoices should be raised and passed to the solicitors as part of the recovery of the outstanding grant monies. This would be a good accounting practice and in compliance with the Financial Procedure Rules. Currently this process is not in place.

2.2 Business Continuity & Emergency Planning – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has adequate arrangements to enable it to continue providing core services in the event of a loss of data and/or facilities (ICT provision, telephony and accommodation, etc) at the main offices and to fulfil its statutory obligations under the Civil Contingencies Act 2004 in planning for and responding to emergencies.

2.2.2 Summary of Findings

With the introduction of the Civil Contingencies Act 2004 responsibility for all emergency planning activities was delegated to Local Authorities. To ensure the Authority fulfils its obligations it has entered into a three-year service level agreement with Kent County Council.

The Council operates a weekly rota for the Emergency Activation Officers and the Incident Liaison Officers who deal with emergency calls, these Officers review each situation and take appropriate action.

A copy of the major emergency plan is held securely in a locked cupboard outside the Emergency Centre at the Council. The plan is readily available on the Council's intranet and Internet pages. A 'grab bag' is given to the Incident Liaison Officer on call and included in this is a copy of the major emergency plan.

All of the expected controls and procedures were therefore found to be in place and consistently adhered to.

2.3 CCTV – Reasonable Assurance:

2.3.1 Audit Scope

To ensure that the CCTV operation is undertaken in accordance with the Code of Practice and all prevailing legislation such as the Data Protection Act and the Human Rights Act.

2.3.2 Summary of Findings

The CCTV operation is working well and the expected controls are effective.

The CCTV operation covers the cameras at Dover, Deal and Sandwich. The control room is situated in Dover town centre and the cameras record 24 hours a day 365 days. The control room is manned on a shift basis providing the following cover: -

Monday – Thursday	09.00 – 24.00
Friday – Saturday	09.00 – 03.00
Sunday	09.00 – 17.00

There is a reciprocal agreement in place between the Kent Authorities to undertake CCTV peer reviews for each other. In addition to this the Council has 3 volunteer lay visitors that periodically visit the control room to ensure compliance with the Code of Practice.

The Code of Practice was reviewed and updated in April 2013 and this version has been published on the Council's intranet and webpage. Previously the Code had been reviewed in September 2012.

The current maintenance contract was initially awarded in 1999 for a three year period with an option to extend for a further two years. However, to date the contractor is still employed by the Council and the contract has not been reviewed to ensure the Council is receiving value for money and the contractor is fulfilling the Council's requirements. The Community Safety, CCTV and Parking Manager is currently reviewing the maintenance contract for re-tendering with a start date of March 2014.

2.4 Dover Museum and Visitor Information Arrangements – Substantial Assurance:

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's Museum and Visitor Information Arrangements are operated in an efficient and effective manner which safeguards Council assets (exhibits, income, stock, reputation etc.) and minimises risk.

2.4.2 Summary of Findings

The Dover Museum and Visitor Information processes are working extremely well. A sound system of control is currently being managed and achieved over both the Dover Museum and visitor information arrangements. Working practices and established procedures adequately safeguard the Council assets of exhibits, income, and stock and effectively manage the associated risks identified within this report.

The tourism and Dover Museum websites are very informative, have excellent links within the sites and are logical and easy to navigate around. The website information is of a high quality and portrays a very professional image of the Council, Dover Museum and visitor services.

2.5 EK Services – ICT Network Security – Substantial Assurance:

2.5.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient, secure and economical ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being the network security being provided on behalf of the partners.

2.5.2 Summary of Findings

The function of network security for Canterbury City Council, Dover District Council and Thanet District Council has been delegated to EK Services as part of the ICT function.

The Network & Security Team is a small team of three officers who are responsible for managing the authorities' networks. The team are proficient in ensuring that the controls are in place to ensure that the networks are secure.

Although the individual authorities have their own policies and guidance on information security and ICT access, these are not up to date and ideally one comprehensive policy on ICT usage should be developed for all partners to follow.

2.6 Members' Code of Conduct & Standards Arrangements – Substantial Assurance:

2.6.1 Audit Scope

To provide assurance that the key controls and operating procedures surrounding the Member Code of Conduct, Protocol for Officer/Member relations and Standards arrangements are found to be operative throughout the year.

2.6.2 Summary of Findings

The audit focused on the controls in place that ensure Councillors are provided with sufficient guidance, protocols, training and procedures to ensure probity whilst undertaking their elected responsibilities.

Code of Conduct:

The Council is effective in its ability to raise awareness of the Code of Conduct and the ability to promote it online and through other avenues such as the Constitution and the Councillor Induction Process.

During examination of the Code of Conduct it was found that there is currently no guidance relating to the use and risks associated with social media. Whilst only two members currently actively participate in the use of social media as a communication tool, it is generally accepted that use of social media will continue to increase. Some guidance has therefore been developed by the Auditor and passed to the Monitoring Officer in order to help the Council develop its own guidance which should help raise awareness of the risks associated with misconceived and misunderstood messages published on social media websites.

Disclosure of Interests:

Individual Registers of Pecuniary Interests are now a requirement by law under the Localism Act 2011. Records for each Councillor were very well documented and the processes in place for assisting and monitoring were adequate and effective. The Council also gives Councillors every opportunity to disclose interests at each Council Committee meeting and these interests are well documented within the minutes of meetings.

Standards Arrangements:

The Standards arrangements have recently changed due to the introduction of the Localism Act 2011. The Monitoring Officer, in consultation with an Independent Person, now initially assesses all complaints received. The established processes and decisions made were all well documented. The complaint handling process was well controlled bearing in mind one officer from one service area controls the acknowledgement of complaints and then a second officer from another service area assists with the second stage of the complaint assessment process.

2.7 EK Services Housing Benefit Quarterly Testing (Quarter 1 of 2013-14):

- 2.7.1 Over the course of the 2013/14 financial year the East Kent Audit Partnership will be completing a sample check of council tax, rent allowance, rent rebate and Local Housing Allowance benefit claims to support the External Auditor's verification work.

For the first quarter of 2013/14 financial year (April to June 2013) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and of these two were found to have failed the criteria set by the former Audit Commission's verification guidelines; additionally another claim failed on data quality however this does not affect either the amount payable to the claimant nor the Council's subsidy claim

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, eight follow up reviews have 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	Original Number of Recs		No of Recs Outstanding	
a)	'Your Leisure' Arrangements	Reasonable /Substantial	Reasonable /Substantial	H M L	0 2 0	H M L	0 1 0
b)	East Kent Housing – Tenancy & Estate Management	Reasonable	Reasonable	H M L	1 7 9	H M L	0 1 1
c)	Bank Reconciliation	Substantial	Substantial	H M L	0 0 1	H M L	0 0 0
d)	Environmental Protection Service Requests	Substantial	Substantial	H M L	0 0 1	H M L	0 0 0
e)	Housing Allocations	Reasonable	Substantial	H M L	1 3 0	H M L	0 1 0
f)	Commercial Properties and Concessions	Reasonable	Reasonable	H M L	1 8 1	H M L	0 4 0
g)	EK Services – ICT Physical & Environmental	Reasonable	Reasonable	H M L	4 6 3	H M L	3 2 0
h)	EK Services – ICT Procurement & Disposal	Reasonable	Reasonable	H M L	1 4 1	H M L	0 1 0

3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

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: Housing Repairs and Maintenance, Insurance and Inventories of Portable Assets. Right to Buy, Environmental Protection, and Planning.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2013-14 Audit plan was agreed by Members at the meeting of this Committee on 14th March 2013.
- 5.2 The Head of the Audit Partnership meets on a regular 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 to 30th June 2013, 51.18 chargeable days were delivered against the planned target of 270, which equates to 18.96% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present 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 Quarter 1 of 2013-14 is attached as Annex 4.
- 7.4 The EKAP 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 Annex 4.

Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 30th June 2013 against the agreed 2013/14 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 30th June 2013.
- Annex 5 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING OR IN PROGRESS AFTER FOLLOW-UP - ANNEX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
EK Services – ICT Physical & Environmental		
The three partner authorities should work with EK Services to agree an up to date single solution IT Security Policy.	EK Services: ICT are working on developing a single IT security policy. It is at investigation stage and should be completed by March 2013 Responsibility/Completion date. March 2013, Network & Security Manager	Follow Up Findings as at 1st July 2013 EKS ICT – the operational work, including compliance related issues, have delayed this. The revised date is the end of 2013, with the Removable Media element due July 2013, for which a TDC NetConsent policy has already been issued. In addition Dover DC has set up a 'Personal Data and Information Security Project'.
EK Services IT should ensure that Netconsent is set up so that staff are annually required to read and accept the IT Security Policy.	EK Services: This will be an established process documented within the single policy Responsibility/Completion date. March 2013, Network & Security Manager	Follow Up Findings as at 1st July 2013 Netconsent is now operational across all partner domains and policies can have their own 'renewal frequency' set. The Internet Security Policy will slot into this when ready.
Each partner authority should ensure that all security ID cards are issued to a specific named person and their photo put on the pass to ensure that all people with a current pass can be identified; with the exception of 'day' visitors.	Dover – ID cards will be issued to a specific person to include a photo if on the premises for longer than a week. Thanet - a request will be made for each department, partner group to provide a budget against which visitors who attend for more than a week can be given a photo on their ID security card. Canterbury - Our policy on the issue of ID	Follow Up Findings as at 1st July 2013 <u>Dover</u> – this task is part of the work of the "Personal Data and Information Security Project" and is being completed. <u>Thanet</u> - restricted cards are issued to visitors i.e. do not allow access weekends etc. and can be day limited where required. If there are any major works cards are issued and the team leader (clerk of works) is instructed to retrieve

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTADING OR IN PROGRESS AFTER FOLLOW-UP - ANNEX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	<p>cards is that all permanent staff have a photo card, temp staff who are here for less than a year have a "Temp" Card and contractors have a day card issued by Reception – neither of these have photos. The cards that do not have a photo can be tracked by the serial number on the back and we record in a book who they have been issued to. These cards are also set to deactivate on an agreed date. We do not wish to issue photo cards for temps and contractors as there will be an additional cost because these cards are reusable. Cost per card is £10 including staff time, printing and materials. Furthermore, we also only have one member of staff available to produce ID cards which could be a problem if contractors turn up unannounced or unplanned for.</p> <p>Responsibility/Completion date. March 2013, Partner Authority Client Officers</p>	<p>them and is responsible for access.</p> <p><u>Canterbury</u> – in addition to the above action Canterbury will introduce photo ID for contractors and temporary staff by September 2013.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
CSO Compliance	June 2012	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of planned audit in 2013-14
VAT Compliance	March 2013	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress
Data Protection Compliance	March 2013	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress
EK Services – Software Licenses	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 2 2013-14
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 2 2013-14

PROGRESS AGAINST THE AGREED 2013-14 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	5	5	0	Quarter 3
Treasury Management	5	5	0	Quarter 3
Main Accounting System	5	5	0	Quarter 3
Budgetary Control	5	5	0	Quarter 3
Insurance and Inventories of Portable Assets	12	12	3.82	Work-in-Progress
RESIDUAL HOUSING SYSTEMS:				
Homelessness	10	10	0	Quarter 4
Right to Buy	5	5	0.17	Work-in-Progress
GOVERNANCE RELATED:				
FOI and Information Management	10	10	0	Quarter 3
Members Code of Conduct & Standards Arrangements	10	10	1.56	Work-in-Progress
Local Code of Corporate Governance	6	6	0	Quarter 4
Performance Management	10	10	0	Quarter 4
Business Continuity and Emergency Planning	10	10	5.51	Finalised - Substantial
Corporate Advice/CMT	2	2	1	Work-in-Progress throughout 2013-14
s.151 Meetings and support	9	9	2.58	Work-in-Progress throughout 2013-14
Governance Committee Meetings and Reports	12	12	3.3	Work-in-Progress throughout 2013-14
2014-15 Audit Plan Preparation and Meetings	9	9	0	Quarter 4
CONTRACT RELATED:				
CSO Compliance	10	10	0	Quarter 4
Service Contract Monitoring	10	10	0	Work-in-Progress
SERVICE LEVEL:				
Cemeteries	10	10	0	Quarter 3

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
Coast Protection	6	6	0	Quarter 4
CCTV	10	10	0.96	Finalised - Substantial
Environmental Health – Food Safety	10	10	0	Quarter 4
Environmental Health – Contaminated Land and Air Quality	10	10	0	Quarter 3
Disabled Facilities Grants	10	10	9.02	Finalised - Substantial
DES Project Work	12	12	0	Work-in-Progress
Health & Wellbeing	12	12	0	Quarter 4
Planning	10	10	0.24	Work-in-Progress
OTHER				
Liaison with External Auditors	3	3	0.14	Work-in-Progress throughout 2013-14
Follow-up Work	17	17	17	Work-in-Progress throughout 2013-14
UNPLANNED WORK				
None in Quarter 1				
FINALISATION OF 2011-12 AUDITS				
Dover Museum and VIC	5	5	2.26	Finalised - Substantial
Recruitment & Induction			1.75	Finalised - Reasonable
Licensing			2.77	Finalised - Reasonable
Officers' Code of Conduct & Whistle Blowing Arrangements			1.22	Finalised - Reasonable
Environmental Protection Service Requests			0.3	Finalised - Substantial
Port Health			0.99	Finalised - Substantial
Days over delivered in 2011-12	0	0	8.86	Finalised
EK HUMAN RESOURCES				
Payroll, SMP and SSP	5	5	0	Quarter 3
Employee Benefits-in-Kind	5	5	0	Quarter 4
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	270	270	51.18	18.95 % complete as at 30th June 2013

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/follow-up	8	8	2.47	Work-in-Progress throughout 2013-14
Rent Accounting, Collection and Debt Management	12	0	0	Postpone until 2014-15
Leasehold Services	40	36	0	Quarter 3
Sheltered Housing	20	20	0.27	Quarter 4
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	9	25	19.04	Work-in-Progress
Days over delivered in 2012-13	0	0	6.65	Finalised
Responsive Work:				
None in Quarter 1				
Total	89	89	28.43	31.94% Complete as at 30-06-2013

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
Planned Work:				
Housing Benefits Overpayments	15	15	0	Quarter 4
Housing Benefits – Fraud Investigation Unit	15	15	0	Quarter 4
Council tax Reduction Scheme	0	15	0.10	Quarter 3
Housing Benefits – Quarterly Testing	40	40	4.93	Work-in-progress throughout 2013-14
Business Rates	30	30	0.57	Quarter 2
Debtors and Rechargeable Works	15	15	0	Quarter 4
ICT – Change Controls	15	15	0	Quarter 3

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-13	Status and Assurance Level
ICT – Procurement and Disposal	15	15	0.17	Quarter 2
ICT – PC Controls and Application Controls	15	15	0	Ongoing
Corporate/Committee	0	5	0.98	Ongoing
Follow-up	0	2	1.3	Ongoing
New Homes Bonus	0	0	0.34	Ongoing
Days under delivered in 2012-13	0	6	12.26	
Total	160	188	20.65	10.98% Complete as at 30-06-2013

BALANCED SCORECARD – QUARTER 1

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 1				
Chargeable as % of available days	82%	80%	Cost per Audit Day (Reported Annually)		£319.56
Chargeable days as % of planned days					
CCC	30.57%	25%			
DDC	18.95%	25%			
SDC	19.17%	25%			
TDC	20.45%	25%			
EKS	10.98%	25%			
EKH	31.94%	25%			
Overall	22.83%	25%			
Follow up/ Progress Reviews;					
• Issued	18	-			
• Not yet due	34	-			
• Now due for Follow Up	21	-			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 1			Quarter 1	
Number of Satisfaction Questionnaires Issued;	28		No. of FTEs = 8		
Number of completed questionnaires received back to date;	10 =36%		Percentage of staff qualified to relevant technician level	75%	75%
Of the Questionnaires Returned Percentage of Customers who felt that;			Percentage of staff holding a relevant higher level qualification	33%	32%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff studying for a relevant professional qualification	13%	13%
	100%	100%	Number of days technical training per FTE	0.52	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	33%	32%



ANNEX 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.

Grant certification work plan for Dover District Council

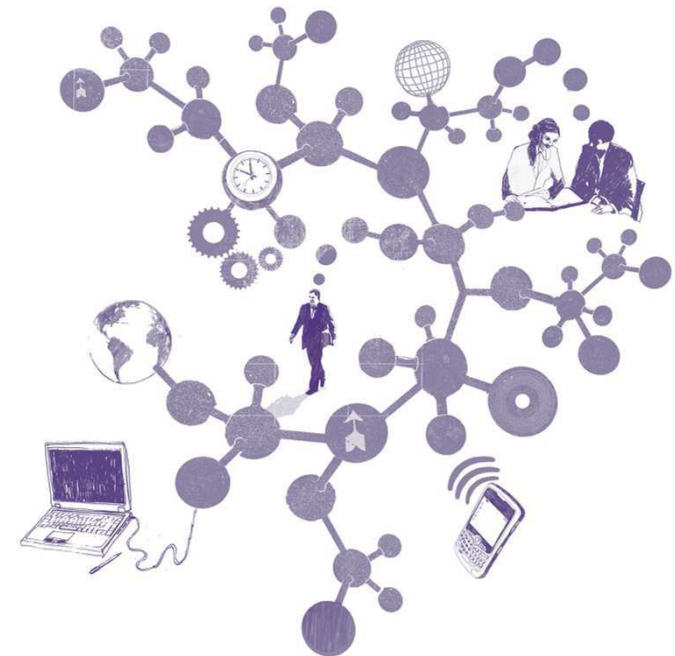
Year ended 31 March 2013

09 August 2013

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Contents

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1. Our approach to grant certification work	3
Appendix A Summary of expected claims and returns for the year ended 31 March 2013	7

Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2012-13 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

However, all tests within the certification instructions should be completed in every case every three years, to confirm the auditor's understanding of the control environment and that it is appropriate to place or continue to place reliance upon it.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Head of Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Director of Finance, Housing and Community or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The claims and returns in 2011-12 were:

- Housing and council tax benefit claim
- National non-domestic rates return
- Pooling of housing capital receipts
- Housing Revenue Account subsidy

Due to changes in government funding, the Housing Revenue Account subsidy scheme finished in 2011-12, which means that there will be no certification in relation to this.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative scale fee for grant claim certification based on 2010/11 actual certification fees for each Council. The indicative scale fee for the Council is £26,450. This fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission. Due to placing reliance on the National non-domestic rates and Pooling of housing capital receipts control environments in 2010/11 and 2011/12, we are required to complete detailed testing in 2012/13 to confirm our understanding of the control environment. As a result, we are expecting to seek a fee variation in relation to these claims. However, at this time it is not possible to provide an indicative figure for this since it will be dependent on the results of initial testing.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Emily Hill at the following address:

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

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- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2013 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2013

Claim (CI reference)	Authority deadline	Certification deadline	Claim certified in prior year	Prior year outcome
Housing and council tax benefits scheme (BEN01)	30/04/13	30/11/13	Yes	Qualified and amended
Pooling of housing capital receipts (CFB06)	12/07/13	27/09/13	Yes	No amendments required
National non-domestic rates return (LA01)	28/06/13	27/09/13	Yes	No amendments required

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Review of the Council's Arrangements for Securing Financial Resilience Dover District Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

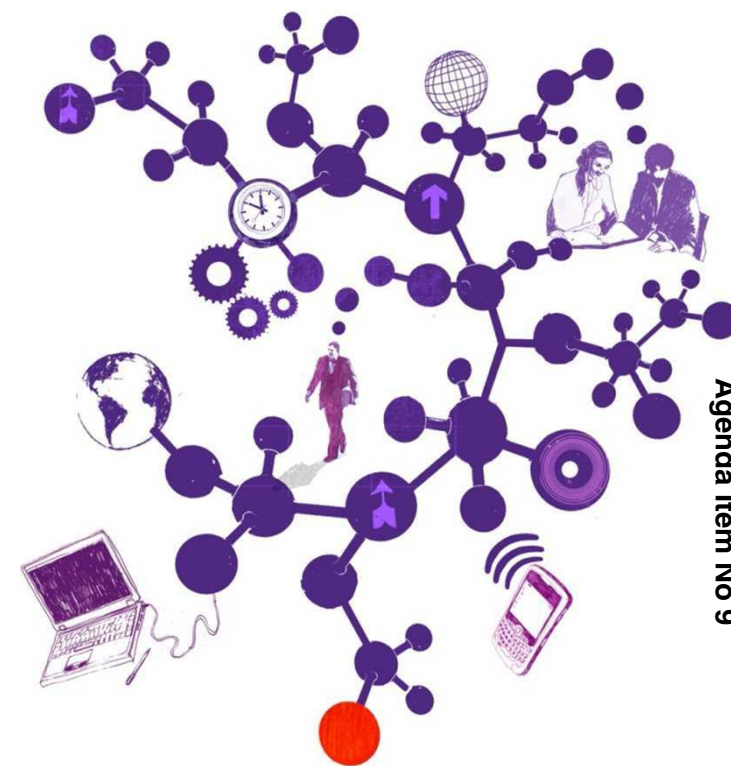
Year ended 31 March 2013

August 2013

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Agenda Item No 9

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

42 Financial Control

Appendix - Key indicators of financial performance

Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

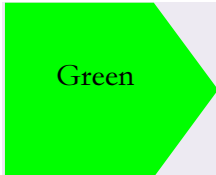
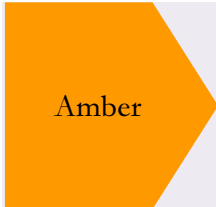
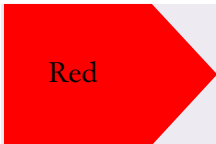
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces some significant risks and challenges during 2013/14 and beyond, its current arrangements for achieving financial resilience are adequate.

We have used a red/amber/green (RAG) rating with the following definitions.

 Green	Arrangements meet or exceed adequate standards. Adequate arrangements identified and key characteristics of good practice appear to be in place.
 Amber	Potential risks and/or weaknesses. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
 Red	High risk: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920^s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12.

This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14.

The next spending review period will be for a single financial year, 2015-16. Financial austerity is expected to continue until at least 2017.

Local Context



Support from central government grants (redistributed non-domestic rates and the revenue support grant) is the largest single income source for the Council. The grant for 2013-14 is being reduced by 7.2% from the 2012-13 level and the draft settlement for 2014/15 indicates a further reduction of 12.8%. However, the reform of housing finance in March 2012 has led to the prospect of increased funds being made available for the improvement and development of social housing provision.

The district of Dover is an area of relatively high unemployment. This, combined with the downturn in the economy has seen an increased demand for council services in recent years, against a back-drop of decreasing income.

In 2010-11, the forthcoming financial challenges were recognised by the Council. The Council reviewed service provision in all services and made strategic decisions on future service priorities. As a result, the Council has subsequently undergone a number of service restructures and entered into collaborative and shared service agreements with other East Kent authorities and other parties.



Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<p>Key Indicators of Performance</p> <p>45</p>	<ul style="list-style-type: none"> Indicators show that the Council's key financial performance indicators follow the same trends as its nearest statistical neighbours. These trends indicate increases in long term borrowing levels (as a result of new borrowing for housing refinancing), a levelling off of reserve balances and a small improvement in liquidity ratios over the last two years. As a result of close monitoring and control, the Council's 2012-13 net general fund revenue outturn was underspent by £2,000 and its capital programme was also within budget. The Council's reserves, as a proportion of its revenue expenditure, are relatively low compared to other authorities, but its useable reserves are in line with the recommended levels set by its S151 officer. However, the Council's Medium Term Financial Plan (MTFP) indicates potential significant deficits in 2014-15 and 2015-16. 	<p> Green</p>
<p>Strategic Financial Planning</p>	<ul style="list-style-type: none"> The Council's MTFP and budget for 2013/14 reflect its corporate priorities and strategic plans. The Council continues to consider alternative service delivery options, such as partnership working and outsourcing, with the aim of reducing costs while maintaining service standards. The Council's detailed annual planning for 2013/14 was completed in parallel with three year MTFP update. Following detailed review and challenge of service plans and budgets the final 2013/14 revenue budget was approved, resulting in a balanced budget after in-year savings of £508,000. The Council's approach to financial planning, has served it well in the past, but with further funding cuts on the horizon and limited available reserves balanced budgets will become increasingly difficult to achieve in the future. The Council will need to ensure that its MTFP continues to remain responsive to changes, given the scale of the savings still required, and the financial uncertainty that remains within the timeframe of the Plan. The Council knows it has lower levels of council tax compared to neighbouring authorities and it has compared its costs and structures with other authorities through its Delivering Effective Services reviews. However, the Audit Commission's VfM profiles indicate that the Council has higher than average costs in some service areas compared to other councils. The Council could use this comparative data to identify further savings opportunities. 	<p> Amber</p>

Executive Summary

Overview of Arrangements (cont)

Risk area	Summary observations	High level risk assessment
Financial Governance 46	<ul style="list-style-type: none">• The Council has a well established approach to financial governance that has delivered solid results in recent financial years.• Cabinet and the Corporate Management Team (CMT) are regularly briefed on financial matters. The quality of finance briefing papers is good, being timely, complete, and reliable.• The Council has good arrangements in place to monitor expenditure in all cost categories through its monthly budget monitoring process and formal quarterly reporting to Members.• There is an appropriate level of senior management and member level engagement in the financial management process. Cabinet is regularly briefed on the financial challenges facing the Council and how they are being managed.	 Green
Financial Control	<ul style="list-style-type: none">• The Council has well established budget setting processes which encourage ownership from budget holders and include review and challenge of growth and proposed savings plans.• The Council has a robust approach to financial and performance management, and has a good recent record in controlling service expenditure.• The Council's financial systems are fit for purpose and appropriate to its business needs. The key financial systems are used effectively to provide reliable financial monitoring information.• The Finance department is resourced with appropriately qualified and experienced staff.• The internal audit service complies with applicable professional standards and the Council has a track record of acting on internal and external audit recommendations..• A high level corporate risk register is maintained by the Council and updated regularly. Appropriate risk management information is provided to CMT and members for decision making purposes. The Governance Committee is regularly briefed on the risk management process, but the corporate risk register is not regularly reviewed at Governance Committee meetings.	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	<ul style="list-style-type: none"> Continue to consider and evaluate ways to reduce the current budget gaps for 2014/15 and beyond to avoid erosion of limited useable reserve balances. 	Director of Finance, Housing and Community	Ongoing	A SIMALTO budget consultation exercise is currently being undertaken to support the development of proposals to deliver the required savings for 2014/15 in sufficient time to complete the budget setting process. This work will also include options to progress towards delivering the savings forecast for future years.
Strategic Financial Planning	<ul style="list-style-type: none"> The Council will need to ensure that its MTFP continues to remain responsive to changes, given the scale of the savings still required, and the financial uncertainty that remains within the timeframe of the Plan. The Council should start to actively consider longer term plans and options. The Council could use available comparative data to identify further savings opportunities. 	Director of Finance, Housing and Community	Ongoing	<p>The Council regularly updates its MTFP through update reports to members and CMT and ongoing work with East Kent Services.</p> <p>Our MTFP is for three years and we model for five years for CMT reporting. We don't think we could accurately model much further ahead in the current climate.</p> <p>Comparative data, it is a tool that can be used, but based on our past experience we have not found the comparisons useful as all authorities calculate things differently.</p>
Financial Control	<ul style="list-style-type: none"> The Council's Governance Committee should regularly review the corporate risk register to confirm it is complete and that appropriate action is being taken to mitigate the key risks 	Head of Corporate Services	Dec 2013	We will consider the proposal and implement if considered appropriate

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Appendix - Key indicators of financial performance

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Useable Reserves: Gross Revenue Expenditure
- Reserves: net cost of services
- Long term borrowing to tax revenue
- Long term borrowing to long term assets


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We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Adur District Council
Allerdale Borough Council
Canterbury City Council
Dover District Council
Havant Borough Council
Lancaster City Council
North Devon District Council
Newark and Sherwood District Council
Rugby Borough Council
Scarborough Borough Council
Sedgemoore District Council
Shepway District Council
Swale Borough Council
Waveney District Council
Weymouth & Portland Borough Council
Wyre Forest District Council

Key Indicators

Overview of performance

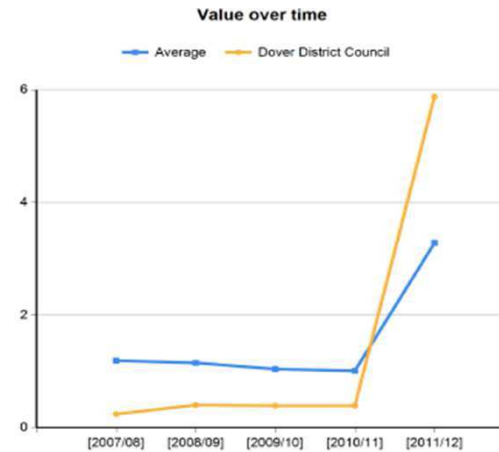
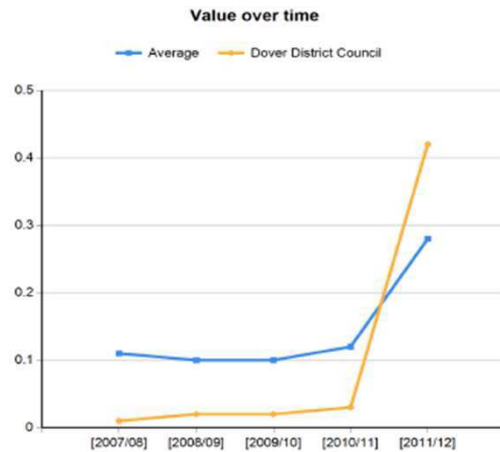
Area of focus	Summary observations	Assessment
Liquidity	<ul style="list-style-type: none"> The Council's working capital ratio (current assets to current liabilities) has remained relatively stable in recent years and compares well with its nearest statistical neighbours. The Council is one of a small number of councils which have increased their working capital ratio between 2010-11 and 2011-12. This level should be sufficient for the Council to meet its current liabilities without having to resort to use long term assets. The Council's Council Tax collection rate is in the lowest third of its comparator group at 97.3%, but it should be noted that all councils in the comparator group have relatively high collection rates, ranging from 99.1% to 96.2%. The Council's NNDR collection rate is average for its comparator group at 98%. 	 Green

Borrowing

The graphs below show long term borrowing as a share of long term assets and long term borrowing as a share of tax revenue respectively. The Council had consistently lower borrowing ratios than the average for its comparator group until March 2012, when the Council had to take out additional borrowing to fund its HRA refinancing. The impact of this on the Council was greater than average for its comparator group (see pages 34 and 32).

Long term borrowing: Long term assets ratio

Long term borrowing: Tax revenue ratio






Green

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Key Indicators

Overview of performance (cont)

Area of focus	Summary observations	Assessment
Performance Against Budgets: revenue & capital	<ul style="list-style-type: none"> The Council has a good record of achieving its planned budgets over recent years. In 2012-13 it continued to manage expenditure well and achieved a £2,000 underspend for the year. The Council delivered a significant surplus on its housing revenue account (HRA) in 2012/13, which enabled it to transfer an additional £2.5m to its Housing Initiative reserve, for use in future housing projects. This surplus was predominantly due to the impact of recent housing reforms on the HRA and are ring-fenced for HRA purposes. The Council spent £5m on its capital programme in 2012-13, which was broadly in line with its budget. 	 Green
Reserve Balances	<ul style="list-style-type: none"> The Council's reserves, as a proportion of its revenue expenditure, are relatively low compared to other authorities, but the Council has increased this ratio slightly over the last few years. The Council's general fund balance has remained relatively stable over the period. The Section 151 officer has set recommended general fund reserve levels for the Council of £2m. The Council's MTFP specifies a minimum level for the general fund balance of 10 per cent of the net budget requirement, or £1.5m. Its general fund reserve balance at 31 March 2012, of £2.3m, was above this minimum and this level has been maintained in 2012-13. Most of the Council's useable reserves are earmarked for future expenditure, with £612,000 set aside to fund local government reforms and £565,000 for local projects. Earmarked reserve levels increased by £500,000 in 2012-13. Useable capital receipt balances were relatively low. at 31 March 2012 (£1.4m), but balances were increased significantly to £2.8m in 2012/13 following asset sales. The Council's 2013-14 budget projects a small surplus for the year. Its MTFP indicates potential deficits of £800k in 2014-15, increasing further to £1.4m the following year. The Council will need to take action to address these budget gaps to avoid significant erosion of useable reserve balances. 	 Amber

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Appendix - Key indicators of financial performance

Strategic Financial Planning



Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.




Strategic Financial Planning

Medium Term Financial Strategy (MTFS)

Area of focus	Summary observations	Assessment
<p>54</p> <p>Focus of the MTFP</p>	<ul style="list-style-type: none"> The Council's Medium Term Financial Plan (MTFP) and budget for 2013/14 reflect its corporate priorities and strategic plans, such as ICT investment and further restructuring of services. The Council has an Employment Stability process to manage staff changes. The Council continues to consider alternative service delivery options, such as partnership working and outsourcing, with the aim of reducing costs while maintaining service standards. The main challenges facing the Council in setting its MTFP are linked to continuing uncertainties over future government funding, restrictions in Council Tax increases, the financial impact of implementing the new Council Tax Reduction scheme (replacing Council Tax Benefit) and changes to the way business rates income is redistributed. Consultation with residents was undertaken as part of the budget setting process for 2013/14, although there were a low number of responses. Plans were therefore drawn up by the Council to undertake a comprehensive resident consultation process for 2013/14 to obtain more up to date information on preferred service priorities. The Council plans to incorporate this in its next MTFP update. 	 Green
<p>Scope of the MTFP and links to annual planning</p>	<ul style="list-style-type: none"> The Council's detailed annual planning for 2013/14 was completed in parallel with its work to update its three year MTFP. The Council finalised its updated three-year MTFP for the period to 2015/16 in February 2013. Following detailed review and challenge of service plans and service budgets for the year, the final 2013/14 revenue budget was also approved by members in February 2013. This detailed review closed the funding gap for the year, resulting in a balanced budget after in-year savings of £508,000. Savings proposals from Heads of Service were subject to challenge by the Finance team and CMT before consideration by members. The Council's Delivering Effective Services team supports all service reviews to help identify savings over and above those identified by managers. During the review process the Council identify savings for future years, as well as in year savings, to help balance current and future budgets. The Council's MTFP covers a three year period only, although its MTFP financial models cover a five year period so that the Corporate Management Team (CMT) get a longer term view. There is no longer term financial planning or modelling due to the uncertainties about future funding levels and the full financial impact of LG reform. The Council's current approach to financial planning, with use of contingencies and reserves and annual savings targets has served the Council well in the past, but with further funding cuts on the horizon and limited available reserves balanced budgets will become increasingly difficult to achieve in the future. The Council should therefore start to actively consider longer term plans and options. 	 Amber

Strategic Financial Planning

Medium Term Financial Strategy (cont)

Area of focus	Summary observations	Assessment
Adequacy of planning assumptions	<ul style="list-style-type: none"> The Council uses cautious but realistic estimates in setting its budgets. Advice is sought from appropriate external sources when required e.g. long term inflation and interest rates. Assumptions included in the MTFP on central government income are based on the 2013/14 financial settlement, which also includes figures for 2014/15. Further year-on-year reductions have also been assumed for the longer term, but these, of necessity, have a lower level of certainty. 	 Green
Review processes	<ul style="list-style-type: none"> During the financial planning cycle, budget forecasts and savings options were developed by each service for review and challenge by CMT. In 2012/13 all services were required to present a number of options for consideration, ranging from continuation of present service levels to reduction of services to the statutory minimum. The options were considered by CMT to identify those which best met strategic priorities. The decisions taken were then assessed by the Scrutiny Committee before being approved by Cabinet. The Council knows it has lower levels of council tax compared to neighbouring authorities and has carried out limited review of its unit costs. The Council's Delivering Effective Services reviews include comparisons of current structures and costs with other authorities, e.g. the planning review had comparative cost and performance data and included visits to and comparison with Ashford and Dartford. The Audit Commission's VfM profiles indicate that the Council has higher than average costs in some service areas compared to other councils, e.g. benefit services. Whilst there may be inherent limitations in the this data, the Council should start to actively consider all available comparative data to identify possible savings opportunities 	 Amber
Responsiveness of the Plan	<ul style="list-style-type: none"> The Council refreshed its MTFP during its annual financial planning cycle in February 2013. Future years will also be reviewed annually, and this process has already commenced for 2014/15. The Council constantly updates its forecasts and regularly updates its MTFP through update reports to members and CMT and ongoing work with East Kent Services. The Council will need to ensure that its MTFP continues to remain responsive, to changes. In the short term this should include regularly revisiting the financial assumptions made in relation to the retention of business rates, changes to universal benefits, and the impact of the Council's Council Tax reduction scheme. 	 Green

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Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
 - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
 - Actions have been taken to address key risk areas.
 - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement




- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).


Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	<ul style="list-style-type: none">• Cabinet and CMT are regularly briefed on financial matters, such as the budget setting requirements and the Council's financial strategy. They consider key finance decisions, such as Council Tax levels and the implications of the Localism Act and other local government reform on future income and expenditure levels.• The quality of finance briefing papers is good, being timely, complete, and reliable.• Council standing orders cover financial management responsibilities. They are regularly reviewed and updated.• Members and officers are adequately financially aware and understand the main risks which face the Council.	 Green
Executive and Member Engagement	<ul style="list-style-type: none">• There is an appropriate level of senior management and member level engagement in the financial management process. Cabinet is regularly briefed on the financial challenges facing the Council and how they are being managed.	 Green
Overview of controls over key cost categories	<ul style="list-style-type: none">• The Council has good arrangements in place to monitor expenditure in all cost categories through its monthly budget monitoring process and formal quarterly reporting to Members.• The Council updates its budget monitoring system overnight with the previous day's transactions, providing cost centre managers with 'real time' information on expenditure and income.	 Green

Financial Governance

Monitoring and review

Area of focus	Summary observations	Assessment
59 Budget reporting: revenue and capital	<ul style="list-style-type: none">• A quarterly budget report is presented to Cabinet for all revenue and capital budgets. These reports include the original budgets for the period, any approved budget variations and the forecast full year position. Where there are significant variations between budgeted and actual outturn explanations are sought from the relevant service or cost centre manager, and explained in the report.• Monthly monitoring takes place within service lines and Heads of Service discuss the monthly reports with their Cabinet leads as appropriate.• Budget monitoring reports are at a level of detail that enables CMT, Cabinet and Committees to make effective decisions.• The Council focuses on achieving budgeted income, as well as controlling expenditure in line with approved budgets. Where there are cost overruns, additional cost savings are identified and implemented to ensure overall delivery of the budget. The Council has a good track record of delivering its services within budget over recent years.	 Green

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Appendix - Key indicators of financial performance

Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	<ul style="list-style-type: none">• The Council has well established budget setting processes which encourage ownership from budget holders and include review and challenge of growth and proposed savings plans.• The Council uses an incremental budgeting approach, which focuses on historic baselines with adjustments for contract inflation, growth and savings pressures.• The Council has a good track record of managing budgets on a service by service basis.• The Council's budget monitoring process clearly recognises the accountability individual Heads of Service have for the financial management of their departments.• Each cost centre manager has been allocated a named finance team member as their key contact for all financial queries and to assist with budget monitoring.• Cash flow is also actively monitored and forecast by the Council, with excess cash balances being invested in accordance with the Council's approved investment management policy.	 Green
Performance against Savings Plans	<ul style="list-style-type: none">• The Council's annual budget setting process includes the identification and approval of savings plans for each service area.• Progress in delivering savings is monitored regularly as an integral part of the budget monitoring process.• The Council has a good track record of delivering savings plans whilst maintaining service standards.	 Green
Key Financial Accounting Systems	<ul style="list-style-type: none">• The Council's financial systems are fit for purpose and appropriate to its business needs.• Internal audit reviews of the key financial systems have not identified any significant weaknesses in key system controls over the last couple of years..	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<ul style="list-style-type: none"> The Finance department is resourced with appropriately qualified and experienced staff. There was a restructure of the Finance team in 2012 which aligned all finance functions under two managers, both reporting to the Head of Finance. Staff turnover is low. The Finance department operated with one FTE vacancy for most of 2012-13, but has recently recruited a new member of staff. 	 Green
Internal audit arrangements	<ul style="list-style-type: none"> Internal audit is provided by the East Kent Audit Partnership. We reviewed the service against the CIPFA Code of Practice for internal audit in February 2013 and concluded that the service complies with the applicable professional standards. The internal audit plan is approved by the Governance Committee annually and includes coverage of operations provided by shared service arrangements, such as the East Kent Services and East Kent Housing. The Council has a good record of acting on Internal Audit recommendations. Any agreed recommendations not completed in line with the agreed timescales, are reported to the Governance Committee in the regular internal audit update reports.. 	 Green
External audit arrangements	<ul style="list-style-type: none"> The conclusions from the most recent Annual Governance Report (for 2011-12) were as follows: <ul style="list-style-type: none"> The financial statements submitted for audit were complete and well prepared. The Council has an effective financial planning framework and sound arrangements for financial governance and financial control.. The Council takes a strategic approach to the prioritisation of resources and achievement of cost reductions through improved efficiency and productivity The Council has taken actions to address issues raised in previous years and has made good progress in implementing recommendations in relation to the audit findings. 	 Green
Assurance framework/risk management	<ul style="list-style-type: none"> A high level corporate risk register is maintained by the Council and updated regularly. Managers are also responsible for maintaining their own service level risk registers. The MTFP, which is approved by Council, includes a detailed list of the financial risks.. Appropriate risk management information is provided to CMT and members for decision making purposes. The risk register is taken to CMT approximately three times per year. All members are aware that the risk register is available on the Intranet should they wish to review it. The Governance Committee is regularly briefed on the risk management process, but the corporate risk register is not regularly reviewed at Governance Committee meetings. 	 Amber

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Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

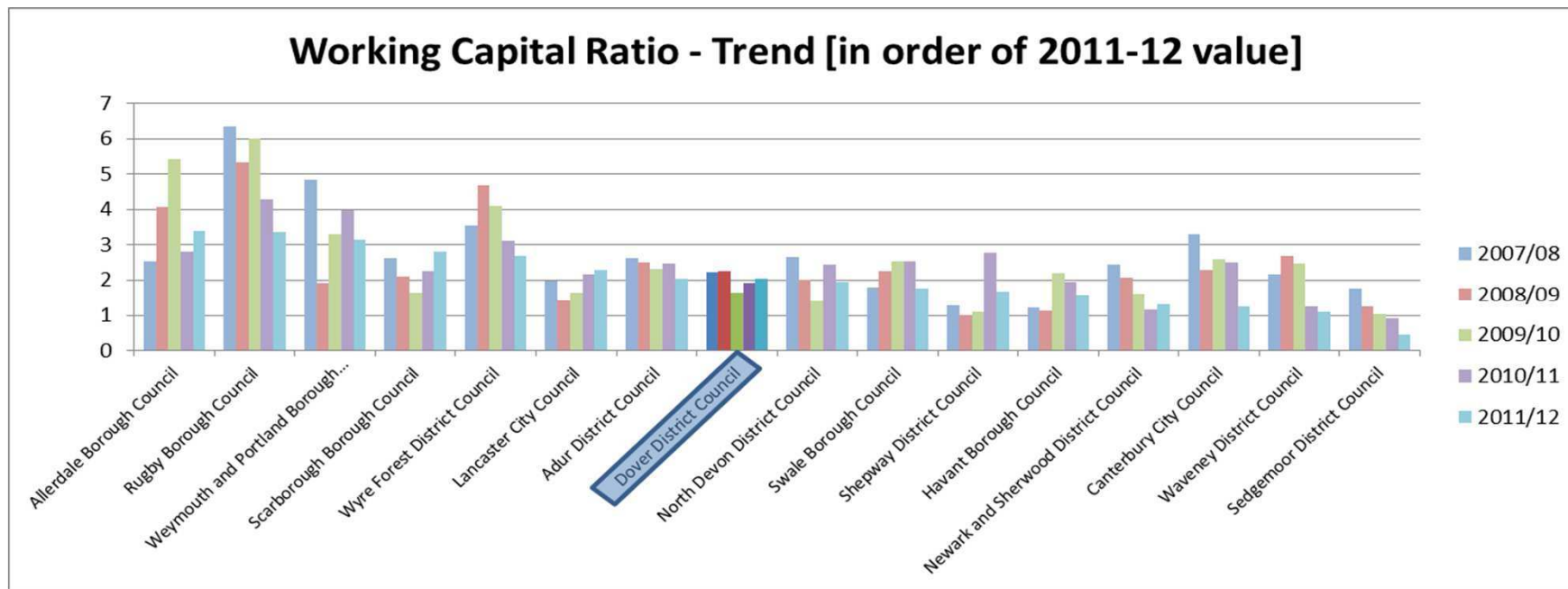
Working Capital - Benchmarked

Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings

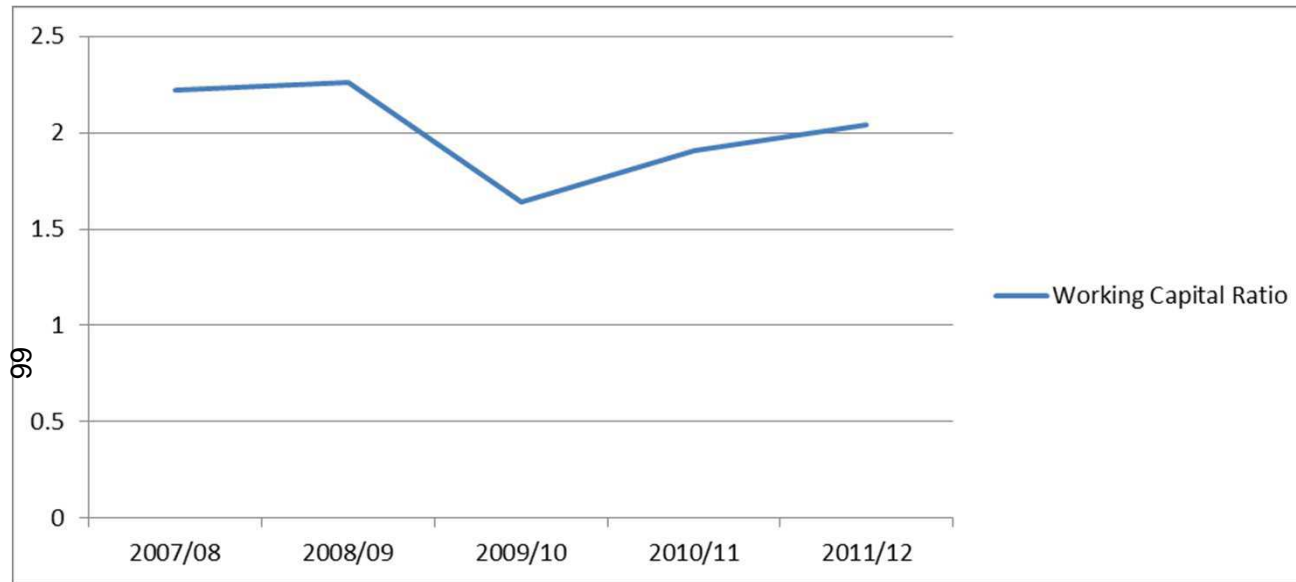
Half of the group of statistical near neighbours, including Dover, have working capital ratios above the 2:1 benchmark and half of the group have ratios that are below the benchmark. Dover is one of only five councils in this group that has managed to increase their working capital from its 2010-11 level. Dover's working capital ratio has remained relatively stable. Its ratios have the second lowest standard deviation in this group for the period shown.



Source: Audit Commission Financial Ratios Profile

Key Indicators of Financial Performance

Working Capital - Trend



As noted on the previous page, Dover's working capital ratio has been relatively stable over the period shown in the graph.

The 2009-10 financial year shows a fall in working capital of 27%. This is because the Council had to take out a £10m loan, repayable after 28 days, to help it meet its financial obligations in March and April 2010.

The Council has subsequently reduced its short term liabilities and its working capital ratio has therefore increased.

Source: Audit Commission Financial Ratios Profile

Key Indicators of Financial Performance

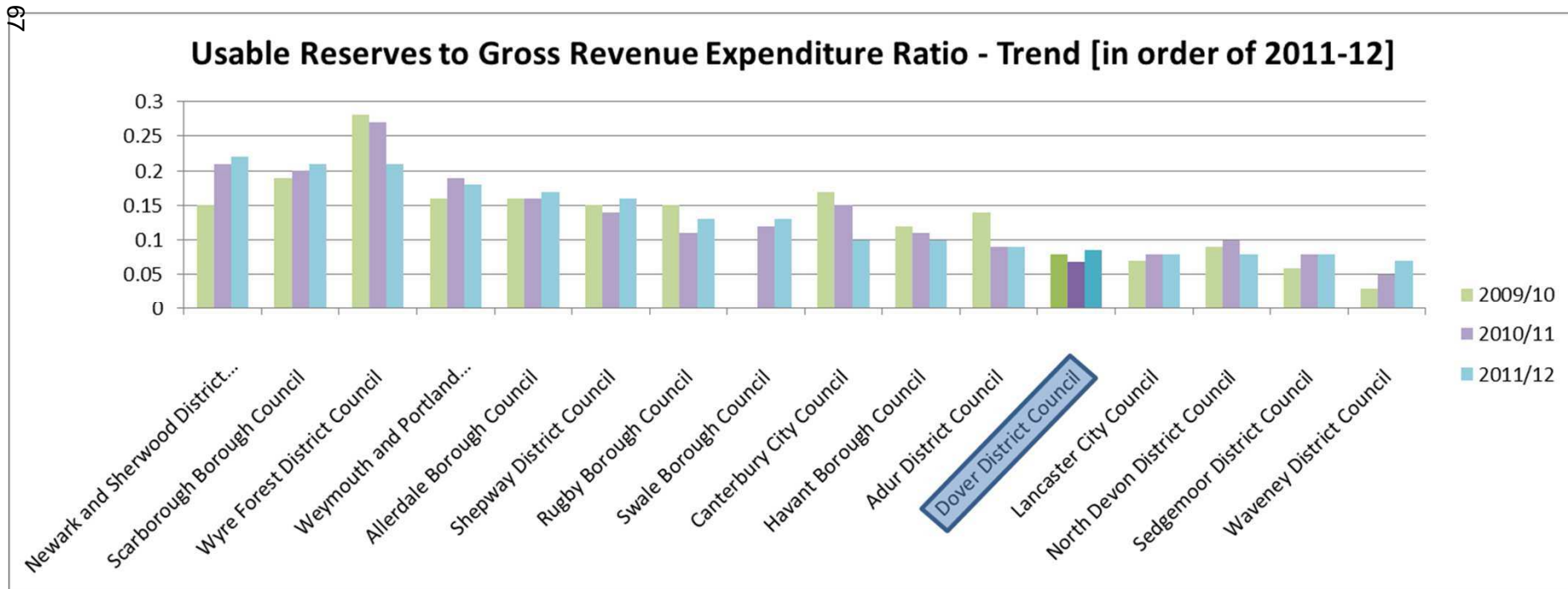
Usable Reserves - Benchmarked

Definition

This graph shows usable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves match the level of expenditure. In recent years some large exceptional items have been charged to the income and expenditure account, for example the change in calculation of pension liabilities and HRA settlement payments. To allow an effective comparison to be made of year-on-year data these items have been excluded.

Findings

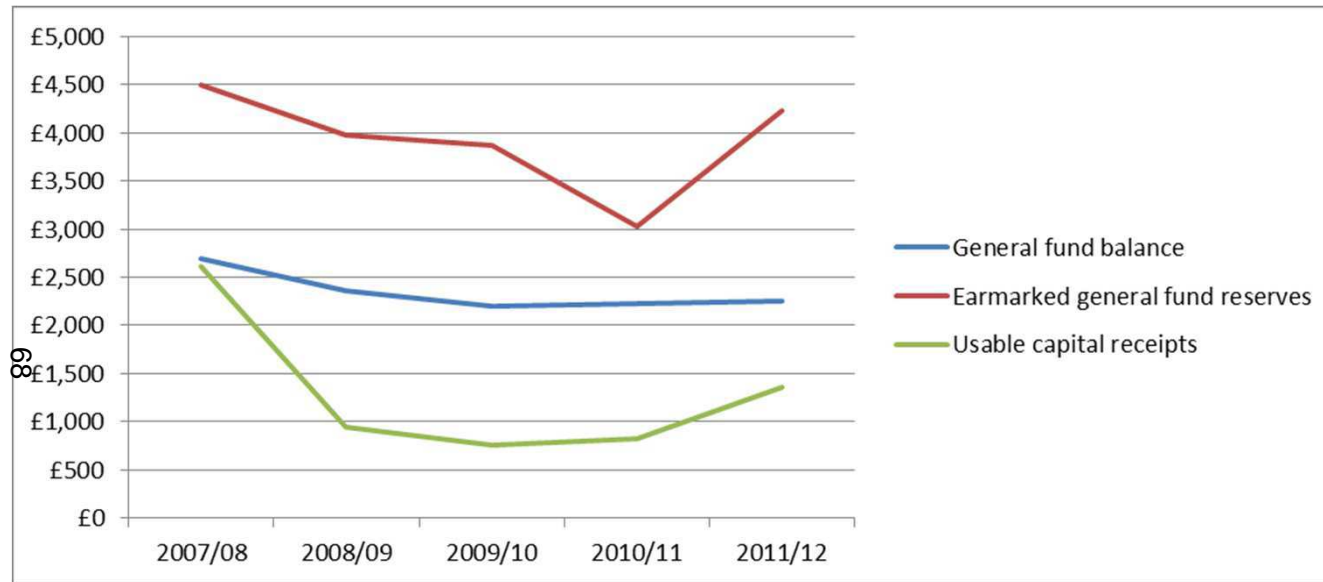
The graph indicates that the Council's reserves, as a proportion of its revenue expenditure, are relatively low. CIPFA's guidance on reserves is that the useable reserve level should follow the S151 officer's advice to the Council, which should be based on local circumstances. The Council's MTFP specifies a minimum level for the general fund balance of 10% of the net budget requirement or £1.5m. The reserve level at 31 March 2012, of £2.3m, was above this minimum and this level has been maintained in 2012-13.



Source: Audit Commission Financial Ratios Profile

Key Indicators of Financial Performance

Usable Reserves - Trend by Type



Source: Dover District Council Statements of Accounts 2007/08 to 2011/12

This graph shows that most of the Council's useable reserves are earmarked for future expenditure. Although the Council's earmarked reserves had been falling over the period from 2007 to 2011 they were significantly increased in 2011-12. The accounts for this period show that this was mainly due to £565,000 being transferred to the 'special projects' reserve and £612,000 to the 'business rates and council tax' reserve. The latter has been set up to fund any additional costs associated with local government business rates and council tax reforms.

The level of the general fund balance has remained fairly stable over the five year period.

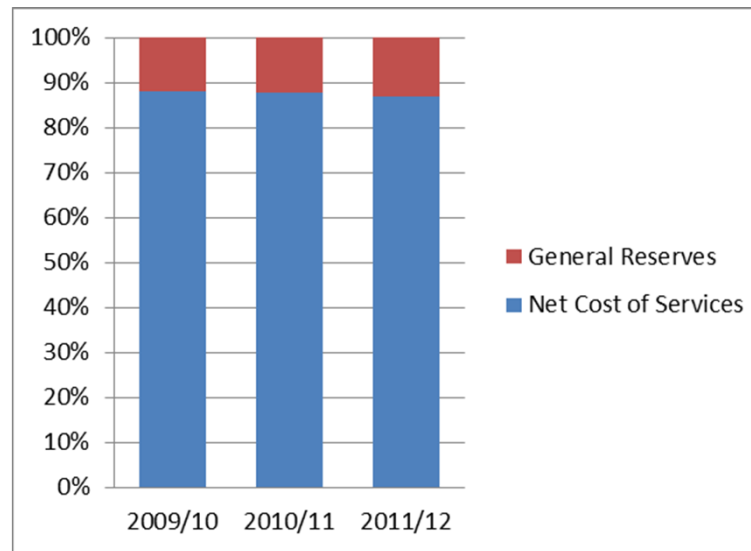
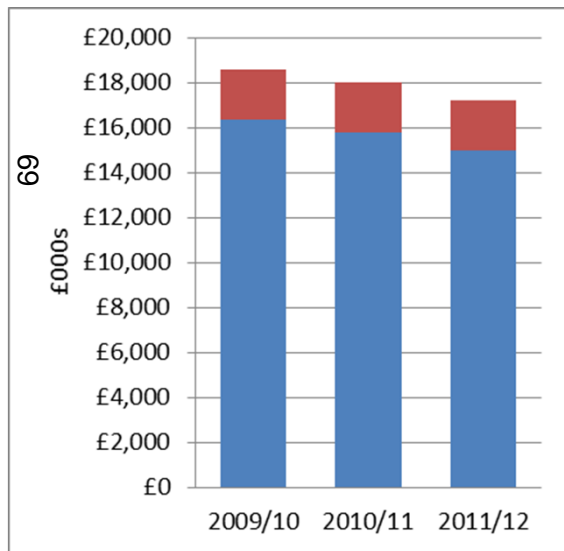
The Council's usable capital receipts are relatively low, which affects its ability to finance capital projects from its own resources. The Council's 2013-14 Medium Term Financial Plan indicates that it will have £0.5m available to fund new projects from 2014-15, but that £3.3m of future capital expenditure is required. The plan highlights £4.7m of potential capital receipts that it could use to fund the capital programme, but if these cannot be secured alternative sources of finance will be required.

Key Indicators of Financial Performance

Reserves

The graphs below show the Council's general reserve levels compared to its net cost of services. The first graph shows this in actual terms, the second in percentage terms.

The comparison excludes any exceptional items of income and expenditure to allow for a consistent comparison.

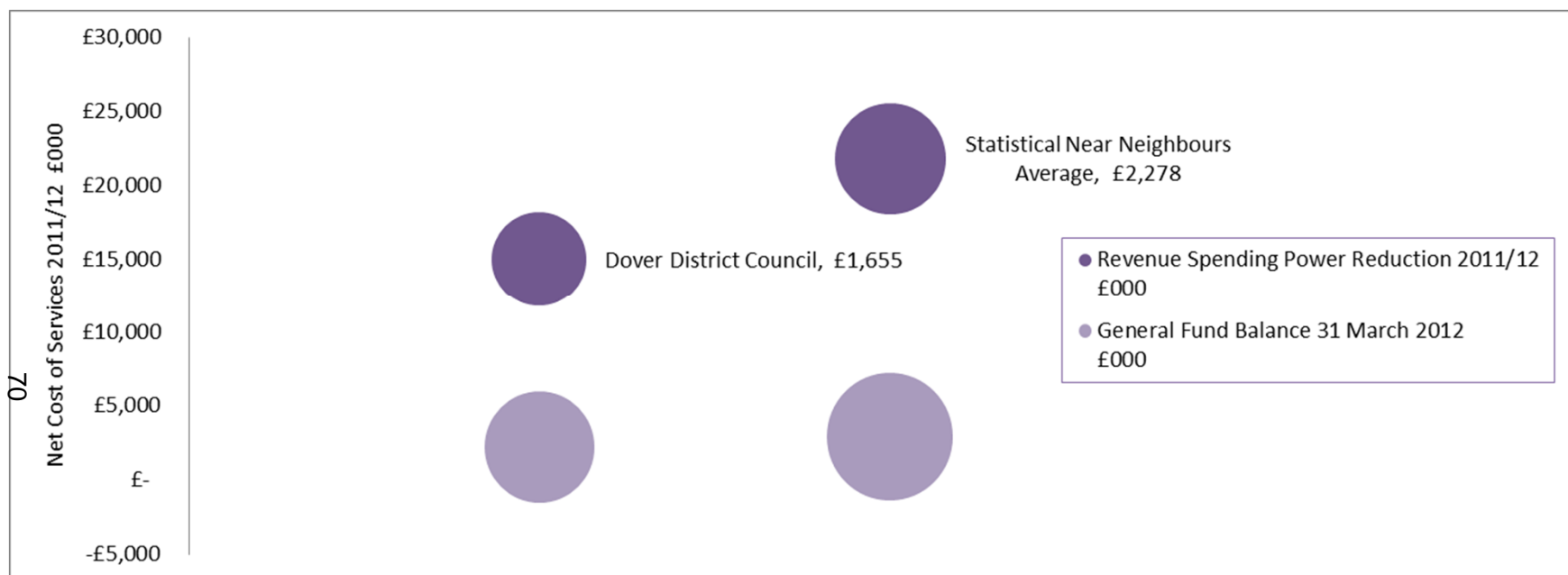


The first graph shows a slight decrease each year in the Council's net cost of services, once exceptional items have been taken into account. The reduction in 2011-12 was due to the impact of an impairment of the Council's housing stock. The income and expenditure account for this period shows reductions in net expenditure on all non-housing services apart from Central Services to the Public. Highways and Transport Services shows a particularly significant decrease in gross expenditure, which is largely due to the government's decision to transfer responsibility for concessionary travel to upper tier authorities (Kent County Council in this case).

The second graph shows that the Council has maintained its general fund balance at just over 10 per cent of its net cost of services for each of the periods.

Key Indicators of Financial Performance

Reserves: Spending Power Reduction 2011/12 vs. General Fund Reserves



Source: Audit Commission Financial Ratios Profile

This chart shows the reduction in revenue spending power by the size of the top circles. This represents the reduction from 2010-11 to 2011-12 in the Council's income from government grants, council tax, and national non-domestic rates. The chart shows that the Council's reduction was lower than its nearest statistical neighbours, but it should be recognised that its net cost of services are also lower. Expressed as a percentage of its net cost of services, the Council's reduction in spending power was 11.05 per cent, compared to an average of 10.45% for its nearest statistical neighbours.

The lower circles show the size of the general fund balance. (This is also shown by the circle's position on the y-axis.) For both the Council and its statistical neighbours, the general fund balances were greater than the reductions in their net cost of services at 31 March 2012.

Key Indicators of Financial Performance

Long Term Borrowing to Tax Revenue - Benchmarked

Definition

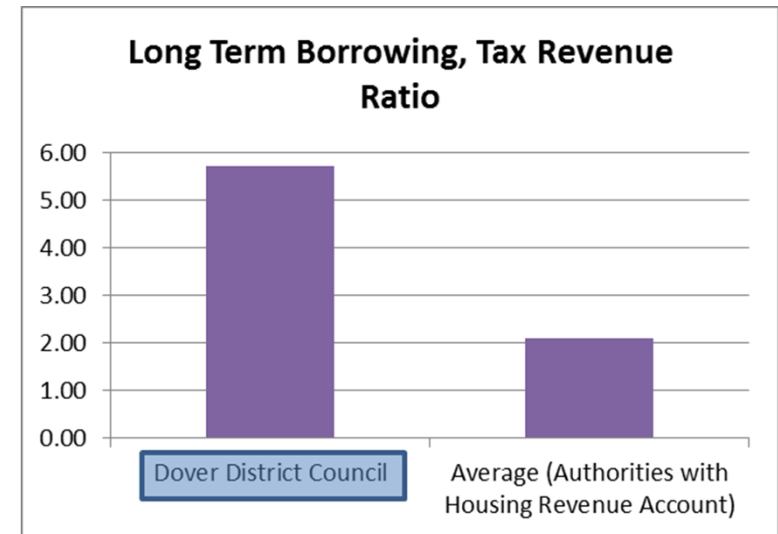
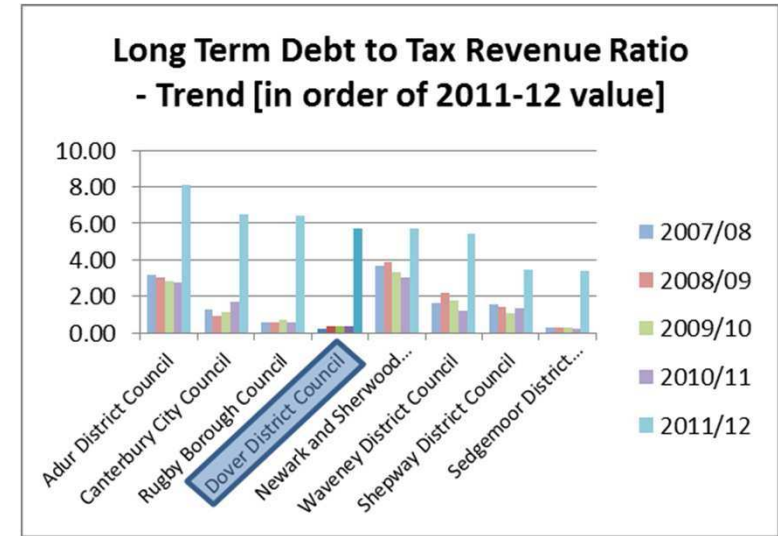
These graphs shows long tem borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

Findings

Only those authorities with a housing revenue account (HRA) are included in the graphs on this page. This is because the method of funding the HRA was changed by the government in 2011-12. Instead of paying over a proportion of their housing income as housing subsidy, local authorities now retain rental income. In return they had to make a lump sum payment to the government (based on the value of their housing stock) to re-finance their HRA in March 2012. This was a significant amount in many cases, which was funded through PWLB loans. This explains why the 2011-12 ratios are much higher than in previous years.

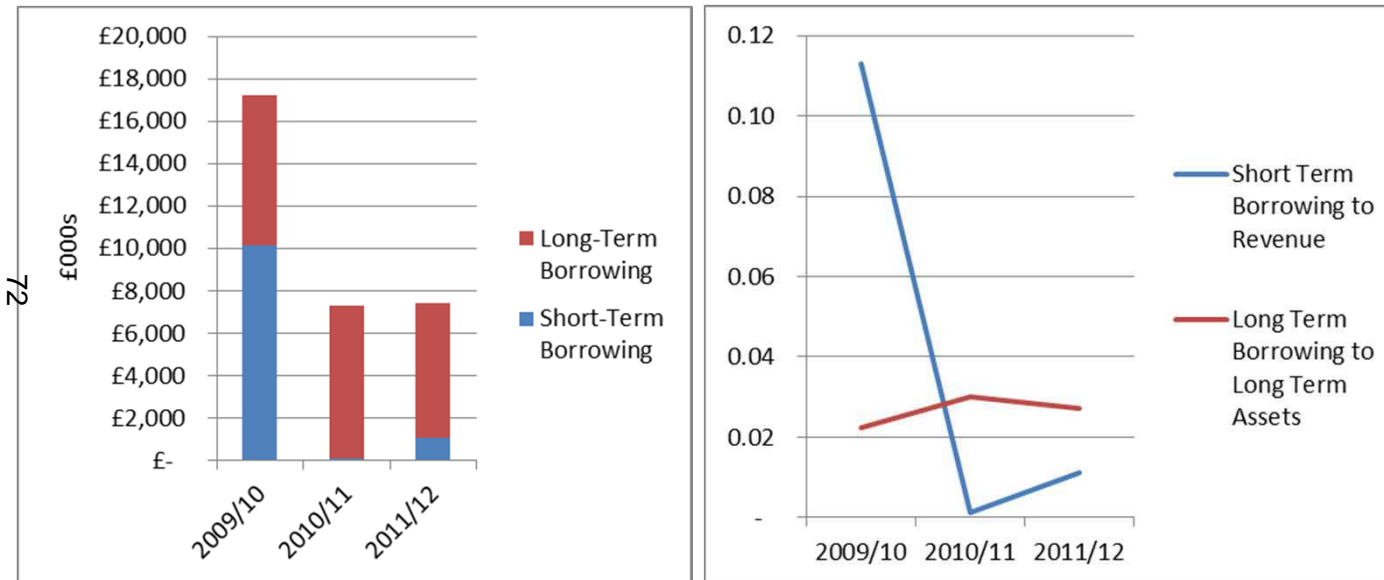
The first graph shows Dover's long term debt to tax revenue ratio compared with the ratios for the other seven authorities with a HRA in its comparator group. The second graph compares Dover's ratio with the average of all local authorities with a HRA. The value of the existing debt held by Dover was relatively small compared to the other authorities in its comparator group, but the amount of debt it had to take on due to HRA re-financing was the second highest at £90m. However, it is important to note that the debt repayments essentially replace the housing subsidy payments which the Council would previously have made to central government. The last subsidy payment the Council made to central government was £5.9m in 2011-12.

The Council had freedom to decide its HRA debt repayment terms, to ensure that its annual repayments were affordable. The Council took out a fixed interest rate loan over 30 years. The Council's HRA budget indicates that its 2012-13 debt principal and interest repayment is £4.702m. The Council has therefore effectively reduced its annual expenditure by £1.2m.



Key Indicators of Financial Performance

Borrowing



Source: Audit Commission Financial Ratios Profile

In these charts exceptional items, such as the borrowing taken out for the HRA, (see previous page) have been excluded from the data to allow for a consistent year-on-year comparison.

The second graph shows that the Council's long-term borrowing (excluding its £90m HRA financing) is 3% of the value of its assets.

The Council's short-term borrowing, of £1.078m, represents 1.12% of its revenue from all sources. A high percentage would indicate that the Council may have difficulty with liquidity when it needs to repay the borrowing. This is not the situation for Dover.

The first graph shows borrowing balances for both long and short term borrowing in actual terms, the second graph shows the respective ratios between long term borrowing and assets and short term borrowing and revenue.

Key Indicators of Financial Performance

Long-term borrowing to Long-term assets - Benchmarked

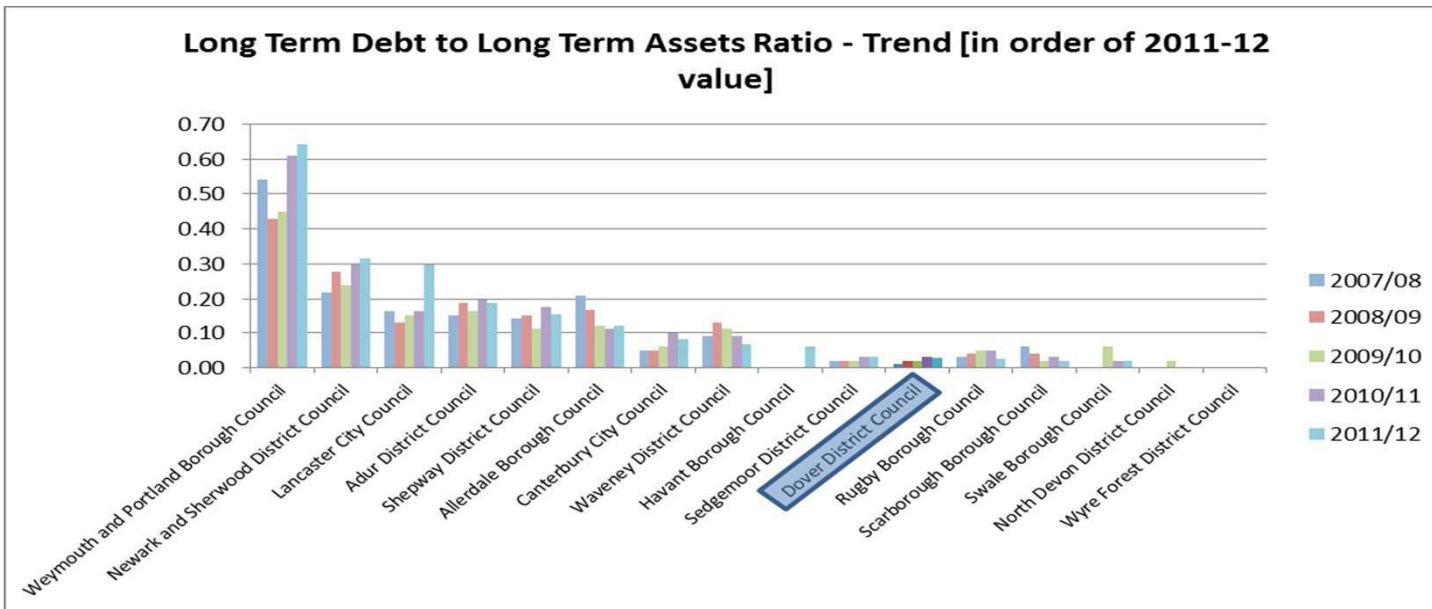
Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

Findings

In the group of Dover's statistical neighbours Adur, Newark and Sherwood, Rugby, Shepway, Waveney, Canterbury, Sedgemoor, and Dover itself have housing revenue accounts. In 2011-12 these councils took on a large amount of long-term debt (see previous pages). The debt has been excluded in the graph below to allow for a consistent comparison with other authorities.

Long term debt is usually used for financing investment in long term assets, so a ratio of less than one means that the authority would have to sell some of its assets to repay its borrowing. Councils may be reluctant to take on additional long term borrowing at this time due to uncertainty of their future level of income arising from cuts in central government funding. Only three of the councils in Dover's comparator group have taken on additional long-term borrowing since 2010-11. Dover is not one of these, decreasing its long-term borrowing.



Source: Audit Commission Financial Ratios Profile



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Nadeem Aziz
 Chief Executive
 Dover District Council
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12 April 2013

Dear Nadeem

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Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £70,680, which is the same as the audit fee for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme.

The audit planning process for 2013/14, including the risk assessment, will continue throughout the year and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money (VfM) conclusion)
- our work on your whole of government accounts (WGA) return.

Value for Money (VfM) conclusion

Under the Audit Commission Act 1998, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our VfM conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and will provide a separate report.

Certification of grant claims and returns

The Council's composite indicative grant certification fee for 2013/14 has been set by the Audit Commission at £19,200.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	17,670
December 2013	17,670
March 2014	17,670
June 2014	17,670
Grant Certification	
June 2014	19,200
Total	89,880

Outline audit timetable

We will undertake our audit planning and interim audit procedures between October 2013 and March 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June to September 2014 and work on the WGA return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2013 to March 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to September 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Emily Hill	020 7728 3259 or 07880 456184	emily.hill@uk.gt.com
Engagement Manager	Lynn Clayton	020 7728 3365 or 07880 456146	lynn.h.clayton@uk.gt.com
Audit Executive	Daniel Woodcock	01293 554122	daniel.woodcock@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code of Audit Practice audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com).

Yours sincerely



Emily Hill
For Grant Thornton UK LLP

Subject:	FINANCIAL OUTTURN 2012/13
Meeting and Date:	Governance – 26 September 2013 Cabinet – 7 October 2013
Report of:	Mike Davis, Director of Finance, Housing and Community
Portfolio Holder:	Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance
Decision Type:	Non-Key
Classification:	Unrestricted

Purpose of the report:	To provide details of the financial outturn for 2012/13 following the audit of the Statement of Accounts
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Recommendation:	That Members receive and note the report.
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1. Summary

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

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

The report should be considered in conjunction with both the Statement of Accounts and the Audit Findings Report (items 12 and 13 on the Governance agenda).

2. Purpose of the Accounts

- 2.1 The accounts are a statutory requirement and have a role in providing information to stakeholders and interested parties on the stewardship and management of public monies. They provide a significant amount of information, including the Council's financial position as at 31 March, a summary of the income and expenditure in the year to 31 March and details of assets and liabilities held at the year end.
- 2.2 However, the accounts are a long and complex document which may not be easily accessible to those Members not serving on the Governance Committee, the public and other stakeholders. Therefore, in order to further promote accountability, this Council also produces this outturn report.
- 2.3 When considering this report and the Statement of Accounts, Members are reminded that the final accounts, budget and Medium Term Financial Plan (MTFP) should not be considered in isolation. Together they form a continuous process of financial management, and so the outturn will feed into budget monitoring and the next MTFP.

3. Format and Changes to the Accounts

- 3.1 No significant changes to the format of the accounts have been made for 2012/13.

3.2 The core statements are:

- **Movement in Reserves Statement** (page 14 of the accounts)

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- **Comprehensive Income and Expenditure Statement (page 15)**

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost.
- **Balance Sheet (page 16)**

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. The bulk of the Council's net worth is derived from accounting reserves rather than useable reserves.
- **Cash Flow Statement (page 17)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **Notes to the Core Financial Statements (pages 18 – 72)**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. The notes disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.
- **Supplementary Statements (pages 73 – 85)**
 - **Collection Fund (pages 73 – 77)**

This reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.
 - **Housing Revenue Account (pages 78 – 83)**

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The

account has to be self-financing and there is legal prohibition on cross subsidy to or from local taxpayers.

- Charities Administered by Dover District Council (pages 84 – 85)

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

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.

4. General Fund Revenue Outturn

- 4.1 The starting point for considering the financial outturn is the 2012/13 Original budget which is shown, together with the 2012/13 Projected Outturn and the 2012/13 Outturn, at Appendix A.
- 4.2 The original budget for 2012/13 forecast a deficit of £21k. The latest projection of the budget, following various changes in year, was a deficit of £6k. The outturn, after allowing budget carry forwards of £29k, was a surplus of £2k. This gives an underlying General Fund Balance of £2.26m
- 4.3 Appendix A shows the changes in the budget, Appendix B shows the analysis of the Outturn variances and Appendix C provides a breakdown of the variances during the year.

5. General Fund Reserves and Balances

- 5.1 General Fund reserves are “cash backed” reserves and are available for the Council to use. For management and planning purposes they are split into “General Balances” and “Earmarked General Reserves”.
- 5.2 General Balances are held at a prudent level in order that the Council can cope with unanticipated variations in spend. Earmarked General Reserves are funds set aside for planned purposes.
- 5.3 As reported above, the 2012/13 Outturn is a surplus of £2k. However, budget carry forwards of £29k have been requested, and a transfer to an earmarked reserve has been made to allow for them. Therefore the underlying surplus for 2012/13 is £31k before allowing for these carry forward requests.

Movement in General Fund Balances	
	£000
Balance at start of the year	(2,258)
Surplus from 2012/13	(2)
Balance at the end of the year	(2,260)
Carry forwards charged against balance above	29

- 5.4 The Opening Balance of £2,258k and the year end balance of £2,260k can be found in Appendix A to this report and also within the Statement of Accounts in the “Movement in Reserves Statement”.
- 5.5 Note 24 to the Core Financial Statements in the draft Statement of Accounts provides a complete breakdown of the Earmarked Reserves. Contributions to and from the Earmarked Reserves have been managed in order to ensure there are sufficient reserves to meet anticipated commitments. A detailed review of earmarked reserves was undertaken during 2012/13 as part of the 2013/14 budget setting process to ensure the reserves are held at appropriate levels for planned purposes. The reserves held are:
- Special Projects & Events Reserve – This reserve is set aside to continue to fund one-off General Fund projects as they arise and to support major events in the district. It is used for both revenue and capital projects.
 - Periodic Operations Reserve - This reserve is to cover costs of cyclical / periodic events such as elections, “carry forward requests” and to hold grants or other income streams for specific purposes, such as the Homelessness grant and On-Street parking surpluses.
 - Urgent Works Reserve - This reserve is set aside to fund urgent works on corporate assets and for other urgent business requirements, for example to fund a provision for additional claims from Municipal Mutual Insurance or for future restructures to meet likely on-going grant reductions. The need for this reserve is greater than ever due to the ageing nature of our assets and the reduced levels of investment in them as reflected in the reduced revenue budget.
 - Regeneration Reserve - In order to support the Local Development Framework process and associated regeneration projects a Regeneration Reserve has been established.
 - ICT Equipment & Servers Reserve – The current ICT Equipment & Servers reserve is held in order to support the requirements of the current and future ICT Strategies.
 - Business Rates & Council Tax Benefits Reserve – This reserve was established to allow for the risk of unforeseen pressures from the Redistribution of Business Rates and the new Council Tax Support scheme and future changes for Universal Credit. As there are still many uncertainties around these areas, in particular the unknown collection rates this reserve has been retained and will be reviewed on an annual basis.
- 5.6 In considering the earmarked reserves and general balances Members are reminded that there is an “opportunity cost” of maintaining these reserves and balances when the resources could be applied to meet service or capital investment requirements. At the same time, maintaining cash backed reserves generates additional income from interest on cash balances, which is used as an additional income stream. However, the key judgement is to ensure that the reserves are set at levels that facilitate the prudent financial management of the authority, provide sufficient resources to meet anticipated future demands, and provide for a margin for unanticipated variation.
- 5.7 It is the view of the Director of Finance, Housing and Community (Section 151 officer) that the estimated General Fund balances and reserves are adequate for the Council's current spending plans. However, these are under regular review due to the ongoing changes to Local Government finance and the uncertain economic climate.

6. The Future

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

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

7. Housing Revenue Account Outturn

7.1 The Housing Revenue Account shows an increase in the HRA balance of £3,293k before transfers to reserves. This is a favourable variance of £2,759k against the original budgeted increase of £534k, and a favourable variance of £102k against the Projected Outturn of £3,191k surplus (see Appendix D).

7.2 A schedule of variances is contained in Appendix D (i) of this report and the main variances against the original budget are detailed below:

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

7.3 The overall HRA Balance has increased to £8,158k (from £7,365k at 31 March 2012) after transfer of £2.5m to a separate 'Housing Initiatives' reserve. The Housing Initiatives reserve has been established as a source of funding for suitable future projects.

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

The reform will provide additional funds to invest in existing stock and future housing initiatives. The balance on the Housing Initiatives Reserve as at 31 March 2013 was £5m.

8. Collection Fund Outturn

8.1 The Collection Fund income and expenditure account, which is a separate statutory account to record the transactions for the collection of Council Tax and Non-Domestic Rates (NDR), shows a surplus of £1.6m at 31 March 2013. Any surplus balance on the fund is distributed to the precepting authorities (Kent County Council, Kent Police Authority, Kent and Medway Fire Authority and Dover District

Council) in proportion to their respective precept amounts. However this surplus is on an accruals basis and is not fully cash backed. As at 31 March 2013, after taking into account council tax prepayments relating to the 2013/14 year, there was a small cash surplus. This was in accordance with the forecast for the 2012/13 year and, accordingly, it was decided to distribute £254k between the precepting authorities within Dover District Council's budget for 2013/14.

9. **Capital Programme Outturn**

9.1 The Medium Term Capital Programme (MTCP) is set out at Appendix E.

9.2 For each project in progress and each project awaiting capital appraisal, the MTCP includes the Approved Budget which reflects the latest position reported to Members through the budget monitoring report.

9.3 Under the heading "Proposed Budget" the MTCP includes:

- Cumulative expenditure from previous years
- Actual expenditure for 2012/13
- Proposed spending for 2013/14 and future years
- Revised total project budgets.

9.4 The total budgeted expenditure for the programme was £37.91m (based on the latest budget monitoring report sent to members). The revised forecast including 2012/13 actual expenditure is £37.93m, an increase of £20k. The main variances are:

- Decrease in HRA property projects; offset by
- Homes & Communities Agency funded acquisition of land;
- Increased forecast for Private Sector Housing grants & loans, funded from the repayment of loans.

9.5 Appendix E also provides an analysis of the sources of financing for the MTCP. For 2012/13 the main sources of capital financing have been:

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

9.6 Overall the Capital Programme is within budget. However, limited sources of funding continue to constrain the Council's ability to finance new projects.

10. **Special Projects Outturn**

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

- 10.2 The bulk of the Special Projects (see Appendix F) are shown as “projects in progress” and these had a total spend in year of £107k. The Special Projects programme is dynamic. It is adjusted as new projects are approved, and these changes are reported to Members during the year. However, “in year” variations in spend against approved budget for individual projects are mainly due to timing changes. There are no material variations to individual project’s total budget, and the whole programme is fully financed.
- 10.3 In the 2012/13 accounts the following additional transfers have been made:
- £150k contribution to the ICT Equipment & Servers Reserve to support the requirements of the current and future ICT Strategies;
 - £97k contribution towards the cost of the Olympic Torch Relay;
 - £139k contribution to fund projects supporting General Fund savings for 2012/13 and onwards;
 - £200k contribution from the General Fund balance to support the on-going availability of the reserve.
- 10.4 Allowing for future commitments of £884k the Special Projects reserve has a forecast uncommitted balance of £209k at the end of 2012/13.

11. Treasury Management

- 11.1 The Council retains the services of Sector as Treasury Management advisers and they provide market intelligence, economic forecasts, fund managers performance, debt re-scheduling, opportunities for borrowing and ad-hoc enquiries.

Investments

- 11.2 The Council is pro-active in its cash management and in March 2011 it adopted the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009). Management of the Council’s cash is divided between in-house management and the Councils’ fund manager Investec. The Council employs Investec because they are able to invest in financial instruments such as Gilts and Certificates of Deposit that offer the potential for higher returns. However, returns in 2012/13 were lower than returns achieved through in-house investments.
- 11.3 At 31 March 2013 the Council had over £12m of investments managed by the Council’s fund manager, Investec. In addition, investment balances and day-to-day cash balances managed in-house averaged approximately £6m in 2012/13.
- 11.4 The Council’s in-house investments outperformed their benchmark (LIBID) and achieved an average return of 1.26% for the year. The investments with the investment managers, Investec, also outperformed the benchmark and achieved an average of 1.01% for the year. The total interest received for the year was approximately £350k.
- 11.5 The Council (like a number of other public sector bodies) had money invested in one of the Icelandic banks that in October 2008 went into administration. At the time, the Council held a £1m investment with the Icelandic bank Landsbanki, made on 26/11/07 for a period of one year, which was in compliance with the Council’s approved policy for treasury management. UK local authorities’ claims have been recognised as deposits with priority status. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations. The amounts and timing of payments to depositors such as the

Council will be determined by the administrators / receivers. Further information relating to the impairment is included in Note 12 to the Accounts.

Borrowing

- 11.6 The Council has just under £93m of borrowing from the Public Works Loans Board (PWLB). This includes £90m of borrowing that was undertaken in 2011/12 for payment of the Self-Financing Determination under Housing Finance Reform. £1.8m of the housing finance reform loan has been repaid in 2012/13. The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).
- 11.7 The significant interest rates, over the year, were:
- PWLB HRA self financing £90,473m – 3.18% interest charged
 - PWLB (25 years and over) £4m - 6.56% interest charged.
 - KA Finanz AG LOBO £3m - 4.75% interest charged.
- 11.8 The PWLB debt appears expensive in comparison with the returns on investments, however there are redemption penalties which have made it uneconomical to pay back the loan. This is being monitored and if interest rates increase, the penalties may change, making redemption a viable option.

12. Assets and Liabilities

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

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

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

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

- Value of land, property and other assets
The main changes in the values are due to:
 - Disposals – council house and other sales
 - Revaluations - council dwellings are revalued each year and other land and property are revalued on a five-year rolling programme.
 - Impairments – caused by either a general fall in property prices or specific revaluations due to clear consumption of economic benefits (e.g. through physical damage or deterioration).
- Usable Reserves
 - The main reason for the increase in usable reserves in 2012/13 relates to the HRA contribution to the Housing Initiatives Reserves and an increase in capital receipts received in year allocated to fund future projects.

13. **Production of the Accounts**

13.1 Governance Committee require assurance that the accounts are robust and that they can place reliance upon them. The accounts have been subject to audit by Grant Thornton and their findings are set out in the Audit Findings Report at item 12 on the Governance agenda. In addition, a summary of the controls operated by the Director of Finance, Housing and Community is provided at Appendix G.

14. **Appendices**

Appendix A – General Fund Budget Summary

Appendix A (i) – Reconciliation of General Fund Original Budget to Projected Outturn

Appendix B – Summary of General Fund Variances

Appendix C – Explanation of Main General Fund Variations

Appendix D – Housing Revenue Account Summary - BW

Appendix D (i) – Explanation of Main Housing Revenue Account Variations

Appendix E – Medium Term Capital Programme Outturn

Appendix F – Special Projects Outturn

Appendix G – Summary of Main Controls Applied in Production of the Accounts

15. **Background Papers**

Statement of Accounts 2012/13 - Item 13 Governance Agenda 27/09/12

Contact Officer: Helen Lamb, extension 2063

GENERAL FUND BUDGET SUMMARY

<u>2011/12 Actual</u>		<u>2012/13</u> <u>Original Budget</u>	<u>2012/13</u> <u>Projected</u> <u>Outturn</u> <u>(28 Feb 2012)</u>	<u>2012/13 Actual</u>	<u>Variance to</u> <u>Projected</u> <u>Outturn</u>
<u>£000</u>		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Director				
811	Chief Executive	921	843	858	15
2,379	Finance, Housing & Community	2,439	2,655	2,611	-44
5,165	Regeneration & Development	2,661	2,612	2,458	-154
6,697	Environment & Corporate Assets	6,698	7,009	9,465	2,456
1,258	Governance	1,312	1,404	1,256	-148
60	Special Revenue Projects	53	80	190	110
0	Shared Services (DDC hosted)	0	-4	0	4
0	Vacancy Allowance	-125	-16	0	16
0	Delivering Effective Services	0	0	0	0
-118	Council Tax Second Homes	-118	-113	-113	0
0	Contingency	80	16	0	-16
0	Exceptional Item (VAT Refund)	0	0	0	0
16,252	Net Service Expenditure	13,921	14,486	16,725	2,239
-4,046	Depreciation	-1,496	-1,527	-4,204	-2,677
1,352	Pension Adjustments	1,457	1,148	1,114	-34
-12	Annual Leave Adjustment	0	0	-15	-15
58	River Stour Drainage Board	64	64	64	0
	Contribution to/(from) Reserves:				
83	- Regeneration Reserve	-191	-102	-76	26
471	- Special Projects & Events Reserve	-76	-291	-193	98
355	- Urgent Works reserve	360	360	348	-12
215	- ICT Equipment & Servers Reserve	-29	-50	71	121
167	- Periodic Operations Reserve	54	134	447	313
14,895	Net Service Expenditure	14,064	14,222	14,281	59
	Financing Adjustments				
-150	Interest Receivable	-149	-153	-124	29
406	Interest Payable	405	236	236	0
0	Loan Principal Repayments	0	0	24	24
-59	Deferred Charges	0	0	-86	-86
-115	Soft Loan Adjustments	0	0	-38	-38
-110	Impairment of Iceland Investment	0	0	-19	-19
96	Transfer to Capital Grants Unapplied	0	0	0	0
14,963	Total Budget Requirement	14,320	14,305	14,274	-31
	Financed by:				
1,915	Revenue Support Grant	138	138	138	0
6,195	NNDR	7,104	7,104	7,104	0
8,110	Total Government Grant	7,242	7,242	7,242	0
0	Collection Fund Surplus	0	0	0	0
6,395	Council Tax	6,608	6,608	6,608	0
160	Council Tax Grant	0	0	0	0
0	New Burdens	0	0	13	-13
331	New Homes Bonus	449	449	413	36
14,996	Total Financing	14,299	14,299	14,276	23
-33	General Fund Deficit/(Surplus) for the Year	21	6	-2	-8
-2,225	General Fund Balance at Start of Year	-2,060	-2,258	-2,258	0
0	Items of carry forward - approved	0	0	0	0
0	Supplementary approvals	0	0	0	0
-2,258	Leaving Year End Balances of	-2,039	-2,252	-2,260	-8

Reconciliation of General Fund Original Budget to Projected Outturn 2012/13

	Total Variance £000
Original Budget	21
Car Parking Income - net reduction in parking fees, season tickets and PCNs (£268k), less expenditure savings (£13k) - includes impact of weather, Olympics and general downturn	255
Recharges - net favourable variances from reduced costs and review of recharges, incl. increased recovery from HRA (street lighting & litter picking on HRA car parks and open spaces, etc)	(228)
Interest payable reduction following pooling of GF and HRA loans	(169)
EKS Management Fees saving est, based on 2011/12 cost	(43)
BCCI monies received	(33)
Insurance of premises - incl. £25k saving for Deal Pier	(34)
Development Control Fees Income - increase anticipated	(20)
Printing, stationery and copier savings, incl. new fleet of copiers and reduced external printing	(19)
Waste collection and recycling: Mainly reduced income from green waste collection (offset by related reduction in contract charges); and increase in RPI on contracts from Jan-Mar 2013 (3% vs. 2.16% budgeted)	64
Street Cleansing - increase in RPI on contracts from Jan-Mar 2013 (3% vs. 2.16% budgeted); further reduction for reduced funding from KCC for weed spraying	33
Backfunding - increased costs mainly relating to EKHRP following Shepway's withdrawal from the service	44
Vacancy provision - estimated under-achievement	48
Land Charges - reduced search fees income expected	30
Interest receivable - now expected to be in line with budget	(4)
NDR Discretionary Relief - uplift in relief given, mainly due to increase in liability on which discretionary relief is based, mostly relating to charitable associations. Very few new awards made.	16
NDR - increase in business rates following corporate review	14
Members and other committee-related reductions	(11)
CCTV savings - mainly equipment related	(11)
National Leaflet Project - expected shortfall in income	20
Additional cost to Dover D.C. for its share of East Kent H.R. Partnership following withdrawal of Shepway from service	9
Aylesham - S106 contribution budget removed	9
South East Strategic Partnership for Migration - tenant contribution towards DDC services provided	(8)
Admin Fees charged to leaseholders for insurance contracts	(8)
Dover Gateway room hire/rental and extra income from rental of Whitfield office space to "Heads of Terms"	(8)
Licensing Income - better than budget (General licensing and Private Sector Housing registration of HMO properties)	(8)
Electoral Reg and Emergency planning savings (mainly equip't)	(7)
Kent Benefits Partnership subscription no longer required	(6)
Telephone and mobile savings, incl. changes of service provider	(6)
Reduced external Audit fees following transfer to Grant Thornton	(26)
PSH Empty Property income received in 2011/12	12
Forecast reduction in Building Control income streams based on income received to date	74
Reduction in KCC Coast protection income due to reduced internal rate of borrowing	14
Increased Whitfield electricity costs	6
Various savings identified in Legal Services	(9)
DDC share of EK Audit Partnership staff savings	(4)
Other net favourable variances	(1)
Projected Outturn	6

SUMMARY OF GENERAL FUND VARIANCES FOR 2012/13 (Outturn v Projected)

	Total Variance	Transfers to and From Reserves					Technical Adjustments					Other Variations			
		Regeneration Reserve	Special Projects & Events	ICT Equipment & Servers	Urgent Works Reserve	Periodic Operations Reserve	IAS19	Capital Charges	Financial Instrument Adjustments	Deferred Charges	Annual Leave Accrual	Central Support	Interest & Investments	Grant Income	Direct Variance
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Directorate															
Chief Executive	15	0	0	0	0	(9)	(2)			15	(8)			19	
Director of Finance, Housing & Community	(44)	0	0	(21)	7	(186)	22	(3)	38	86	21			(8)	
Director of Regeneration & Development	(154)	(26)	0	0	0	(53)	(5)	(2)			(13)			(55)	
Director of Environment & Community Assets	2,456	0	(8)	0	0	(10)	26	2,684			(85)	(19)		(132)	
Director of Governance	(148)	0	0	0	0	(50)	(7)	(2)			12			(101)	
Special Revenue Projects	110	0	117	0	0	0					(7)			0	
Shared Services (DDC hosted)	4	0	0	0	0	0					32			(28)	
Vacancy Allowance	16	0	0	0	0	0								16	
Delivering Effective Services	0	0	0	0	0	0								0	
Contingency	(16)	0	0	0	0	0								(16)	
Exceptional Item (VAT Refund)	0	0	0	0	0	0								0	
	2,239	(26)	109	(21)	7	(308)	34	2,677	38	86	15	(48)	(19)	0	(305)
Depreciation	(2,677)							(2,677)							0
Pension Adjustments	(34)						(34)								0
Annual Leave Adjustment	(15)									(15)					0
River Stour Drainage Board	0														0
Contribution to/(from) Reserves															0
- Regeneration Reserve	26	26													0
- Special Projects & Events Reserve	98		91								7				0
- Urgent Works reserve	(12)				(12)										0
ICT Equipment & Servers Reserve	121			121											0
Periodic Operations Reserve	313					313									0
															0
Net Service Expenditure Variance	59	0	200	100	(5)	5	0	0	38	86	0	(41)	(19)	0	(305)
Financing Adjustments															
Interest Receivable	29											29			0
Interest Payable	0											0			0
Loan Principal Repayments	24											24			0
Deferred Charges	(86)								(86)						0
Soft Loan Adjustments	(38)								(38)						0
Impairment of Iceland Investment	(19)											(19)			0
Financed by:															
New Burdens	(13)													(13)	0
New Homes Bonus	36													36	0
Total Variance	(8)	0	200	100	(5)	5	0	0	0	0	0	(41)	15	23	(305)

Explanation of Main General Fund Variations

There is a total variance of £8k (favourable) between the Projected Outturn and the Outturn, as shown on the Budget Summary on Appendix A.

This variance falls into three main sections:

- Transfers to and from reserves;
- Technical adjustments; and
- Other variations

Appendix B provides a schedule of variances categorising the variances into these sections and should be read in conjunction with this Appendix.

Transfers to and From Reserves

Transfers from reserves have no net effect on the total variance, since any expenditure shown within 'Directorate' (on Appendix B) that is intended to be financed from reserves is offset by an adjustment within the amount transferred from reserves.

Transfers to reserves do affect the total for the year, and so variances in transfers to and from reserves reflect any overall increase in contribution to reserves.

An additional £100k contribution has been made to the ICT Equipment & Servers reserve to support the replacement, upgrade and alignment of Dover's ICT software and hardware with East Kent Services' agreed ICT strategy. This created an adverse variance, but preserves funds in this earmarked reserve for future use.

An additional contribution of £200k has also been made to the Special Projects & Events reserve to continue to fund one-off General Fund projects as they arise and to support major events in the district.

Technical Adjustments

The significant technical variations arise from IAS19 (pensions), Capital Charges and Financial Instruments. Although these variations impact the reported net cost of services, they have no impact on the overall outturn. They are explained below.

IAS19

The Code, and IAS19, require local authorities to include, in the costs of services, the cost to the authority of the additional pension earned in the year. This then has to be reversed out of the accounts and replaced by the actual pension payments made to the pension fund.

Adjustments in the value of the IAS19 figures therefore have no net effect on the overall outturn.

Capital Charges

Like IAS19, capital charges are shown in the costs of services but are reversed out of the accounts “below the line”. As a result, any variations in capital charges (resulting, generally, from the acquisition, revaluation or disposal of assets) are also reversed out below the line and have no net effect on the overall outturn.

Financial Instruments

The Authority provides loans to individuals for Private Sector Housing improvements at less than market rates (soft loans). When soft loans are made, a loss is recorded in the appropriate service for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. This adjustment is reversed as part of the Financing Adjustments. This adjustment also has no net impact upon the overall outturn.

Other Variations

The “Other Variations” all have a direct effect on the overall outturn, since they are not reversed out below the line.

Central Support

Variations in central support arise from changes in the amount charged by the General Fund to capital projects and the HRA. Central support charges to each service area and the underlying bases of calculation are updated annually to reflect changes in cost and the levels of support provided. The net affect of closing adjustments was a favourable variance of £48k, mainly relating to recharges to HRA.

Interest & Investments

There are minor variations in this area totalling £34k, which comprise Interest Receivable (£29k adverse), Loan Principal Repayments for the voltage optimizer and Deal Tennis Centre projects (£24k adverse), offset by the change in the impairment of the value of the Icelandic investment, based on CIPFA guidance (£19k favourable).

Grant Income

There is an adverse variation of £36k relating to an advance payment of the 2012/13 New Homes Bonus Grant, which had to be shown in the 2011/12 figures for statutory reasons, and a favourable variation of £13k relating to New Burdens grant funding from central Government.

Direct Variance

This is a summary of the other variances in outturn against the budgets managed by the various Directors. There are a large number of minor variations, which it is not practical to detail in this report. However, the main / significant items are summarised in the table below:

Description	£000
Chief Executive	
Municipal Mutual Insurance – provision for prior year claims	33

Description	£000
Corporate Bad Debts Written-Off	19
Contribution to East Kent Local Strategic Partnership ceased	(10)
Print Unit and Photocopier savings	(15)
Audit Commission – Reduced fees	(4)
Corporate Press and Publicity savings	(4)
Sub total	19
Finance, Housing & Community	
Staff – Community Officer post (leaver, not replaced), Accounting Technician vacancy (5 months) and other staff savings	(64)
Council Tax – reduced income from Penalties & Fines and Recovery of costs	64
Homelessness – increase in net costs, incl. Emergency Accommodation	40
Community Development Interreg funding for the Mosaic project	(29)
Bad Debt – increase in General Provision	22
Miscellaneous Income - favourable	(9)
Backfunding and Pension Costs – small saving	(7)
NDR Discretionary Relief – lower than expected	(5)
Accountancy Consultants' costs - saving	(4)
Feel Alive events in run up to Olympics – lower equipment costs than expected	(4)
Alternative Services Delivery – various savings	(4)
Private Sector Housing – reduced contributions to outside bodies	(3)
Concessionary Fares – provision written back - favourable	(3)
Other net savings on Finance, Housing & Community	(2)
Sub total	(8)
Regeneration & Development	
Staff – Planning and Development Control restructure savings	(45)
Development Management – increased external funding and reduced expenditure on consultants for projects	(34)
Development Management – reduced Planning Application and Other External Fees	22
Museum Admission Fees & Sales (net of related costs) – shortfall due to period of closure following flood	58
Museum – reduced electricity, business rates and equipment maintenance costs	(21)
White Cliffs Landscape Project – Heritage Lottery Funding	(18)
White Cliffs Landscape Project – Transfer to Environment & Corporate Assets (no net cost or income)	(14)
Other net savings on Regeneration & Development	(3)
Sub total	(55)
Environment & Corporate Assets	
Staff – Parking Enforcement Staff (supervisor's reduced hours and vacant CEO posts due to retirements & resignations), and Horticultural Monitoring Officer (leaver, not replaced)	(68)
Pollution Control – reduced costs following decommissioning of one Air Quality station	(11)
Port Health – increased income	(8)
Food Safety & Hygiene – increased income	(8)

Description	£000
Environment & Corporate Assets (continued)	
Licensing – increased income (Premises and miscellaneous)	(18)
Littering Enforcement – changes to method of service delivery	6
White Cliffs Landscape Project – Transfer from Regeneration and Development (no net cost or income)	14
Car Parks – net income reductions (parking fees and PCNs, less favourable season tickets' income)	31
On-Street Parking - net income reductions (parking fees and PCNs, less favourable permits' income)	18
On-Street Parking – signing and lining budget not spent	(10)
Public Conveniences – cleaning and other net savings (closures)	(29)
Office Accommodation – net Whitfield office running cost savings (after increased cost of gas consumed)	(12)
Refuse, Recycling and Street Cleansing – additional net costs, mainly due to higher volume of replacement bins, as well as street cleansing costs for Diamond Jubilee celebrations	62
Cemeteries – net increase in interments, less reduced sales of grave space	(18)
Street Lighting – reduced Electricity costs	(14)
Additional Rent income	(29)
Dover Town Hall, Beaches & Foreshores – reduced Management Fees	(11)
Corp Maintenance & Repairs – overspend due to emergency roof repairs and coast protection works	20
Precincts – repairs to fixed plant – saving due to fountain being switched off	(6)
Misc. Properties – NNDR reduction following sale of Quarterdeck	(4)
Dover Leisure Centre – Equipment Purchase savings	(4)
Events – Additional ground lettings due to Olympics and Diamond Jubilee, and reduced equipment purchases for events	(10)
Numerous other net savings on Environment & Corporate Assets	(23)
Sub total	(132)
Governance	
Reduced Legal Officer hours and NIC on Members Allowances	(16)
Members' reduced training, allowances (vacant seats) and sundry costs	(10)
Land Charges – increased Search Fees income	(22)
Professional Qualification and Corporate Training savings	(17)
KCC additional charges for changes to Payroll System	8
Democratic Services – reduced costs (incl. software maintenance due to later implementation of Modern Gov software)	(14)
Legal – reduced external fees payable and increased income	(7)
Electoral Registration – reduced software maintenance/printing	(5)
Numerous other net savings on Environment & Corporate Assets	(18)
Sub total	(101)
Shared Services – DDC-hosted	
Dover share of HR service - net reduction in costs (incl. salaries)	(27)
Dover share of Audit Partnership – incl. reduced costs/audit days	(7)
Dover share of increased Payroll Processing costs	6
Sub total	(28)

Description	£000
Other	
Vacancy Allowance – offset by staffing savings above	16
Contingency – unutilised	(16)
Sub total	0
Total favourable variances	(305)

Housing Revenue Account for the Year Ended 31 March 2013

	Original Budget 2012/13	Projected Outturn 2012/13	Outturn 2012/13	Variance Outturn to Original £000
	£000	£000	£000	
INCOME				
Dwelling Rents	(17,962)	(18,100)	(18,139)	(177)
Non-dwelling Rents	(422)	(437)	(437)	(15)
Tenant Charges for Services and Facilities	(350)	(285)	(277)	73
Conts. towards Expend. - Grants for Supporting People	(195)	(179)	(179)	16
Leaseholder Charges for Services and Facilities	(131)	(269)	(270)	(139)
Other Misc	(27)	(27)	(22)	5
TOTAL INCOME	(19,087)	(19,296)	(19,324)	(237)
EXPENDITURE				
Repairs and Maintenance	3,428	3,497	3,495	67
Supervision and Management	3,137	3,210	3,248	111
Rents, Rates, Taxes and Other Charges	93	66	66	(27)
Negative Subsidy Entitlement (Incl MRA)	6,809	0	0	(6,809)
Depreciation of Fixed Assets	2,187	2,187	1,483	(704)
Impairment of Fixed Assets	0	0	5,686	5,686
Debt Management Expenses	22	22	37	15
Bad Debt Provision	110	110	64	(46)
Rent Rebate Subsidy Limitation	21	21	21	0
TOTAL EXPENDITURE	15,807	9,113	14,100	(1,706)
NET COST OF HRA SERVICES PER AUTHORITY INCOME AND EXPENDITURE ACCOUNT	(3,280)	(10,183)	(5,224)	(1,943)
HRA Share of Corporate and Democratic Core	326	395	388	63
HRA share of other amounts not allocated to specific services	0	0	0	0
NET COST OF HRA SERVICES	(2,954)	(9,788)	(4,836)	(1,880)
(Gain)/Loss on Sales of HRA Fixed Assets	0	0	(443)	(443)
Interest Payable and Similar Charges	0	3,032	3,032	3,032
Amortisation of Premiums & Discounts	0	0	0	0
Interest and Investment Income	(138)	(138)	(214)	(76)
Pension Int Costs and expected return on pensions assets	247	338	330	83
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	(2,845)	(6,556)	(2,132)	716
Amount required by statute to be credited to the HRA Balance for the year (as per the Note to the Statement of Movement below) **	2,311	3,365	(1,161)	(3,473)
Net (Increase)/Decrease in the Housing Revenue Account Balance before transfers to or from reserves	(534)	(3,191)	(3,293)	(2,759)
Transfer to or (from) reserves	0	2,500	2,500	2,500
(Increase)/decrease in year on the HRA balance	(534)	(692)	(793)	(259)
Impact of Deficit / (surplus) on balances				
Housing Revenue Account surplus brought forward	(9,940)	(7,365)	(7,365)	
Housing Revenue Account surplus carried forward	(10,475)	(8,057)	(8,158)	

Housing Revenue Account Variation Statement - for the Year ended 31 March 2013

	£000	£000
Original Budget		(534)
<i>Adjustments Due to Housing Finance Reform:</i>		
Removal of Subsidy payment - replaced by loan interest charge & repayment of Principal	(6,810)	
Addition of loan interest payments	3,046	
Additional transfer to Major Repairs Reserve based on revision of Major Repairs Allowance under Housing Finance Reform	1,467	
Increase in "Capital Expenditure Financed by the HRA" due to utilisation of MRR in payment of Principal on Loan	372	
	<hr/>	(1,924)
<i>Income Adjustments:</i>		
Increase in Dwelling Rent due to lower than budgeted void rate	(177)	
Increase in Non Dwelling Rents - mainly garages	(14)	
Reduction in Tenant Charges for Services & Facilities - includes re-classification to "Leaseholder Charges"	73	
Reduction in Supporting People Grant	16	
Increase in Leaseholder Charges - mainly re: repairs & re-classification from "Tenant Charges"	(139)	
Legal Fees Receivable	6	
Miscellaneous	(2)	
	<hr/>	(237)
<i>Repairs & Maintenance:</i>		
Term Maintenance	190	
External Decorations	67	
Estate Paths, Paving etc.	(10)	
Storm Damage	(4)	
Vandalism	(9)	
Electrical Inspections	(24)	
Health and Safety Water Inspections	(4)	
Void Properties	12	
Void Security	(3)	
Heating Servicing	(163)	
Lift Maintenance	2	
Disabled Hoists & Lifts	(7)	
Fire Alarm Servicing	(2)	
Door Entry	5	
Repairs & Maintenance admin increase	17	
Miscellaneous	(2)	
	<hr/>	66
<i>Supervision & Management:</i>		
Uplift in Play Area Maintenance to accommodate works brought forward from 2011/12	28	
Corporate Repairs & Maintenance	5	
Clearance of Rubbish	(10)	
Agreed increase in EKH Management Fee	103	
Housing Register - landlord cost of Choice Based Lettings advertising	6	
Utilities	14	
Communal Lighting	(16)	
Insurance savings following retender	(83)	
Highway Cleansing	40	
Un-adopted street lighting	49	
Caretaking & Cleaning	4	
Professional fees re: - property disposals	7	
Consultants Fees	(9)	
Supervision & Management - Play Area works transferred to capital programme	(66)	
Water & Sewerage	(7)	
Careline costs	(10)	
Elderly Persons Incentive Scheme	(5)	
Rechargeable works written off	7	
Internal Recharges	53	
Miscellaneous	2	
	<hr/>	111
Rent, Rates etc - Manley House disposal		(27)
HRA Share of Corp & Democratic Core		63
Adjustment of Interest Payable		(14)
Pension Adjustments		1
Transfer to Housing Initiatives Reserve		2,500
<i>Reduction in "Capital Expenditure Financed by HRA" mainly re: adjustments to Capital Programme:</i>		
Reroofing	241	
Door Entry/Warden Call	(125)	
Fire Precautions	(280)	
Renewal Heating/Heating Programme	(647)	
Thermal insulation	7	
Asbestos Programme	7	

	£000	£000
Structural	(3)	
Decent Homes Standard	(48)	
Rewiring	247	
Environmental Improvements - Dover/Deal	89	
Environmental Improvements - Sandwich/Rural	3	
Adaptations for Disabled Persons	(116)	
Environmental Improvements funded from Tenants Compact Reserve	(92)	
Capital Works - Northbourne Park Play Area	20	
Non Dwelling depreciation credit used to fund element of works	(99)	
Miscellaneous	(1)	
	<hr/>	(795)
<u>Depreciation & Major Repairs Reserve:</u>		
Reduced Depreciation Charge	(704)	
Increased transfer to MRR (offset to reduced depreciation less non dwelling depreciation no longer permitted to be reversed to MRR)	804	
	<hr/>	99
Fixed & Non Current Asset Adjustments		6
Debt Management Expenses - PWLB loan		15
Lower Bad Debt Provision than budgeted		(46)
Interest and Investment Income		(76)
Miscellaneous		(1)
Increase in year on the HRA balance		<hr/> <hr/> (793)

MEDIUM TERM CAPITAL PROGRAMME - 2012/13 FINAL OUTTURN							
Projects included in the programme	APPROVED BUDGET	PROPOSED BUDGET					
	Total	Previous years	Actual 2012/13	Estimate 2013/14	Estimate 2014/15	Future years	Total
	£000	£000	£000	£000	£000	£000	£000
Committed General Fund Projects							
Dover Regeneration Projects							
Dover Pride - Dover Town Investment Zone	2,035	1,704	152	178	0	0	2,035
DTIZ - SEEDA funded projects	6,842	6,693	0	149	0	0	6,842
DTIZ/Waterfront (DDC/GP Funded)	720	582	2	136	0	0	720
DTIZ - HCA funded projects	2,456	2,387	1	68	0	0	2,456
DTIZ Growth Point - 2009/10 & 2010/11 Allocations	32	0	0	32	0	0	32
Dover Pride - Dover Priory Ph 1 & 2	120	107	0	13	0	0	120
Waterfront (Yorkgate) - (Cluster Prep/GP Funded)	115	83	1	31	0	0	115
Waterfront - Planning (Cluster Prep funded)	150	0	0	150	0	0	150
Sub total	12,470	11,557	156	758	0	0	12,470
Other Regeneration Projects							
Aylesham Regeneration Project	1,491	1,373	50	68	0	0	1,491
Deal Transportation & Flood Alleviation Models- GP/KCC Funded	300	124	0	176	0	0	300
Sub total	1,791	1,496	51	244	0	0	1,791
Other projects							
Capital grants and contributions - voluntary organisations	75	74	1	0	0	0	75
Mandatory Disabled Facilities Grants	811	n/a	491	788	0	0	1,278
Renovation Grants	74	n/a	67	21	0	0	88
Renovation Loans/PSH Loans	4,319	3,854	79	425	0	0	4,358
Private Sector housing schemes - grants	1,323	1,320	3	0	0	0	1,323
Regional Housing Loans, Grants & Fees (2009/10 & 2010/11)	895	895	0	0	0	0	895
Private Sector Renewal Grants	0	0	0	0	0	0	0
Walmer to Kingsdown/Oldstairs Bay Study	72	66	0	6	0	0	72
Rostrum Call Management System	48	36	12	0	0	0	48
IDOX - Upgrade Planning Software System	21	16	5	0	0	0	21
Property Level Flood Protection (100% grant)	98	37	60	0	0	0	98
Visitor Information Centre - Relocation	186	1	185	0	0	0	186
Sandown Castle - Coastal Defence Works (100% grant)	46	0	38	8	0	0	46
Committee/ Document Management and E- Petition System	17	5	12	0	0	0	17
Northbourne Ave & Elms Vale Play Area Refurbishments (S106 & HRA Funded)	136	0	136	0	0	0	136
Noise Recording Equipment	12	0	12	0	0	0	12
White Cliffs Landscape Project-DDC Capital Expenditure (100% grant funded)	125	0	0	79	0	47	125
White Cliffs Landscape Project-Capital Grants (100% grant funded)	614	0	0	413	52	148	614
Electronic Booking System-Leisure Centres-DDC Contribution	19	0	19	0	0	0	19
East Cliff Public Conveniences Refurbishment	90	0	0	90	0	0	90
Sub total	8,982	6,305	1,120	1,830	52	195	9,502
Sub total of Committed General Fund Projects	23,243	19,358	1,326	2,832	52	195	23,763
General Fund Projects - Proposed Projects							
Beach Recycling Works - Walmer to Kingsdown (100% grant)	240	0	0	120	0	120	240
Beach Recycling Works - Sandown Castle to Deal Castle (100% grant)	90	0	0	30	30	30	90
Fountain Refurbishment & Street Scape Improvements - Market Square Dover	75	0	0	75	0	0	75
Community Safety Project (100% grant)	25	9	2	14	0	0	25
Bronze Age Boat - Replacement Air Conditioning Plant	18	0	0	18	0	0	18
Building Energy Management System	28	0	0	28	0	0	28
Burial Records On Line	15	0	0	15	0	0	15
ICT Infrastructure Investment	129	0	0	129	0	0	129
Urban Renewal	2,500	0	0	850	850	800	2,500
Dover Leisure Centre - Plant & Equipment Replacement	100	0	0	100	0	0	100
Tides - Plant & Equipment Replacement	70	0	0	70	0	0	70
Leisure Centres Contingency - Repairs & Equipment	500	0	0	100	200	200	500
Disabled Facilities Grant Funding	100	0	0	100	0	0	100
Disabled Adaptations Assistance	50	0	0	50	0	0	50
Victoria Park - New Changing Rooms	200	0	0	200	0	0	200
Museum - General Replacements	70	0	0	50	20	0	70
Deal Pier - Resurfacing & seat refurbishment on pier stem	270	0	0	0	135	135	270
Deal Seafront Enhancement	125	0	0	125	0	0	125
Capital Contingency	100	0	0	100	0	0	100
Disabled Facilities Grants (100% grant funded)	463	0	0	0	0	0	0
Deal Youth Centre (S106 Funded)	200	0	0	200	0	0	200
Land Acquisition-HCA Funded (100% grant)	0	0	0	145	0	0	145
Sub total of Proposed General Fund Projects	5,368	9	2	2,519	1,235	1,285	5,050
General Fund Projects Total	28,611	19,367	1,328	5,351	1,287	1,480	28,813
HRA Programme							
Housing Revenue Account Property Projects - Committed Works	3,925	n/a	3,716	0	0	0	3,716
Housing Revenue Account Property Projects - Proposed Works	5,321	n/a	0	5,349	0	0	5,349
Sheridan Rd Play Area Refurbishment (HRA Funded)	48	n/a	0	48	0	0	48
HRA Total	9,294	0	3,716	5,397	0	0	9,114
Total	37,906	19,367	5,045	10,749	1,287	1,480	37,927

MEDIUM TERM CAPITAL PROGRAMME - 2012/13 FINAL OUTTURN								
Projects included in the programme	APPROVED BUDGET	PROPOSED BUDGET						
	Total	Previous	Actual	Estimate	Estimate	Future	Total	
	£000	years	2012/13	2013/14	2014/15	years	£000	
Financed by:								
Capital projects financed in previous financial years	19,367	19,367	0	0	0	0	19,367	
Capital receipts - General Fund	2,543	n/a	321	1,532	355	335	2,543	
Capital receipts - HRA	0	n/a	0	0	0	0	0	
Major Repairs Allowance	5,805	n/a	3,034	2,870	0	0	5,904	
Tenants Compact - Reserve Funding	348	n/a	92	208	0	0	300	
Direct Revenue Financing - HRA	3,170	n/a	610	2,347	0	0	2,957	
Direct Revenue Financing - General Fund	711	n/a	66	412	52	195	725	
Grants	0	n/a						
SEEDA for DTIZ	149	n/a	0	149	0	0	149	
HCA (was - English Partnerships) for DTIZ/mid-town centre	69	n/a	1	68	0	0	69	
HCA (Land Acquisition)	0	n/a	0	145	0	0	145	
Growth Point Status grant 2009/10 to 2010/11	32	n/a	0	32	0	0	32	
Growth Point (Deal Transportation Model)	118	n/a	0	117	0	0	118	
Growth Point (Waterfront-Yorkgate)	15	n/a	1	14	0	0	15	
Growth Point (White Cliffs Landscape Partnership)	80	n/a	0	80	0	0	80	
KCC (Deal Transportation Model)	59	n/a	0	59	0	0	59	
Mandatory Disabled Facilities Grants	1,179	n/a	491	693	0	0	1,183	
Coast Protection grants	336	n/a	0	156	30	150	336	
Private Sector Renewals Grant	343	n/a	82	260	0	0	343	
Renovation/PSH Repayments of Loans	125	n/a	0	164	0	0	164	
Dover Town Council (VIC Relocation)	75	n/a	75	0	0	0	75	
Dover Town Council (Fountain Refurb)	0	n/a	0	0	0	0	0	
Dover Town Council (East Cliff Toilets)	13	n/a	0	13	0	0	13	
Dover Harbour Board (East Cliff Toilets)	13	n/a	0	13	0	0	13	
Environment Agency (Property Level Flood Protection)	60	n/a	60	0	0	0	60	
Environment Agency (Surface Water Management)	0	n/a	0	0	0	0	0	
Environment Agency (Sandown Castle-Coastal Defence)	46	n/a	38	8	0	0	46	
Performance Reward Grant (Community Safety)	16	n/a	2	14	0	0	16	
Section 106 Funding	316	n/a	116	200	0	0	316	
Supported borrowing - HRA	0	n/a	0	0	0	0	0	
Supported borrowing - General Fund	0	n/a	0	0	0	0	0	
Unsupported borrowing	0	n/a	0	0	0	0	0	
Other reserves	0							
- Cluster Prep Reserve (Waterfront/DFG)	242	n/a	0	242	0	0	242	
- Special projects reserve	56	n/a	56	0	0	0	56	
- ICT Reserve (ICT Infrastructure Investment)	101	n/a	0	101	0	0	101	
- Housing Initiatives Reserve (Urban Renewal)	2,500	n/a	0	850	850	800	2,500	
- HRA Capital Funding Reserve	20	n/a	0	0	0	0	0	
Total	37,906		19,367	5,045	10,749	1,287	1,480	37,927

SPECIAL PROJECTS - 2012/13 FINAL OUTTURN

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved	Prior Years	Actual	Estimate	Estimate	Future	Total
		Budget	Exp	2012/13	2013/14	2014/15	years	Revised
		£000	£000	£000	£000	£000	£000	£000
Committed Special Revenue Projects								
Corporate Property Maintenance	R	536	499	5	31	0	0	536
Play Areas - enhancements to strategic sites	R	50	35	0	15	0	0	50
Control of Asbestos Regulations Works - Corporate Buildings	R	50	21	0	29	0	0	50
Disability Discrimination Act Works - Corporate Buildings	R	109	92	1	16	0	0	109
Quality Bus Partnership (formerly Kickstart Bus Initiative)	R	79	76	0	2	0	0	79
Farthingloe/Western Heights - consultancy	R	20	0	12	8	0	0	20
ICT Solutions-Regen & Dev/Corp PA & Support	R	50	0	32	18	0	0	50
Capital projects in capital programme financed from reserve:								
Provision allocated to capital programme to finance capital projects	C	783	727	56	0	0	0	783
		1,677	1,451	107	119	0	0	1,677
Proposed Projects								
Provision - possible abortive costs on unsuccessful Aylesham welfare scheme grant application (Cabinet 17 October 2005)	R	8	0	0	8	0	0	8
North Deal - Community based regeneration - Golf Rd/Cannon Str. Deal	R	60	0	0	60	0	0	60
Play Areas - Clarendon, Dover provision of new site (only to go ahead if S106 funding available)	R	0	0	0	0	0	0	0
Dover Port Community Charity Trust	R	25	0	0	25	0	0	25
Car Park Study	R	25	0	0	25	0	0	25
DES Efficiency Projects	R	30	0	0	30	0	0	30
Connaught Park Pond/Shelter	R	36	0	0	36	0	0	36
Parks - General Repairs (walls, fences, lakes, structures etc)	R	81	0	0	25	25	31	81
Cemetery Provision for Dover - consultancy	R	10	0	0	10	0	0	10
Farthingloe/Western Heights - consultancy	R	10	0	0	10	0	0	10
Corporate Property Maintenance	R	200	0	0	50	50	100	200
Corporate Property Maintenance - Contingency	R	150	0	0	50	50	50	150
Whitfield Office Lighting Replacement	R	70	0	0	70	0	0	70
Utilities Management for all Corporate Properties	R	20	0	0	10	10	0	20
Dover Tourism Signage Scheme	R	20	0	0	20	0	0	20
Big Screen	R	20	0	0	20	0	0	20
Proposed balance to transfer to capital projects	C	0	0		0	0	0	0
Total Projects Subject to Approval/Appraisal		766	0	0	450	135	181	766
GRAND TOTAL		2,443	1,451	107	568	135	181	2,443
Special Projects Financing								
Funded from Special Projects Reserve (see annex 7)		2,443	1,451	107	568	135	181	2,443
TOTAL		2,443	1,451	107	568	135	181	2,443

Remaining balance in Special Projects reserve	
Balance at 1 April 2012	1,240
Proposed allocation to projects 2012/13	-107
Contribution to Olympic Torch Celebration	-97
One-off allocation to fund 13/14 savings	-139
General Fund contribution	200
Contribution to ICT Reserve	-150
09/10 O/s cr-Sandwich Quay PC-not required	7
Balance at 31 March 2013	955
Proposed allocation to projects in 13/14 & future years	-884
Repayment of 12/13 one-off allocation to fund 13/14 savings	139
Balance after future years allocations	209

Summary of the Main Controls Applied in Production of the Accounts

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

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



Mike Davis
Director of Finance

The Audit Findings for Dover District Council

Year ended 31 March 2013

9 September 2013

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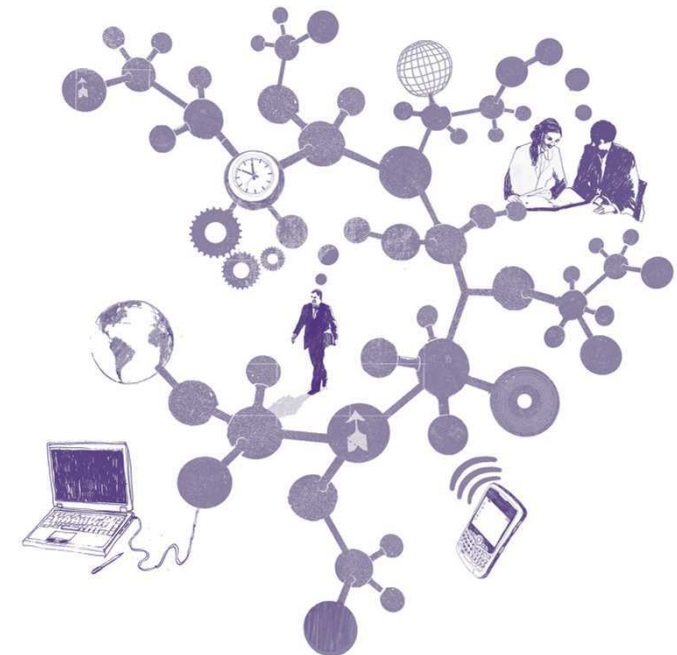
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Dover District Council's (the Council) financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money (VFM) conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan presented to the Governance Committee on 14 March 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- reviewing the Council's proposals for transfers between reserves
- completing Housing/Council tax benefit testing
- completing our other revenues testing
- completing our audit on private sector loans
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- completing our work on Whole of Government Accounts

We will provide the Governance Committee with an update on these outstanding matters at its meeting on 26 September 2013.

We received draft financial statements on 28 June 2013 and accompanying working papers for the start of our audit on 22 July 2013, in accordance with the agreed timetable. Working papers were of a good standard and officers responded promptly to audit queries.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

During the audit we identified a material misstatement in relation to the valuation of the Council's Land and Buildings due to an error by the valuer. This resulted in an overall reduction in the Council's net assets of £21,750k. As a technical accounting adjustment, this has no effect on the resources available to the Council.

In addition, but we have recommended a small number of adjustments to correct misclassification and disclosure errors and other minor presentational issues within the financial statements.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further details of our work is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

We draw your attention in particular to control issues identified in relation to:

- during the year the Council experienced problems with the E-Commerce system not fully reconciling within the bank reconciliation
- the frequency of changes to network and application passwords.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed and agreed with management.

Acknowledgment

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

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we performed and the findings arising from our work in respect of the audit risks identified in our audit plan. We also set out the adjustments to the financial statements and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan presented to the Governance Committee on 14 March 2013. Further detail is set out in Appendix C.

Audit opinion

We anticipate we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

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Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated / Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested operating expenses including: <ul style="list-style-type: none"> ○ attribute testing on material expense streams ○ cut-off testing ○ compliance with the Service Reporting Code of Practice 	Work completed during did not identify any significant issues in relation to this risk .
Employee remuneration	Remuneration expenses not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested employee remuneration including: <ul style="list-style-type: none"> ○ attribute testing on payroll expenses ○ substantive testing of establishment lists ○ testing payroll to HMRC return 	Work completed during did not identify any significant issues in relation to this risk .

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively <p>Testing of welfare expenditure is in progress and includes:</p> <ul style="list-style-type: none"> ○ analytical review procedures ○ reconciling benefit expenditure to the benefit subsidy claim ○ substantive testing of a sample of benefit claims 	<p>To date no significant issues in relation to this risk have been identified.</p> <p>We plan to complete the work on the benefits subsidy claim required for our financial statements opinion during September.</p>
Housing rent	Revenue transactions not recorded.	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested housing rent including: <ul style="list-style-type: none"> ○ attribute testing on housing rent ○ predictive analytical review of housing revenue ○ cut-off testing 	<p>Work completed during did not identify any significant issues in relation to this risk .</p>

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Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> • Income of goods and services provided by the end of the financial year are accrued ensuring income is accounted for in the period to which it relates. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. • Interest receivable on investments is accounted as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. • Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: <ul style="list-style-type: none"> – the Authority will comply with the conditions attached to the payments; and – the grants or contributions will be received. 	<ul style="list-style-type: none"> • The policy is consistent with the prior year and the disclosure is in line with the requirements of the CIPFA Code. 	<p style="text-align: center;">● (GREEN)</p>

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Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

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Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> The contract for waste collection and recycling entered into by the East Kent Waste Partnership, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the Comprehensive Income and Expenditure Statement; The council has a 25% interest in East Kent Housing which has been classified as a joint venture with three other local authorities. Having due regard to both the quantitative and qualitative aspects of materiality the council has concluded that the preparation of group accounts is not required. Other key estimates and judgements include: <ul style="list-style-type: none"> – revaluation of property – Depreciation of property, plant and equipment – pension fund valuations – impairment of doubtful debts 	<ul style="list-style-type: none"> Our review of other key judgements and estimates has not highlighted any issues which we wish to bring to your attention. 	<p style="text-align: center;">● (GREEN)</p>
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of other accounting policies has not highlighted any issues which we wish to bring to your attention. 	<p style="text-align: center;">● (GREEN)</p>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Audit adjustments

As part of our testing of revaluations we identified that the valuer had incorrectly valued three properties (Dover Town Hall, Deal Town Hall and Timeball Tower) overstating the valuations. The table identifies the adjustments required to rectify this.

Our audit work to date has not identified any amendments that are required to the financial statements that have not been adjusted by officers. ALL ADJUSTED.

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	Detail	Statement of Comprehensive Income £'000	Consolidated Balance Sheet £'000	Movement in Reserves Statement £'000
1	Property Plant and Equipment Reduce the previous valuation	Dr Net Cost of Services	59Dr Revaluation Reserve Cr Property, Plant and Equipment	21,687 21,746
2	Reduce depreciation charged in the year	Cr Net Cost of Services	295Dr Property, Plant and Equipment	295
3	Heritage assets Reduce the previous valuation		Dr Revaluation Reserve Cr Heritage	299 299
	Statutory Capital Accounting Adjustments			
4	Reversing funding depreciation due to current cost		Cr Revaluation Reserve Dr Capital Adjustment Account	295 295
5	Reversing the impact of depreciation on the general fund via Movement in Reserves		Cr Capital Adjustment Account	295 Dr General Fund
6	Reversing the impact of the reversal of the impairment on the General Fund via Movement in Reserves		Dr Capital Adjustment Account	59 Cr General Fund
7	Reversing impact of surplus on revaluation	Dr Surplus arising on revaluation of fixed assets	21,986	Cr General Fund
	Overall impact		21,750	Net assets Reserves
				21,750 21,750
				21,750

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Reference	Impact on the financial statements
1 Misclassification	588	Comprehensive Income and Expenditure Statement	Capital Grant Contributions has been incorrectly reported as Financing and Investment Income & Expenditure rather than Taxation & Non-specific Grant Income as required by the CIPFA Code of Practice on Local Authority Accounting.
2 Disclosure	765	Note 14 Financial Instruments: Debtors	In adjusting the Debtors figures in the Consolidated Balance sheet to remove prepayments (as these are not classified as Financial Instruments) the Council added rather than subtracted these. The balances are recorded correctly in the Statement of Financial Position, the error relating only to the Financial Instruments disclosure.
3 Disclosure	492	Note 4 Property Plant and Equipment	The Council had included Assets Held for Sale sold in the year within this note incorrectly, this had been correctly disclosed in Note 6 Assets Held for Sale.
4 Disclosure	n/a	Various	Some additional minor changes have been made to the explanatory foreword, the notes to the financial statements and annual governance statement as a result of the audit. These changes relate to correcting textual errors and improving presentation & disclosure.

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Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Governance Committee on 14 March 2013. We have not been made aware of any other matters in the period since and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Minor disclosure changes were made. Our review found no other material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.



Internal controls

The purpose of an audit is to express an opinion on the financial statements.



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

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	Assessment	Issue and risk	Recommendations
1.	 (AMBER)	The E-Commerce system is not fully reconciling with the monthly bank statement, meaning the Finance team are having to manually correct these items. We are satisfied that the year-end bank balance has not been materially misstated.	The Council should work on this issue to ensure that the E-Commerce system correctly records successful payments to agree to the payments received by the bank.
2.	 (AMBER)	The network password frequency of change is set at 90 days as are the frequencies of the financial applications we reviewed. We consider this frequency to be longer than good practice guidelines suggest and could lead to access control weakness.	We recommend that the Council review the frequency of network password changes to ensure they are appropriate.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Section 3: Value for Money

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01. Executive summary

02. Audit findings

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Our overall conclusion is that the Council is responding well to the financial challenges it faces. But with continued uncertainty over the future levels of local government funding and need to address a funding gap over the medium term members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council. Further details are set out in our Financial Resilience report.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. Overall appropriate arrangements for challenging economy, efficiency and effectiveness were found to be in place.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Fees, non audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	70,680	70,680
Grant certification	19,200	TBC*
Total audit fees	89,880	TBC*

* To be confirmed at the conclusion of the grant certification work.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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Fees for other services

Service	Actual fees £
None	Nil

Section 5: Communication of audit matters

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01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (UK and Ireland) (ISA(UK&I)) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings Report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

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Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should resolve problems with the E-Commerce system to ensure that it correctly records successful payments to agree to the payments received by the bank.	Medium	The process relating to failed payments reported by the system has been revised to identify and correct errors before the data is transferred into the main accounting system.	Implemented Financial Services Supervisor
2	The Council review the frequency of network password changes to ensure they are appropriate.	Low	The proposal will be reviewed with East Kent Services to consider whether this is appropriate and in-line with PSN requirements.	December 2013 Head of Finance

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

Opinion on the Authority financial statements

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

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of Responsibilities, the Director of Finance, Housing and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if :

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Emily Hill
 Associate Director
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor
 Grant Thornton House , Melton Street, Euston Square, London, NW1 2EP
 Date: 27 September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 14 March 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None – to date
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

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Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

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Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	Our audit testing identified that the valuer had incorrectly valued 3 assets, overstating their value.
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	Our audit testing identified that the valuer had incorrectly valued 2 assets, overstating their value.
Heritage assets & Investment property	Property, Plant & Equipment	None		No	Our audit testing identified that the valuer had incorrectly valued 1 asset, overstating its value.
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

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Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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Subject:	STATEMENT OF ACCOUNTS 2012/13
Meeting and Date:	Governance Committee – 26 September 2013
Report of:	Mike Davis, Director of Finance, Housing & Community
Classification:	Unrestricted

Purpose of the report:	To present the audited Statement of Accounts for 2012/13 to Governance Committee.
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Recommendation:	That the audited Statement of Accounts for 2012/13 (Appendix 1) be approved and signed by the Chairman of the committee.
	That the Committee authorise the Chairman to sign the Letter of Representation which is attached at Appendix 2.

1. **Summary**

Production of the Statement of Accounts is a statutory requirement for all local authorities. The main focus for members is the outturn position which is disclosed in the Financial Outturn 2012/13 report at item 11 of the agenda. The Statement of Accounts supports the Financial Outturn 2012/13 report and provides additional information for members if required.

The auditors, Grant Thornton, have completed their audit of the Statement of Accounts and have given an unqualified opinion. Information on changes requested to the original set of accounts supplied to the auditors is included in the Audit Finding Report at item 12 of the agenda. The changes do not alter the outturn for 2012/13 or the overall financial position of the authority as reported in the Outturn Report.

2. **Background**

Under the Council's constitutional arrangements the Governance Committee is charged with the responsibility for approving the Statement of Accounts by 30th September in accordance with regulations.

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

3. **Appendices**

Appendix 1 – Statement of Accounts 2012/13

Appendix 2 - Letter of Representation

Contact Officer: Helen Lamb, extension 2063



**Statement
Of
Accounts**

2012/13

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EXPLANATORY FOREWORD

1. INTRODUCTION

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

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

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

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

2. CHANGES IN ACCOUNTING AND PRESENTATION

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

3. OVERVIEW OF STATEMENT OF ACCOUNTS

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

(a) Explanatory Foreword (pages 2 to 11)

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

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

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

(c) Core Financial Statements (pages 13 to 72)

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

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

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

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

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

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

- **Balance Sheet (page 16)**

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

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

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

- **Notes to the Core Financial Statements (pages 18 to 72)**

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

(d) **Supplementary Financial Statements (pages 73 to 85)**

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

- **Collection Fund (page 73 to 77)**

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

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

- **The Housing Revenue Account (page 78 to 83)**

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

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

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

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

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

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

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

SUMMARY OF THE 2012/13 FINANCIAL YEAR

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

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

GENERAL FUND REVENUE ACCOUNT

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

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

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

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

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

Major Variations

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

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

Financing

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

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

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

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

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

HOUSING REVENUE ACCOUNT (HRA)

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

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

The reform will provide additional funds to invest in existing stock and future housing initiatives. At year end £2.5m was transferred into a Housing Initiatives Reserve for these purposes. The balance on the Housing Initiatives Reserve as at 31 March 2013 was £5m.

In 2012/13 the HRA achieved an increase in the HRA balance (before the £2.5m transfer to reserves) of £3,293k compared to the original budget that forecast an increase of £534k. The main reasons for the variance are as follows:

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

The increased surplus facilitated the transfer of the additional £2.5m to the Housing Initiatives Reserve.

CAPITAL INVESTMENT

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

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

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

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

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

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

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

OTHER KEY FINANCIAL AREAS

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

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

TREASURY MANAGEMENT

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

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

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

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

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

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

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

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

BALANCE SHEET – The Council's Assets and Liabilities

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

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

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

PENSION FUND

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

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

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

MEDIUM TERM FINANCIAL PLAN

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

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

THE FUTURE

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance, Housing and Community's Responsibilities

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

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

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

The Director of Finance, Housing and Community has also:

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

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

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

Signed:

Mike Davis CPFA
Director of Finance, Housing and Community

Dated:

Signed:

Councillor Trevor Bartlett
Chairman, Governance Committee

Dated:

MOVEMENT IN RESERVES STATEMENT

		2011/12									
Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000		
Balance at 1 April	2,225	8,608	3,031	346	826	918	15,954	183,934	199,888		
Comprehensive Income & Expenditure											
Surplus or (deficit) on the provision of services	(1,085)	(91,997)					(93,082)	0	(93,082)		
Other comprehensive income & expenditure							0	(15,523)	(15,523)		
Total Comprehensive Income & Expenditure	(1,085)	(91,997)	0	0	0	0	(93,082)	(15,523)	(108,605)		
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation and amortisation of non-current assets	4	1,493		1,486			2,979	(2,979)	0		
Impairment of non-current assets	4	2,555	5,618				8,173	(8,173)	0		
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA		(1,741)	1,741			0	0	0		
MRA transferred to fund capital expenditure	3			(3,227)			(3,227)	3,227	0		
Capital grants and contributions	21	(1,248)				(293)	(1,541)	1,541	0		
Changes in the value of Investment Properties	5	(106)					(106)	106	0		
Revenue expenditure funded from capital under statute	11	59					59	(59)	0		
(Gain) or loss on disposal of non-current assets	8	(311)	(67)		1,787		1,409	(1,409)	0		
Revaluation gain	32	(1)					(1)	1	0		
Adjustments under statutory provisions relating to soft loans	16	(60)					(60)	60	0		
Self Financing Determination	42		90,473				90,473	(90,473)	0		
Net charges made for retirement benefits	19	(195)	(530)				(725)	725	0		
Council tax income regulatory adjustment	20	(37)					(37)	37	0		
Capital expenditure charged to revenue	10	(267)	(499)				(766)	766	0		
Employee benefits – accrued annual leave	22	12					12	(12)	0		
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	515			(515)		0	0	0		
Capital receipts applied	10				(737)		(737)	737	0		
Net Increase or Decrease before Transfers to/from Earmarked Reserves	1,324	1,257	0	0	535	(293)	2,823	(111,428)	(108,605)		
Transfers to or (from) earmarked reserves	24	(1,291)	(2,500)	1,197	2,500		(94)	94	0		
Increase or Decrease in Year	33	(1,243)	1,197	2,500	535	(293)	2,729	(111,334)	(108,605)		
Balance at 31 March	2,258	7,365	4,228	2,846	1,361	625	18,683	72,600	91,283		

MOVEMENT IN RESERVES STATEMENT

		2012/13									
	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000	
Balance at 1 April		2,258	7,365	4,228	2,846	1,361	625	18,683	72,600	91,283	
Comprehensive Income & Expenditure											
Surplus or (deficit) on the provision of services		(2,850)	2,132					(718)		(718)	
Other comprehensive income & expenditure									1,179	1,179	
Total Comprehensive Income & Expenditure		(2,850)	2,132	0	0	0	0	(718)	1,179	461	
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation and amortisation of non-current assets	4	1,614	0		1,483			3,097	(3,097)	0	
Impairment of non-current assets	4	2,597	5,681					8,278	(8,278)	0	
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA	0	(3,390)		3,390			0	0	0	
MRA transferred to fund capital expenditure	3	0	0		(4,873)			(4,873)	4,873	0	
Capital grants and contributions	21	(588)	0				355	(233)	233	0	
Changes in the value of Investment Properties	5	(51)	0					(51)	51	0	
Revenue expenditure funded from capital under statute	11	86	0					86	(86)	0	
(Gain) or loss on disposal of non-current assets	8	(431)	(443)			1,982		1,108	(1,108)	0	
Revaluation gain	32	(7)	0					(7)	7	0	
Adjustments under statutory provisions relating to soft loans	16	(250)	0					(250)	250	0	
Loan Principal Repayments	13	(24)	0					(24)	24	0	
Net charges made for retirement benefits	19	390	(76)					314	(314)	0	
Council tax income regulatory adjustment	20	(43)	0					(43)	43	0	
Capital expenditure charged to revenue	10	(66)	(610)					(676)	676	0	
Employee benefits – accrued annual leave	22	15	0					15	(15)	0	
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	207	0			(207)		0	0	0	
Capital receipts applied	10	0	0			(320)		(320)	320	0	
Net Increase or Decrease before Transfers to/from Earmarked Reserves		599	3,294	0	0	1,455	355	5,703	5,242	461	
Transfers to or (from) earmarked reserves	24	(597)	(2,500)	541	2,407	0	0	(149)	149	0	
Increase or Decrease in Year		2	794	541	2,407	1,455	355	5,554	5,093	461	
Balance at 31 March		2,260	8,159	4,769	5,253	2,816	980	24,237	67,508	91,745	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2011/12 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2012/13 Gross Income £000	Net Expenditure £000
			Continuing Operations				
11,963	(10,564)	1,399	Central Services to the Public		12,313	(10,785)	1,528
4,464	(1,166)	3,298	Cultural and Related Services		4,479	(616)	3,863
9,812	(4,835)	4,977	Environmental and Regulatory Services		10,510	(5,677)	4,833
3,535	(1,370)	2,165	Planning and Development Services		3,748	(1,966)	1,782
1,330	(2,333)	(1,003)	Highways and Transport Services		1,714	(2,380)	(666)
2,555	0	2,555	Exceptional item – revaluation (gain) or loss on GF stock	42	0	0	0
19,843	(18,308)	1,535	Local Authority Housing (HRA)		14,489	(19,325)	(4,836)
90,473	0	90,473	Exceptional item – Self-Financing Determination	42	0	0	0
39,470	(38,488)	982	Other Housing Services		45,194	(41,632)	3,562
1,729	(263)	1,466	Corporate and Democratic Core		1,808	(161)	1,647
153	0	153	Non-distributed costs		282	(167)	115
185,327	(77,327)	108,000	Net Cost of Services		94,537	(82,709)	11,828
			Other Operating Expenditure:				
		(378)	(Gain) or loss on disposal of fixed assets	8			(874)
		1,920	Amounts due to precepting authorities:				2,014
		58	– Town and Parish Councils				64
		515	– River Stour Drainage Board Levy	23			207
			Contribution of Housing Capital Receipts to Central Government Pool				
			Financing and Investment Income & Expenditure:				
		406	Interest payable and similar charges				3,268
		(529)	Interest and investment income				(631)
		(106)	Changes in the value of Investment Properties	5			(51)
		(110)	Impairment of Icelandic investment	12			(19)
		1,410	Pensions interest cost & expected return on assets	19			1,832
			Taxation & Non-specific Grant Income:				
		(8,353)	Demand on the Collection Fund	20			(8,665)
		(2,405)	Government grants (not attributable to specific services)	21			(563)
		(1,152)	Capital Grant Contributions	21			(588)
		(6,195)	National Non-Domestic Rate distribution	21			(7,104)
		93,081	(Surplus) or Deficit on Provision of Services				718
		38	(Surplus) or deficit arising on revaluation of fixed assets	34			(7,669)
		(12)	(Surplus) or deficit on revaluation of available-for-sale financial assets	17			0
		0	Transfer of Capital Grant to Long Term Borrowing				25
		15,498	Actuarial (gains) or losses on pension fund assets and liabilities	19			6,465
		15,524	Other Comprehensive Income & Expenditure				(1,179)
		108,605	Total Comprehensive Income & Expenditure				(461)

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CONSOLIDATED BALANCE SHEET

Restated 31 March 2012 £000		Notes	31 March 2013 £000	£000
153,563	Council dwellings		149,902	
57,226	Land and buildings		61,155	
1,118	Vehicles, plant and equipment		1,171	
7,665	Infrastructure assets		7,386	
204	Community assets		193	
1,606	Assets under construction		1,794	
0	Surplus assets not held for sale		495	
221,382	Property, Plant and Equipment	4		222,096
4,113	Heritage Assets	7	4,127	
2,567	Investment property	5	2,317	
66	Intangible assets	4	118	
415	Long term investments	12	362	
2,608	Soft loans	16	2,748	
392	Long term debtors	25	730	
(66)	Less provision for bad debts	25	(66)	
10,095	Long Term Assets			10,336
18,576	Short term investments	12	19,073	
137	Stocks in hand		165	
7,642	Short term debtors	25	7,501	
(2,059)	Less provision for bad debts	25	(2,136)	
2,097	Cash and cash equivalents	26	6,385	
987	Assets held for sale	6	0	
27,380	Current Assets			30,988
(1,078)	Short term borrowing	13	(2,070)	
(9,789)	Short term creditors	27	(9,320)	
0	Provisions	28	(33)	
(1,899)	Receipts in advance	29	(1,275)	
(12,766)	Current Liabilities			(12,698)
(96,785)	Long term borrowing	13	(93,954)	
(604)	Capital grants received in advance	31	(825)	
(57,419)	Pensions liability	19	(64,198)	
(154,808)	Long Term Liabilities			(158,977)
91,283	Net Assets			91,745
2,258	General Fund balance		2,260	
7,365	Housing Revenue Account balance		8,159	
4,228	Earmarked reserves	24	4,769	
2,846	Housing Revenue Account reserves	24	5,253	
1,361	Usable capital receipts reserve	23	2,816	
625	Capital grants unapplied	30	980	
18,683	Reserves Available to Fund Services			24,237
17,554	Revaluation reserve	34	24,836	
148	Available-for-sale financial instruments reserve	17	148	
113,779	Capital adjustments account	32	107,907	
(1,587)	Financial adjustments account	15	(1,337)	
207	Collection Fund adjustment account	20	250	
(82)	Employee adjustment account	22	(98)	
(57,419)	Pensions reserve	19	(64,198)	
72,600	Reserves Unavailable to Fund Services			67,508
91,283	Net Worth			91,745

CASH FLOW STATEMENT

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

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

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

(b) Qualitative Characteristics of Financial Information

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

(c) Accounting Concepts

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

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

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

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

(e) **Cash and Cash Equivalents**

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

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

The Council is a billing authority and as such is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, The Police & Crime Commissioner for Kent and Kent Fire and Rescue Authority, for council tax and the government for national non-domestic (business) rates.

As such the accounts only show the amount owed by and to taxpayers in respect of our council tax. Major precepting authorities are shown as net debtors or creditors on the Balance Sheet. Similarly the accounts only show the net debtor or creditor in respect of national non-domestic (business) rates received and paid over to the Government.

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

(g) **Provisions**

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

(h) **Contingent Assets**

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

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

(i) **Contingent Liabilities**

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

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

(j) **Debt Write-Off**

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

(k) **Employee Benefits**

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

Benefits Payable during Employment

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

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

Termination Benefits

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

In the event of notice of termination being served on an employee the costs of such termination are accrued to the year that the notice is served.

Post-Employment Benefits

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

Under IAS 19, the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was 31 March 2010 and changes to contribution rates as a result of that valuation took effect from 1 April 2011. The next formal valuation of the Pension Fund for funding purposes runs from 31 March 2013.

(l) Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; or

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

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

(m) **Exceptional Items**

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

(n) **Prior Period Adjustments**

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

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

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

(o) **Financial Instruments**

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

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

Financial Assets

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

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

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

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

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

Soft Loans

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

Financial Liabilities

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

(p) **Foreign Currency Transactions**

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

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

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

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

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

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

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

(r) **Long Term Contracts**

Long term contracts are accounted for on the basis of charging the “surplus or deficit on the provision of services” with the value of works and services received under the contract during the financial year.

(s) **Leases**

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

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

A definition of a lease includes hire purchase arrangements.

Finance Leases

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

Operating Leases

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

(t) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

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

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

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

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

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

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

• Land and Buildings

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

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

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

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

- Vehicles, Plant and Equipment

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

- Infrastructure Assets

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

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

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

Investment property is not subject to depreciation.

(vi) Intangible Assets

These are non-current assets that do not have physical substance, but are identifiable and controlled by the Council through custody or legal

rights. Intangible assets held by this Council currently consist of IT software and associated costs.

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

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(u) **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

(v) **Reserves**

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

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

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

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

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

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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.
Property, Plant and Equipment	Asset valuations are calculated on a 5-year cycle with the exception of Housing Revenue Account dwellings and garages which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.5m change in the balance sheet values, equating to approximately £350 per dwelling. There would also be an impact of approximately £15k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.5m.
Bad Debts Provisions	The Council has bad debt provisions of £2m for HRA, benefit overpayment, council tax (DDC share) and general debtors. This is approximately 30% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. **SEGMENTAL REPORTING**

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

The services are broken down as follows:

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

Segmental Analysis

2011/12

	Chief Executive	Finance, Housing & Community	Regeneration & Development	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income:								
Fees, charges and other service income	(7)	(821)	(934)	(8,500)	(338)	(1,765)	(18,308)	(30,673)
Interest and investment income	0	(7)	0	0	0	0	(198)	(205)
Government grants and contributions	0	(48,300)	(3)	(115)	(14)	0	0	(48,432)
Total Income	(7)	(49,128)	(937)	(8,615)	(352)	(1,765)	(18,506)	(79,310)
Expenditure:								
Employee expenses	679	1,477	2,044	3,011	1,422	1,663	(185)	10,111
Premises	11	8	113	1,505	7	0	887	2,531
Transport	7	16	42	99	18	21	(2)	201
Supplies and services	172	1,637	487	1,270	665	94	369	4,694
Third party payments	(106)	3,346	1	7,925	0	177	11,161	22,504
Housing Benefits and Council Tax Benefits	0	46,041	0	0	0	0	29	46,070
Support service recharges	55	(1,296)	623	295	(503)	(189)	478	(537)
Depreciation and amortisation	0	160	238	1,207	1	0	1,486	3,092
Total Expenditure	818	51,389	3,548	15,312	1,610	1,766	14,223	88,666
Net Cost of Services (excl. impairments)	811	2,261	2,611	6,697	1,258	1	(4,283)	9,356

Segmental Analysis

2012/13

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

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

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

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

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

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

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

4. **PROPERTY, PLANT AND EQUIPMENT**

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

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

Depreciation and Amortisation

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

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

Depreciation is calculated on a straight line basis.

Tangible Non-current Assets and Depreciation

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

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

Intangible Non-Current Assets

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

Non-Current Asset Valuation

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

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

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

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

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

Impairment

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

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

5. INVESTMENT PROPERTIES

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

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

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

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

	2011/12 £000	2012/13 £000
Balance at start of the year	2,667	2,567
Revaluation gains from fair value adjustments	165	92

	2011/12 £000	2012/13 £000
Revaluation losses from fair value adjustments	(61)	(41)
Disposals	(204)	(300)
Balance at end of year	2,567	2,317

6. ASSETS HELD FOR SALE

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

7. HERITAGE ASSETS

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

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

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

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

9. COMMITTED CAPITAL CONTRACTS

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

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

10. CAPITAL EXPENDITURE AND FINANCING

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

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

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2011/12		2012/13	
	£000	£000	£000	£000
Gross expenditure:				
Home improvement grants	63		69	
Disabled facilities grants	435		491	
Land contamination testing	19		0	
Coastal protection	56		0	
Property Level Flood Protection	0		60	
Electronic Booking System	0		19	
Grants/contributions to organisations	14		1	
		587		640
Grants & contributions received:				
Regional Housing Board Grant	(18)		(3)	
Disabled Facilities Grant subsidy	(435)		(491)	
Land contamination testing	(19)		0	
Coastal protection	(56)		0	
Environment Agency	0		(60)	
		(528)		(554)
Total		59		86

12. INVESTMENTS

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

Short Term Investments

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

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

Long Term Investments

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

Investment Portfolio

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

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
<u>Internal Investments:</u>			
Lloyds	17.12.2013	3,000	UK 'AA+'
Lloyds	11.04.2013	2,000	UK 'AA+'
Bank of Scotland	07.11.2013	1,000	UK 'AA+'
Total Internal Investments		6,000	
<u>External Investments:</u>			
<u>Certificates of Deposit</u>			
Deutsche Bank	15.05.2013	2,500	Germany 'AAA'
Nordea Group	02.04.2013	1,300	Sweden 'AAA'
Barclays Bank	26.06.2013	1,300	UK 'AA+'
ING Bank	15.05.2013	400	UK 'AA+'
Nordea Group	15.05.2013	1,200	Sweden 'AAA'
Nationwide	10.05.2013	1,500	UK 'AA+'
Svenska Handelsbanken	31.05.2013	1,500	Sweden 'AAA'
Svenska Handelsbanken	20.06.2013	700	Sweden 'AAA'
HSBC Securities	13.04.2013	900	UK 'AA+'
Rabobank	16.08.2013	1,200	Netherlands 'AAA'
<u>Fixed Interest Securities</u>			
European Bank of Reconstruction		315	'AAA'
<u>Deposits</u>			
Bank of Nova Scotia		74	Canada 'AAA'
Rabobank		8	Netherlands 'AAA'
GBP Cash – Settled Balance		2	UK AA+'
Total External Investments		12,899	
<u>Cash and Cash Equivalents:</u>			
Cash at bank	Instant Access	3	UK 'AA+'
Nat West	Instant Access	779	UK 'AA+'
Santander UK	Instant Access	0	UK 'AA+'
Bank of Scotland	Instant Access	2,048	UK 'AA+'
Barclays	Instant Access	3,505	UK 'AA+'
Money Market Fund (RBS)	Instant Access	50	UK 'AA+'
Total Cash and Cash Equivalents		6,385	

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

Icelandic Investments

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

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

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

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

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

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

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

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

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

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

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

Recovery is subject to the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

In 2010/11 an impairment was charged to the General Fund based on the calculated discounted assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. These calculations have been revised for 2012/13 based on current forecasts of cash flows from the investment. This has resulted in a reduction of £19k of the impairment in the 2012/13 Comprehensive Income and Expenditure Account.

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

13. **BORROWING**

	2011/12	2012/13
	£000	£000
<u>Short term borrowing</u>		
Accured Interest	157	157
PWLB repayments	912	1,898
LTA loan repayments	9	9
Salix loan repayments	0	6
Total Short Term Borrowing	1,078	2,070
<u>Long term borrowing</u>		
PWLB	93,562	90,737
LOBO	3,101	3,101
Salix loan	0	3
LTA Loan	122	113
Total Long Term Borrowing	96,785	93,954

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

14. **FINANCIAL INSTRUMENTS**

Market Valuation

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

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2013. The calculations are made with the following assumptions:

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

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

Financial Assets

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

Financial Liabilities

Balance as at:	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Short Term Liabilities</u>				
Accrued Interest	157	157	157	157
PWLB repayments due	912	912	1,898	1,898
Lawn Tennis Association Loan	9	9	9	9
Salix Loan	0	0	6	6
Total Short Term Borrowing	1,078	1,078	2,070	2,070
Creditors	8,778	8,778	8,282	8,282

Balance as at:	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Total Short Term Liabilities	9,856	9,856	10,352	10,352
<u>Long Term Liabilities</u>				
PWLB – maturity	4,001	5,735	4,001	6,110
PWLB – EIP	0	0	0	0
PWLB – Annuity	89,561	80,417	86,736	83,950
LOBOs	3,101	3,265	3,101	3,373
Market loans	0	0	0	0
Salix loan	0	0	3	3
Lawn Tennis Association Loan	122	122	113	113
Total Long Term Liabilities	96,785	89,539	93,954	93,549
Total Financial Liabilities	106,641	99,395	104,306	103,901

Maturity Analysis

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

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

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

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

16. SOFT LOANS

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

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

17. AVAILABLE FOR SALE RESERVE

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

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

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

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

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

Market Risk

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

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

Foreign Exchange Risk

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

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

Interest Rate Risk

The Council received interest of £345k on its investments of £26.6m achieving an average interest rate of 1.15%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £266k in the interest received.

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

19. PENSION COSTS

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The next formal valuation runs from 31 March 2013.

Transactions Relating to Retirement Benefits

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

	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	1,411	1,706
Past service costs	0	0
Curtailments and settlements	(83)	2
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(4,374)	(3,663)
Interest cost	5,784	5,495
Charge to the Surplus or Deficit on the Provision of Services	2,738	3,540
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	(15,498)	(6,465)
Total charges to the Comprehensive Income and Expenditure Statement	(12,760)	(2,925)

	2011/12 £000	2012/13 £000
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,738)	(3,540)
Actual amount charged to the General Fund for pensions in the year		
Employers' contributions payable to scheme	2,866	2,604
Retirement benefits payable to pensioners	597	622
Contribution (From) or To Pensions Reserve	725	(314)

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

Actuarial Gain/Loss

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

Assets and Liabilities in Relation to Retirement Benefits

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

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

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

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

	2011/12 £000	2012/13 £000
Assets		
Opening balance at 1 April	67,681	64,435
Expected rate of return	4,374	3,663
Actuarial gains or (losses)	(2,802)	5,503
Employer contributions	3,463	3,226
Contributions by scheme participants	484	460
Benefits paid	(5,460)	(5,315)

	2011/12 £000	2012/13 £000
Assets		
Payment of bulk transfer values	(3,305)	0
Closing balance at 31 March	64,435	71,972

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

The actual return on scheme assets in the year: gain of £9.165m (2011/12: gain of £1.573m).

Net Pension Liability

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

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

Reconciliation of Opening & Closing Surplus or Deficit

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

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

Breakdown of Assets Held by Pension Fund shown at Fair Value

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

	31 March 2012		31 March 2013	
	Fund Value £000	Percentage of Fund %	Fund Value £000	Percentage of Fund %
Assets				
Equities	47,682	74%	51,100	71%
Gilts	644	1%	0	0%
Bonds	6,444	10%	9,356	13%

	31 March 2012		31 March 2013	
	Fund Value £000	Percentage of Fund %	Fund Value £000	Percentage of Fund %
Assets				
Property	5,799	9%	5,758	8%
Cash	2,577	4%	2,879	4%
Target Return Portfolio	1,289	2%	2,879	4%
Total	64,435	100%	71,972	100%

Scheme History

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

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

History of Experience Gains and Losses

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

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

Basis for Estimating Assets and Liabilities

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

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

	2011/12	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.0 Years	20.1 Years

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

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Council's retirement benefit liabilities as at 31 March 2013 assumes members will exchange half their commutable pension for cash at retirement.

Projected Pension Expense for the Year to 31 March 2014

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

	2013/14 Projection £000
Service cost	2,015
Net interest on the defined liability (asset)	2,579
Administration expenses	59
Total	4,653
Employer's contributions	2,692

Further Information

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

20. **COUNCIL TAX INCOME**

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

21. **GRANT INCOME**

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

Credited to Taxation and Non-Specific Grant Income

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

Capital Grants & Contributions

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

Credited to Services

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

Total

48,432

50,593

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in note 30 on page 64.

22. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees	
	2011/12	2012/13
£50,000-£54,999	14	12
£55,000-£59,999	10	10
£60,000-£64,999	1	1
£65,000-£69,999	3	2
£70,000-£74,999	0	1
£75,000-£79,999	2	1
£80,000-£84,999	4	0
£85,000-£119,999	0	5
£120,000-£124,999	1	1
£125,000-£134,999	0	1
	35	34

Exit Packages

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

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

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

Senior Officers' Emoluments

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

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

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

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

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

Employee Adjustment Account (Accrued Annual Leave)

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

23. CAPITAL RECEIPTS

Usable Capital Receipts

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

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

Pooling of Housing Capital Receipts

In accordance with the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2012/13 £207k has been paid to the DCLG in relation to capital pooling requirements (£515k in 2011/12).

24. EARMARKED RESERVES

General Fund Earmarked Reserves:

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

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

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

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

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

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

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

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

Housing Revenue Account:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Major Repairs Reserve	0	(4,873)	4,873	0
Tenant’s Compact Reserve	(345)	0	92	(253)
Housing Initiatives	(2,500)	(2,500)	0	(5,000)
Total	(2,845)	(7,373)	4,965	(5,253)

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

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

Housing Initiatives Reserve – to provide a source of funding for HRA initiatives utilising the additional financing available due to Housing Finance Reform.

25. **DEBTORS**

Long Term Debtors	31 March 2012 £000	31 March 2013 £000
Loans to:		
Leaseholders ¹	113	91
Local organisations	35	29
Other:		

Housing benefit debtors ²	244	610
Total	392	730

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 2013 which is expected to be recovered after one year.

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

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

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

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

The provision for bad debts in respect of council tax represents the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 75.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

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

Collectability of Debt

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

26. CASH & CASH EQUIVALENTS

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

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

27. SHORT TERM CREDITORS

	2011/12 £000	2012/13 £000
As at 31 March		
General Fund		
Government departments	(4,118)	(3,794)
Other local authorities	(278)	(416)
Housing tenants	(180)	(177)
Other creditors – revenue	(3,502)	(3,453)
Other creditors – capital	(1,030)	(510)
	(9,108)	(8,350)
Collection Fund		

	2011/12	2012/13
	£000	£000
As at 31 March		
Local Authorities	(568)	(833)
Local tax payers (DDC's share)	(113)	(137)
	<u>(681)</u>	<u>(970)</u>
Total	<u>(9,789)</u>	<u>(9,320)</u>

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

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

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

28. PROVISIONS

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

29. RECEIPTS IN ADVANCE

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

30. CAPITAL GRANTS UNAPPLIED

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

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

31. CAPITAL GRANTS RECEIVED IN ADVANCE

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

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

32. CAPITAL ADJUSTMENT ACCOUNT

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

	2011/12 £000	2012/13 £000
Balance at 1 April	(210,098)	(113,779)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	2,961	3,063
Amortisation of intangible assets	18	34
Revaluation losses on property, plant and equipment	8,173	8,278
Revaluation gains on property, plant and equipment	(1)	(7)
Revenue expenditure funded from capital under statute	59	86
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	1,407	1,108
Adjusting amounts written out of the Revaluation Reserve	(299)	(389)

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

33. DEVELOPMENT CONTRIBUTIONS

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

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

34. REVALUATION RESERVE

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

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

35. RELATED PARTY TRANSACTIONS

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

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

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

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

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

Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 21 on reporting for resources allocation decision. Grant receipts outstanding at 31 March 2013 are shown in Note 25.

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

In 2012/13 £2,036,491 was paid to East Kent Housing in respect of management fees. A further 157.92 was paid in respect of sundry costs. Charges from DDC to East Kent Housing in respect of services supplied totalled £410,998. Balances due to/from East Kent Housing at 31 March 2013 were nil and £10,765 respectively.

36. MEMBERS' ALLOWANCES

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

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

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

37. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP (The Audit Commission in 2011/12), an independent body responsible for ensuring that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2012/13.

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

38. CONTINGENT LIABILITIES

Personal Search Fees

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

Munich Municipal Insurance (MMI)

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

East Kent Housing Pension Deficit

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

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

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

Rent Deposit Scheme

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

39. PRIVATE FINANCE INITIATIVE

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £4.48 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2013 was considered remote.

40. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2013. No events have occurred that require changes to the accounting statements.

41. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

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

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

East Kent Housing Ltd 2011/12	DDC share 25%		East Kent Housing Ltd 2012/13	DDC share 25%	
£000	£000		£000	£000	
(8,625)	(2,156)	Turnover	(8,173)	(2,043)	
8,341	2,085	Expenses	8,479	2,120	
<u>(284)</u>	<u>(71)</u>	Operational profit	<u>306</u>	<u>(77)</u>	
1,350	338	Profit/(loss) after taxation	363	91	
3,277	819	Other comprehensive income and (expenditure)	(1,160)	(290)	
<u>4,627</u>	<u>1,157</u>	Total comprehensive income and (expenditure)	<u>(797)</u>	<u>(199)</u>	
-	-	Non-current assets	-	-	
(1,518)	(380)	Current assets	(945)	(236)	
1,079	270	Current liabilities	402	100	
5,066	1,267	Non-current liabilities	4,373	1,093	

439	110	Profit and loss reserve	543	136
(5,066)	(1,267)	Pensions reserve	(4,373)	(1,093)

Note 35, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2012/13. Note 38, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

42. EXCEPTIONAL ITEMS

Net Cost of Services – Revaluation Loss on General Fund Stock

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

Net Cost of Services – Self-Financing Determination

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

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

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

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

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

- Amendments to IFRS 7 Financial Instruments: Disclosures

The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 63 provides a breakdown of this item.

- Amendments to IAS 19 Employee Benefits

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

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;

- Some labelling changes to the Profit and Loss charge e.g. “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

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

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

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

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

Precepts

Authorities who made a precept on the Collection Fund are:

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

Council Tax Base

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

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

Band D Council Tax

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

This basic amount of council tax for a Band D property of £1,468.95 for 2012/13 (£1,461.06 for 2011/12) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specifies an amount of 'rate poundage' of 45.8p (43.3p) for large businesses or 45.0p (42.6p) for small businesses in 2012/13 (2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by Central Government. Central Government redistributes the sums paid into the Pool back to local authorities on a basis determined by the Secretary of State as part of the Local Government Finance Settlement.

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

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

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

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

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

4. COLLECTION FUND SURPLUSES AND DEFICITS

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

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

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

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

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

At 31 March 2013

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

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2011/12 £000		Note	2012/13 £000
Income			
(17,078)	Dwellings rents	10	(18,139)
(428)	Non-dwelling rents		(437)
(288)	Tenant charges for services and facilities		(277)
(242)	Leaseholder charges for services and facilities		(179)
(271)	Contributions towards expenditure		(292)
(18,307)	Total Income		(19,324)
Expenditure			
3,301	Repairs and maintenance		3,495
3,324	Supervision and management		3,248
113	Rent, rates, taxes and other charges		66
5,941	Negative subsidy payable to Secretary of State		0
29	Rent rebate subsidy limitation	11	21
90,473	Exceptional Item – Self-Financing Determination	12	0
1,486	Depreciation and impairment of fixed assets	5	1,483
5,618	Revaluation loss on HRA stock	9	5,686
48	Debt management expenses		37
64	Increase in impairment of debtors	14	64
110,397	Total Expenditure		14,100
Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement			
92,090			(5,224)
315	HRA share of corporate and democratic core		388
(397)	HRA share of other amounts included in the whole authority		0
	Net Cost of Services but not allocated to specific services		
92,008	Net Cost of HRA Services		(4,836)
(67)	(Gain) or loss on sales of HRA non-current assets		(443)
0	Interest payable and similar charges		3,032
(198)	Interest and investment income		(214)
254	Pension interest costs and expected return on pensions assets	15	330
91,997	(Surplus) or Deficit for the year on HRA Services		(2,131)

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12		2012/13	
£000		£000	£000
(8,608)	Balance on the HRA at the end of the previous year		(7,365)
91,997	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(2,131)
	Adjustments between Accounting Basis and Funding under Statute:		
(5,618)	Impairment of non-current assets	(5,681)	
(90,473)	Transfer of Self-Financing Determination to Capital	0	
1,741	Excess depreciation over Major Repairs Allowance charged to the HRA	3,390	
67	Gain on disposal of non-current assets	443	
530	Net charges made for retirement benefits	76	
499	Capital expenditure funded by the HRA	610	(1,162)
(1,257)	Net increase before transfers to or from reserves		(3,293)
2,500	Transfers to earmarked reserves (note 4)		2,500
1,243	(Increase) or decrease in year on the HRA Balance		(793)
(7,365)	Balance on the HRA at the End of the Current Year		(8,158)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2012/13

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

Total Value of Assets

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

2. HOUSING STOCK

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

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years as at 31 March 2013 is £0k (31 March 2012 £0k).

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

4. OTHER EARMARKED RESERVES

Tenants Compact

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

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including "Affordable Housing" and had a balance of £5m at 31 March 2013 (£2.5m at 31 March 2012).

5. DEPRECIATION AND AMORTISATION

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

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

6. SUMMARY OF CAPITAL EXPENDITURE

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

7. SUMMARY OF CAPITAL RECEIPTS

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

8. CAPITAL EXPENDITURE FUNDED BY THE HRA

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

note 6.

9. **REVALUATION LOSS ON HRA STOCK**

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

10. **RENT OF DWELLINGS**

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

The average weekly rent at 31 March 2013 was £78.67, compared with £73.95 at 31 March 2012.

11. **RENT REBATE SUBSIDY LIMITATION**

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

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

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

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

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

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

No equivalent entries were required for 2012/13.

13. **RENT ARREARS**

The position for rent arrears is shown below:

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

14. IMPAIRMENT OF DEBTORS

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

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

15. IAS19 (RETIREMENT BENEFITS) AND THE HOUSING REVENUE ACCOUNT

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

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

The following adjustments have been made:

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

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2011/12	2012/13
	£	£
Income	511	513
Expenditure	(65)	(124)
Surplus or (deficit) for year	446	389
Fund balance at 1 April	67,663	68,109
Fund balance at 31 March	68,109	68,498
Represented by:		
Investments	68,109	68,498
Bank	0	0
	68,109	68,498

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2011/12	2012/13
	£	£
Income	1,275	1,241
Expenditure	(124)	(83)
Surplus or (deficit) for year	1,151	1,158
Fund balance at 1 April	343,135	344,286
Revaluation	0	0
Fund balance at 31 March	344,286	345,444
Represented by:		
Land and other buildings	174,273	174,273
Investment	181,085	181,085
Creditor	(11,072)	(9,913)
	344,286	345,444

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

THE SALTER COLLECTION CHARITY

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Opinion on the Authority financial statements

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

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Director of Housing, Finance and Community's Responsibilities, the Director of Housing, Finance and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

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

27th September 2013

GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCOUNTS

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

ASSETS

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

BALANCE SHEET

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

BALANCES

Capital or revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or any other account. Revenue balances may be

utilised to provide for unforeseen circumstances, to ensure that payments can be made pending the receipt of income, and if justified they may be used to reduce the Collection Fund levy.

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RECEIPTS

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

CAPITAL RESERVE

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

CASH EQUIVALENTS

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT ASSETS

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

CONTINGENT LIABILITIES

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

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INDEPENDENT AUDITOR'S REPORT

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENTS

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

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

LEASES

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

LIABILITIES

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

NON-CURRENT ASSETS

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

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROVISIONS

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

RESERVES

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

REVALUATION RESERVE

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

REVENUE/CAPITAL EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

SUPPORT SERVICES

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

SUSPENSE ACCOUNT

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

TEMPORARY LOANS

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

USABLE CAPITAL RECEIPTS

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

WORK IN PROGRESS

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

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Contact: Mike Davis
 Direct line: (01304) 872107
 e-mail: mikedavis@dover.gov.uk
 Our ref: MD/MP
 Your ref:
 Date: 26 September 2013

Dear Emily

Dover District Council
Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of Dover District Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge.

We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have adjusted the misstatements brought to our attention in the Audit Findings Report. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 26 September 2013.

Name:	Mike Davis	Name:	Councillor T J Bartlett
Position:	Director of Finance, Housing and Community	Position:	Chairman Governance Committee
Date	26 September 2013	Date:	26 September 2013

Subject:	TREASURY MANAGEMENT QUARTER ONE REPORT
Meeting and Date:	Governance Committee – 26 September 2013
Report of:	Mike Davis, Director of Finance, Housing & Community
Classification:	Unrestricted

Purpose of the report:	To provide details of the Council's treasury management for the quarter ended 30 th June 2013 (Q1) and an update of activity to date.
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Recommendation:	That the report is received
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1. Summary

As at 30th June 2013, the Council's in-house investments (approximately £4.5m or 26% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 74% of total investments) are currently outperforming their benchmark¹. The total interest received for the quarter is £42k, which is £16k below budget for the period, with deposit interest rates offered continuing to drop and Investec currently under-performing against the budget.

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

2. Introduction and Background

CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009: it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

In order to comply with the CIPFA code referred to above, but minimise the resource requirements in producing this report, a brief summary is provided below, and Appendix 1 contains a full report from the Council's Treasury Management Advisers, Sector.

Council adopted the 2013/14 Treasury Management Strategy on 6th March 2013 as part of the 2013/14 Budget and Medium Term Financial Plan.

3. Annual investment strategy

The investment portfolio as at the end of June is attached at Appendix 2. Since the end of quarter one, £2m has been invested with Lloyds for six months. In addition, a number of externally managed investments have matured or been sold since the end of the quarter. An update is attached at Appendix 4.

Sector have reviewed their own 'creditworthiness methodology' and removed from their calculations the credit default swap elements where activity has been very low (i.e average contracts outstanding of less than 1000 over the last five years). This brings some banks back within our investment parameters, for example, Santander UK.

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

The investment manager, Investec has returned lower rates than those achieved through in-house investments. Investec have continued to be used as they are able to offer a wider spread of our counter party risks and use of additional financial instruments (e.g. gilts). A review will be undertaken in the year to assess whether to keep the same level of investments with Investec, transfer additional investments back in-house or investigate alternative options.

4. **Economic background**

The report attached contains information up to the end of June 2013; since then we have received the following update from Sector (please note that their references to Q1 and Q2 are based on *calendar* years):

Economic Growth

After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion, the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

Employment and Earnings

The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.3% y/y, well below the rate of inflation at 2.7% in May, providing continuing pressure on household's disposable income.

Funding for Lending Scheme

The Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom years pre 2008.

Borrowing

Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 looked to be broadly in line with last year's figures, highlighting the government's difficulty in reducing borrowing while economic growth was relatively lacklustre. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. Bank Rate remains at 0.5% and quantitative easing also stayed at £375bn. In August, the MPC provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC would review Bank Rate, not necessarily take action to change it. In mid August, the June three month average rate was 7.8% although the much more volatile one month rate was 7.4%.

Inflation and Markets

CPI inflation (the MPC targets a rate of 2.0%), fell marginally from 2.9% to 2.8% in July. The Bank of England is expected to fall back to 2.0% in 2015.

Financial markets sold off following a Federal Reserve statement that suggested the central bank may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK. Equity prices fell too, initially, as Fed purchasing of bonds has served to underpin investor moves into equities out of low yielding bonds. However, as the market moves to realign its expectations, bond yields and equities are likely to rise further.

Overseas

In the US, the statement from the Fed took the limelight. The Fed's comments above sparked a sharp sell-off in the Treasuries market. The Fed move was a response to the improving economic outlook in the US; increases in payroll figures showed further improvement helping to pull the unemployment rate down from a high of 8.1% to 7.3%, and continuing house prices helped to bring more households out of negative equity.

Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a potential flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

5. Interest Rates

With the introduction of forward guidance by the Bank of England, Sector has reviewed its interest rate forecasts and does not expect any interest rate changes before 2016.

6. New Borrowing

The Council's borrowing portfolio is attached at Appendix 3. No new borrowing was undertaken during the quarter.

7. Debt Rescheduling

At this time it is not of benefit to the Council to consider rescheduling of its long-term debt, as advised by Sector.

8. Compliance with Treasury and Prudential Limits

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

9. Iceland update

The Icelandic Supreme Court found in favour of UK local authorities and other UK wholesale depositors last year. This judgement means that UK local authorities' claims have been recognised as deposits with priority status over other creditors' claims and that they will be paid first when it comes to getting their money back.

The winding up board published details of LBI's (formerly Landsbanki) financial position as at 31st December 2012. This showed that LBI's assets, including partial payments already made in respect of priority claims were greater than the sum of the priority claims. It is therefore still considered likely that UK local authorities will recover 100% of their deposits. However, the value recovered will fluctuate due to currency valuations as the sums are being paid in sterling, US dollars, Euros and Icelandic Kroner.

To date we have received £499,515, leaving a balance of £500,485, as shown in Appendix 2, which is approximately 50% of the original investment.

We were also notified on 11th September 2013 that a fourth partial payment by the winding up board is in the process of being made to us, which will reduce the balance owed by a further £53,000 approx. This is expected to be received in our bank account(s) by the middle of September.

10. **Appendices**

Appendix 1 – Sector treasury management report for quarter one

Appendix 2 – Investment portfolio as at 30th June 2013

Appendix 3 – Borrowing portfolio as at 30th June 2013

Appendix 4 – Investment portfolio as at 31st July 2013 (Investec) and 31st August 2013 (In-House)

11. **Background Papers**

Medium Term Financial Plan 2012/13 – 2014/15

Contact Officer: Stuart Groom, extension 2072

Treasury Management Update

Quarter Ended 30th June 2013

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report therefore ensures this council is implementing best practice in accordance with the Code.

1. Economic Background

- During the quarter ended 30th June: -
 - Indicators suggested that the economy accelerated;
 - Stronger household spending, both on and off the high street;
 - Inflation remained stubbornly above the MPC's 2% target;
 - The MPC remained in a state of limbo ahead of Mark Carney's arrival;
 - 10-year gilt yields rose above 2.5% and the FTSE 100 fell below 6,100;
 - The Federal Reserve discussed tapering the pace of asset purchases under Quantitative Easing 3 (QE3).
- After avoiding recession in the first quarter with a 0.3% quarterly expansion, it looks likely that the economy grew even more strongly in Q2. On the basis of past form, the CIPS/Markit business surveys for April and May point to 0.5% quarterly growth in the second quarter of 2013. Official output data echoed the message from the business surveys. The 3m/3m change in industrial production reached 0.9% in April, the strongest pace since July 2010. Similarly, the service sector expanded by 0.8% on the same basis. And while output in the volatile construction sector in April was 1% lower than a year ago, it was the smallest annual fall since the end of 2011, raising the prospect that the sector supported the recovery in Q2.
- There have been signs of renewed vigour in household spending in the second quarter. May's 2.1% monthly rise in retail sales overturned April's 1.1% fall. This tallied with information from the Bank of England agents, who reported a further pick-up in retail sales values in May. Non-high street spending looks to have been robust too, with new car registrations up by 20% in the year to May.
- The pick-up in economic growth appears to have supported the labour market, with employment rising by 24,000 in the three months to April. Admittedly, this was a lot slower than the 113,000 quarterly gain in employment seen on average over the past twelve months. But the rise in employment was still strong enough to reduce the level of unemployment further. The ILO measure fell by 5,000 in the

three months to April while the timelier claimant count measure reported an 8,600 fall in May. Meanwhile, pay growth rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the additional rate of income tax. Excluding bonuses, earnings rose by just 1.3% y/y, well below the rate of inflation at 2.7% in May.

- Meanwhile, the Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with the quoted interest rate on a 2-year fixed rate mortgage at a 90% loan-to-value ratio now 4.6%, around 130 basis-points lower in May than when the FLS was introduced in August 2012.
- Alongside the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks, as measured by the BBA, rose from 33,000 to 36,100 in May. Excluding a stamp-duty holiday related spike in January 2012, this was the highest level for over three years. The rise in demand has helped to push up house prices, with both the Halifax and Nationwide measures reporting a 0.4% monthly gain in May. On an annual basis, measured prices were up by 3.7% and 1.1% respectively.
- Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 looked to be broadly in line with last year's figures, highlighting the government's difficulty in reducing borrowing while economic growth is relatively lacklustre.
- Meanwhile, the 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan. Total expenditure was still forecast to be broadly flat in real terms in 2015/16 and the £50bn planned capital expenditure announced for that fiscal year was identical to the amount already outlined in March's Budget.
- On the monetary policy front, June's MPC meeting, the last chaired by the outgoing Governor Mervyn King, showed that the Committee remained in limbo ahead of the arrival of his replacement, Mark Carney. The Committee voted 6-3 to keep the level of asset purchases unchanged at £375bn, with the majority judging that the current stimulus and Funding for Lending Scheme would be sufficient to support growth in the context of price stability.
- Having fallen from 2.8% to 2.4% in April, CPI inflation rose to 2.7% in May. May's rise mostly reflected price changes due to the earlier timing of Easter, which depressed inflation in April. Even so, inflation is still likely to have risen further in June due to base effects, with last year's fuel price falls providing an unfavourable annual comparison. That said, underlying price pressures do seem

to be easing, with wages and producer prices both growing at subdued rates. Indeed, if anything, the inflation outlook brightened over the second quarter, with the price of oil falling from \$108pb to \$103pb while sterling appreciated by around 1.5% on a trade-weighted basis.

- Having continued to rally over April and May, financial markets sold off in June following a Federal Reserve statement that suggested the central bank may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK, with 10 year gilt yields rising to 2.5% from 1.8% at the start of the quarter. Equities were hit too, with the FTSE 100 falling from 6,411 at the start of the quarter to below 6,100 before ending the quarter a bit higher at 6,240.
- In the US, the statement from the Fed took the limelight. The Fed's comments sparked a sharp sell-off in the Treasury market, with 10-year Treasury yields hitting 2.54%. The Fed move was a response to the improving economic outlook in the US. Indeed, payroll figures showed that the US added 175,000 new jobs in May, helping to pull the unemployment rate down to 7.6%, from 8.2% a year ago. In the housing market, house prices rose by 12% in the year to April, which helped to bring more households out of negative equity.
- Meanwhile, tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a potential flare-up. For example, the Democratic Left party left the Greek governing coalition in June, causing 10 year Greek government bond yields to surge to 11.5% from around 8% a month ago. And while the economic survey data improved consistently over the first half of the year, the composite Eurozone PMI is still pointing to a further contraction in output in Q2. If this materialises, it would be the seventh quarter of Eurozone recession, the longest on record.

2. Interest Rate Forecast

The Council's treasury advisor, Sector, has provided the following forecast:

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%

25yr PWLB rate	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in May 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015. However, forecasts for PWLB rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East. The rise in equity prices was dented towards the end of the quarter by comments from Ben Bernanke, chairman of the Federal Reserve, that QE3 would be tapered off in the not too distant future. This seemed to catch financial markets by surprise and generated a bit of a stampede out of bonds and equities. This sharp selloff in bonds caused ten year bond yields to jump up nearly 90 bps between the low and high for the quarter.

SUMMARY OUTLOOK

UK economy

In Mervyn King's last Inflation Report as Governor of the Bank of England, there was a distinct shift towards optimism in terms of a marginal upgrading of growth forecasts so that the wording changed for the recovery from "remain weak by historical standards" to "modest and sustained recovery over the next three years". In addition, there was a lowering of the inflation forecast to now hit the 2% target within two years. However, this is still a long way away from strong recovery though the chances of there being more quantitative easing (QE) have receded due to business surveys indicating that the economy is on the up. QE has not increased from a total of £375bn since October 2012 and other measures have been implemented in preference to further QE. Thus the Funding for Lending Scheme (FLS), (started in August 2012), was expanded in April to provide further incentive to banks to expand lending to small and medium size enterprises. The FLS certainly seems to be having a positive effect in terms of stimulating house purchases (though levels are still far below the pre crisis level), and a marginal increase in house prices. However, concerns are increasing that QE and FLS are also in danger of causing asset price bubbles. Investors may seek higher returns by switching investment of cash from deposit accounts (yielding very low rates) and from government and corporate bonds - ahead of the eventual end of QE - to equities, whilst FLS may have

the side effect of inflating house prices, creating the potential for prices in each of these markets to be pushed at some point in time to potentially unsustainable levels.

In summary, our current views are centred around the following: -

UK

- Mark Carney starts on 1st July as the new Governor of the Bank of England. His appointment could lead to some changes to the way the MPC operates and makes decisions and announcements. It is possible there could be forward guidance e.g. that Bank Rate will not go up until some target rate, e.g. unemployment, had fallen to a specified level. Some commentators are guessing that this could effectively close the door to any increase in Bank Rate until sometime in 2016.
- Growth in Q1 of 2013 was confirmed at +0.3%. Q2 looks likely to be even higher at around +0.5%. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. But this is still a long way away from the UK getting back to strong growth.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register growth rates below the long term average in 2013 and 2014, though this should be on an improving trend.
- Consumers are likely to remain focused on paying down debt and consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
- The Coalition government is hampered in promoting growth by the need to tackle the budget deficit. However, the March budget did contain measures to boost house building and the supply of mortgages, and brought forward, by one year to April 2014, the start of a £10,000 tax free allowance for incomes.
- Little sign of a co-ordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- Government inspired measures to increase the supply of credit to small and medium enterprises (which are key to achieving stronger growth) by banks are not succeeding.
- There is little potential for more QE in 2013 in the UK and so gilt yields are vulnerable to pressures to rise, especially as gilt yields are powerfully influenced by American treasury yields and American investors have been spooked by Bernanke's comments on tapering QE in America.
- In February 2013 Moody's downgraded the UK's AAA credit rating one notch to AA+ and Fitch followed suit in April. There was little reaction in financial markets, as this had been widely anticipated.

Eurozone

- Most Eurozone countries are now battling against recession, although Germany is experiencing a resurgence of business confidence and surveys are pointing towards a resumption of growth. Growth prospects for many Eurozone countries

are poor due to the need to adopt austerity programmes to bring government deficits under control.

- The ECB cut its central rate from 0.75% to 0.5% in this quarter but this is unlikely to lead to much in the way of improvement in the prospects for GDP growth.
- Although market anxiety about Greece has subsided after the agreement to a further major financial support package amounting to nearly €50bn in December. In addition, business surveys are indicating some improvement in the economy, concerns are building that yet another haircut to reduce total debt to a more manageable level will eventually be required, together with more bail out funds. Whether all parties to such a deal would be prepared to pour more money into Greece remains an open question. The eventual end game could therefore still be that Greece is eventually forced to exit (dubbed "Grexit") the Eurozone and to return to the drachma.
- There is also increasing concern that the contraction in Spain's economy and the very high level of unemployment of 27%, similar to the level in Greece and Portugal, could mean that all three countries could get into a downward deflationary spiral, which makes achieving fiscal correction increasingly difficult and possibly unachievable. The ECB's pledge to provide unlimited bond buying support for countries that request an official bailout means that market anxiety about these countries is likely to be subdued in the immediate future. However, the poor economic fundamentals and outlook for these economies could well mean that a storm in financial markets has only been delayed, not cancelled. Spain has resisted asking for an official national bailout, although it has received financial support to recapitalise its four largest banks.
- The general election in Italy has created a highly unstable political situation where the two dominant parties have formed an unlikely coalition due to the blocking power of the new upstart Five Star anti-austerity party which has 25% of seats and has refused to enter a coalition agreement with ANY party. Whether such a coalition could effectively implement an agreed policy of austerity is very much open to question – which will make Italy vulnerable to swings in investor confidence.
- There could therefore be volatility in Spanish and Italian bond yields over the next year, depending on political and economic developments.
- A general election is due in Germany in the autumn of 2013. It currently looks likely that this will lead to little change in current policy on the Euro and support for peripheral countries. However, polls are indicating that 25% of the electorate now favour Germany leaving the Euro and stopping the flow of money from Germany to profligate southern countries. Any further disasters in the Eurozone could see this sentiment increase significantly.
- A bailout for Cyprus was eventually agreed in the last week of March. Slovenia, however, looks increasingly likely to be the next in line for a bailout, so their bond yields have risen. However, huge damage will be done to the Cypriot economy by the fallout from this bailout and many commentators consider it is only a matter of time before another bailout will be needed – or exit from the Euro.

- There are also concerns about the way austerity programmes are affecting economic growth in Ireland and Portugal. The Eurozone remains particularly vulnerable to investor fears of contagion if one country gets into major difficulty. Chancellor Merkel will be hoping that no major blow up occurs before the German general election which requires Germany to pour yet more money into a floundering country.

US

- There has been a marked improvement in consumer, investor and business confidence this year.
- Unemployment has continued on a steady, but unspectacular decline to 7.6%, but still a long way from the target rate of 6.5% for an increase in the Fed. rate.
- The housing market has turned a corner, both in rising price rises and the volume of house sales. Many householders are now not in negative equity.
- US equities reached all time highs, and so added to the feel good factor, until Ben Bernanke's words on tapering QE3 spooked investors.
- There has been a strong resurgence of confidence in US financial markets due to the "fiscal cliff" being largely averted or postponed. However, tax increases and cuts in Government expenditure leading to cuts in jobs, are damping the potential for recovery in growth rates.
- GDP in Q1 was disappointingly downgraded from +2.4% to a sub par +1.8%.
- The shale gas revolution is providing some solid underpinning to the US economy by enhancing its international competitiveness through cheap costs of fuel.
- There has been a start to the rehoming of manufacturing production from China to the USA as Chinese labour costs have continued their inexorable rise and new forms of high tech production have made home based production more viable and flexible.

China

- GDP growth has been disappointing in 2013. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector.
- There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates during the Government promoted expansion of credit, aimed at protecting the overall rate of growth in the economy since the Lehmans crisis.
- Since the change of national leadership, the new leaders have taken action to test the robustness of the banking system which has caused a rise in fear that there could be a credit crunch looming up in China.

Japan

- The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has quickly evaporated as

the follow through measures to reform the financial system and introduce other economic reforms, appears to have stalled.

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e., equities, and safer bonds. Key areas of uncertainty include:

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate growth in western economies, especially the Eurozone and Japan.
- The potential for weak growth or recession in the UK's main trading partners - the EU and US.
- The impact of the UK Government's austerity plan in dampening confidence and growth.
- Geopolitical risks e.g. Syria, Iran, North Korea

However, there is particular potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates, as follows: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- A renewed increase in investor confidence that robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on an improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and recovery of economic growth.

The overall balance of risks to economic recovery in the UK is now evenly weighted. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, the prospect of further QE has diminished but measures other than QE may be more favoured by Governor Carney if additional support is viewed as being required.

Given the generally weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as limited. Indeed, the first increase could be even further delayed if the tentative signs of growth failed to be maintained.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 06/03/2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in higher rates in periods up to 12 months 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.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2013.

Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. During the quarter an investment of £2m of in-house funds matured that was held with Lloyds. This money was reinvested with Lloyds after the end of the quarter. Additional funds were available on a temporary basis and held in call accounts and money market funds, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council separately holds £19m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30th June 2013

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.26%	0.57%	£42k

As illustrated, the Council outperformed the benchmark by 31 bps. The Council's budgeted investment return for 2013/14 is £230k, and performance for the year to date is £16k below budget, which includes the impact of further reductions in deposit interest rates available.

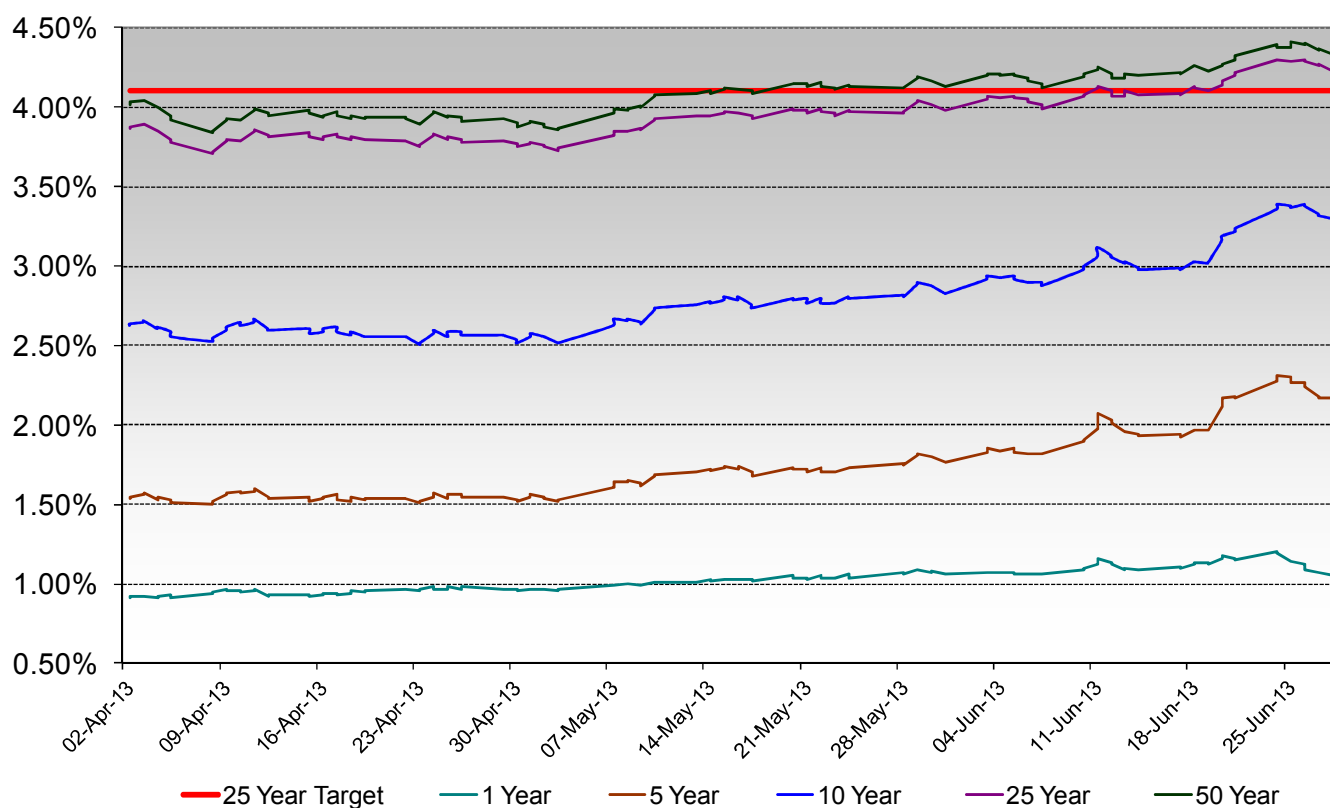
4. New Borrowing

Sector's 25 year PWLB target rate for new long term borrowing for the quarter was unchanged at 4.10% in its revised May forecasts.

No borrowing was undertaken during the quarter.

PWLB certainty rates, quarter ended 30th June 2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.91%	1.50%	2.51%	3.71%	3.84%
Date	02/04/2013	08/04/2013	23/04/2013	08/04/2013	08/04/2013
High	1.20%	2.31%	3.39%	4.30%	4.41%
Date	24/06/2013	24/06/2013	24/06/2013	24/06/2013	25/06/2013
Average	1.02%	1.75%	2.81%	3.95%	4.09%



Borrowing in advance of need.

This Council has not borrowed in advance of need during the quarter ended 30th June 2013 and has no intention to borrow in advance in 2013/14.

5. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30th June 2013, no debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits (affordable capital expenditure limits – Scottish local authorities). The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown below:

Prudential and Treasury Indicators as at 30th June 2013

Treasury Indicators	2013/14 Budget £'000	Quarter 1 Actual £'000
Authorised limit for external debt	113,500	113,500
Operational boundary for external debt	108,000	108,000
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	2,070	2,070
12 months to 2 years	2,978	2,978
2 years to 5 years	6,388	6,388
5 years to 10 years	12,081	12,081
10 years and above	72,506	72,506

Prudential Indicators	2013/14 Budget £'000	Quarter 1 Actual £'000
Capital expenditure	10,035	1,071
Capital Financing Requirement (CFR)	98,223	98,223

Investec Funds as at 30/06/13 - Inhouse as at 30/06/13

APPENDIX 2

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	08/08/13	0.430	100,000	UK - Gov 'AA+'	
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	15/08/13	0.440	300,000	UK - Gov 'AA+'	
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	31/05/13	0.520	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	02/07/13	0.430	1,200,000	Sweden - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	A/F1/1	30/08/13	0.440	2,400,000	UK - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	15/08/13	0.440	2,500,000	Germany - Gov 'AAA'	
Rabobank	Certificate of deposit	AA/F1+/1	16/08/13	0.440	1,200,000	Netherlands - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	15/08/13	0.440	1,300,000	Sweden - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA/F1+/1	31/12/13	0.510	100,000	UK - Gov 'AA+'	
					10,600,000		
European Bank for reconstruction United Kingdom	Fixed bond Gilt		01/12/13 22/07/18	0.580 1.480	314,895 1,919,321		
GBP cash - settled balance					64,347		
GBP cash - outstanding settlements					0		
					12,898,563		
In-house Investments - Portfolio							
Landisbanke Islands	Term deposit	Not rated by sectc	26/11/08	6.170	500,485	Iceland - Gov 'BBB-'	Duration 364 days - Repayment received £499,514.61
Lloyds	Term deposit	A/F1/1	17/12/13	1.500	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/13	1.900	1,000,000	UK - Gov 'AA+'	364 days
					4,500,485		
Total Portfolio					17,399,048		
Call Accounts/MMF (as at 30/6/13)							
						Rate	
DMA					0		
Global Treasury Fund					994,106	0.34%	
SIBA					7,644,862	0.75%	
SIBA SEEDA					55,541	0.50%	
SIBA HCA					47,306	0.50%	
SIBA ASDA					10,998	0.50%	
Alliance & Leicester					24	0.80%	
BoS					5,048,566	0.75%	*includes £2m portfolio investment yet to be reinves
Barclays					3,504,957	0.75%	
Abbey					1		
Total Cash flow					17,306,361		
Total Portfolio and Cashflow					34,705,409		

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-13	Interest Rate %	Principal Repaid 2013/14	Annual Interest 2013/14	Lender	Type of loan
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		67,500	PWLB	Principal due on maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		147,500	PWLB	Principal due on maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	647	2.50	44.64	16	PWLB	Equal installment of principal
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	121	2.50	8.40	3	PWLB	Equal installment of principal
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		47,500	PWLB	Principal due on maturity
Variable	16/12/02	16/12/42	JUNE-DEC	NA	3,000,000	4.75		142,500	KA Finanz AG	Repayable if called by bank
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	88,633,727	3.18	1,898,227.02	2,803,581	PWLB	Annuity
Fixed	01/05/12	01/11/27	MAY-NOV		121,934	0.00	8,709.60	0	Lawn Tennis Association	Interest free
Fixed	01/03/11	31/12/14	MAR-SEP		9,289	0.00	6,192.50	0	Salix	Interest free
					95,765,718		1,913,182	3,208,600		

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	15/08/13	0.440	300,000	UK - Gov 'AA+'	
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	29/11/13	0.520	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	08/10/13	0.470	1,200,000	Sweden - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	A/F1/1	30/08/13	0.440	2,400,000	UK - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	15/08/13	0.440	2,500,000	Germany - Gov 'AAA'	
Rabobank	Certificate of deposit	AA/F1+/1	16/08/13	0.440	1,200,000	Netherlands - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	15/08/13	0.440	1,300,000	Sweden - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA/F1+/1	31/12/13	0.410	100,000	UK - Gov 'AA+'	
					10,500,000		
European Bank for reconstruction United Kingdom	Fixed bond Gilt		01/12/13 22/07/18	0.590 1.230	314,895 1,919,321		
Bank of Nova Scotia	Deposit			0.320	160,099		
GBP cash - settled balance					9,611		
GBP cash - outstanding settlements					0		
					12,903,925		
In-house Investments - Portfolio							
Landisbanke Islands	Term deposit	Not rated by sect	26/11/08	6.170	500,485	Iceland - Gov 'BBB-'	Duration 364 days - Repayment received £499,514.61
Lloyds	Term deposit	A/F1/1	17/12/13	1.500	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/13	1.900	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/14	0.750	2,000,000	UK - Gov 'AA+'	182 days
					6,500,485		
Total Portfolio					19,404,410		
Call Accounts/MMF (as at 31/8/13)							
						Rate	
DMA					0		
Global Treasury Fund					994,106	0.34%	
SIBA					8,611,133	0.75%	
SIBA SEEDA					55,541	0.50%	
SIBA HCA					47,306	0.50%	
SIBA ASDA					10,998	0.50%	
Alliance & Leicester					25	0.80%	
BoS					5,053,069	0.75%	
Barclays					3,507,166	0.75%	
Abbey					1		
Total Cash flow					18,279,344		
Total Portfolio and Cashflow					37,683,754		

Subject:	GOVERNANCE LOCAL CODE REVISION
Meeting and Date:	Governance Committee – 26 September 2013 Council – 27 November 2013
Report of:	Dave Randall, Director of Governance
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report: To agree the amended Corporate Governance Local Code

- Recommendation:**
1. Governance Committee recommend to Council that the amended Corporate Governance Local Code, which incorporates the Risk Management Strategy and the Performance Management Framework, is adopted.
 2. Council adopts the amended Corporate Governance Local Code.
-

1. Summary

- 1.1 The Corporate Governance Local Code brings together legislative requirements, governance principles and management processes, providing a framework for the proper conduct of our business in an accountable way.

2. Introduction and Background

- 2.1 CIPFA in association with SOLACE developed *Corporate Governance in Local Government* together with accompanying guidance notes. These have been in use since 2001 along with various revisions and updates to the guidance. At Dover, this forms the basis of our Corporation Governance Local Code.
- 2.2 In 2013 Grant Thornton, the Council's auditors surveyed 64 local government leaders and analysed 153 council governance statements and found that many councils followed the CIPFA/SOLACE guidance too rigidly, rather than reflecting the unique features and challenges of their individual Councils.

Grant Thornton state that Good Council Governance should not just be about publishing statements of compliance, it should be about ensuring the entire organisation is aligned to achieving its strategic goals , ethically and effectively.

- 2.3 This revised code reflects what we do in Dover to ensure good Governance rather than conforming to a national model, while at the same time ensuring we revise our practices in line with legal and moral requirements.

This Code also now incorporates our Risk Management Strategy and our Performance Management Framework, bringing together three important Governance Frameworks into one document.

2.4 Data Collection, monitoring and action planning are done through the Council's Performance Monitoring System (Covalent). An example of a report from Covalent is at **Appendix 1**. This shows the Compliance information and documentation available for audit.

3. **Identification of Options**

3.1 To agree the revised Corporate Governance Local Code

3.2 To request a different version of the Corporate Governance Local Code.

3.3 Not to agree the revised Corporate Governance Local Code

4. **Evaluation of Options**

4.1 Option 1 is the preferred option. As outlined above, it reflects best practice, but is also tailored to the arrangements already in place at DDC. Although comprehensive, it remains a proportionate response, bringing together information already available.

5. **Resource Implications**

5.1 No additional resources are required.

6. **Corporate Implications**

6.1 Comment from the Section 151 Officer: Finance has been consulted and has no further comments to add (SJL)

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

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

7. **Appendices**

- **Appendix 1 – Revised Local Code**
- **Appendix 2 – Table of Evidence**

8. **Background Papers**

None.

Contact Officer: Dave Randall, Director of Governance



Corporate Governance Local Code

Revised: Sept 2013

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Introduction

What Do We Mean By Governance?

Governance is about how we ensure that we are doing the right things, in an open, honest and accountable manner.

Good governance comprises the systems, processes, cultures and values we follow so that we can pursue our vision and objectives effectively, while minimising the risks involved. At DDC, we aim to meet the standards of the best and ensure that our governance arrangements are sound.

Good Governance runs through every level of the organisation, it must be owned by all stakeholders, including senior management and members. It forms the essential core values of the Council and should remain embedded in the culture of the Council.

Purpose of This Corporate Governance Local Code

Our Corporate Governance Local Code brings together legislative requirements, governance principles and management processes, providing a framework for the proper conduct of our business in an accountable way.

Delivering Good Governance

Good governance is important to all officers and members of this council. It is a key responsibility of our Leader, our Chief Executive, the Cabinet, the Corporate Management Team and the full Council, in particular the Governance Committee who are responsible for monitoring and providing assurance on our governance arrangements.

The Council has in place a process of continual review of its internal control arrangements. Rules are embedded into the Constitution of the Council, under the term Corporate Governance. Good Corporate Governance underpins credibility and confidence in the Council and this Code of Corporate Governance promotes accountability, effectiveness, openness, integrity and inclusivity in all of our business.

This statement, the systems that support it and the overall Corporate Governance arrangements are all subjected to an annual audit inspection by the Councils external auditors.

This Local Code also provides a mechanism for the continued development of Corporate Governance arrangements, summarising the principles and how this Council will comply with the Corporate Governance Framework, with Risk Management and with Performance Management.

Testing our Arrangements

We test our arrangements by:

- Maintaining an up-to-date and effective local code of governance.
- Regular review of our existing governance arrangements against this code.
- Preparing an annual governance statement in order to report publicly on compliance with this code, over the past year.
- Reporting any planned changes in the coming period.

In order to review our current arrangements, we:

- Collect evidence of systems, processes and documentation that provide evidence of compliance;
- Collect evidence of the individuals and committees responsible for monitoring and reviewing systems, processes and documentation.
- Ensure management and reporting arrangements are in place to monitor governance effectiveness.
- Identify the issues that have not been addressed adequately and consider how they should be addressed.
- Prepare an action plan to address issues with responsibilities listed
- Prepare an action plan for the forthcoming year's evidence collection.
- Ensure appropriate risk and performance management arrangements are in place and are operating effectively.
- Ensure systems of control are working effectively.

Background

The Principles of Conduct

The Cadbury Report in 1992 identified 3 principles of public life and these were expanded in 1995 to 7. Together these 7 Principles of Public Life form an important part of the Governance Framework for Members, Officers and partners.

The principles are:-

- **Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

Dover District Council's Member Code of Conduct

This Council's Code of Conduct incorporates the principles outlined above and also covers:

- General principles in relation to behaviour and equal treatment of people.

- Confidentiality and openness – the treatment of confidential information and access to information
- Criminal offences and bringing the authority into serious disrepute.
- The use of the authority's resources – the prohibition of members from using their office/position to obtain advantage or from using local authority resources for the benefit of political parties
- Decision making – the requirement for members to act reasonably
- Disclosable Pecuniary Interest– restrictions on participation in meetings by members with an interest in matters under consideration
- The registration of members' interest – and gifts and/or hospitality received.
- Other significant interest

Officer Code of Conduct

This is currently (2013) under development.

Governance Principles

Development of the Principles of Governance

In 2007 the CIPFA/SOLACE joint working group issued a framework called Delivering good Governance in Local Government together with an accompanying guidance note. This was aimed at helping Local Authorities develop and maintain their own codes of governance. The guidance was updated in 2011 and 2012 to reflect the latest Accounts and Audit regulations.

Core and Supporting Principles

Six core principles were established together with supporting principles, to help authorities demonstrate good governance through their local codes.

Each of these principles translates into a range of specific requirements and they are reflected in this Corporate Governance Local Code:

<u>Core Principle</u>	<u>Supporting Principles</u>
1. Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area	<ul style="list-style-type: none"> • exercising strategic leadership by developing and clearly communicating our purpose and vision and its intended outcomes for citizens and service users • ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning • ensuring that we make best use of resources and that tax payers and service users receive excellent value for money.

<u>Core Principle</u>	<u>Supporting Principles</u>
<p>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> • ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function • ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard • ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.
<p>3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> • ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance • ensuring that organisational values are put into practice and are effective.
<p>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> • being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny • having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs • ensuring that an effective risk management system is in place • using our legal powers to the full benefit of the citizens and communities in their area.

<u>Core Principle</u>	<u>Supporting Principles</u>
<p>5. Developing the capacity and capability of members and officers to be effective</p>	<ul style="list-style-type: none"> • making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles • developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group • encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.
<p>6. Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> • Exercising strategic leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships • taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning • making best use of human resources by taking an active and planned approach to meet responsibility to staff.

The Annual Governance Process

To be effective a governance framework needs to demonstrate that the Supporting Principles are underpinned by evidence. This local code demonstrates how we will collect our evidence as part of an on-going process. Evidence is collected and held on the council's performance monitoring system throughout the year.

Annually, there is a review of the effectiveness of the Council's system of internal control and this informs the Annual Governance Statement. When this is complete, the Leader and Chief Executive agree and sign the statement.

The outcome of the annual review is reported internally to Cabinet and Governance Committee, and externally in the Annual Report with the published accounts.

Completing the Assurance Statement

The annual governance assurance statement will include the following information:

- An acknowledgement of our responsibility for ensuring there is a sound system of governance
- A description of the key elements of our governance framework.
- A description of the key elements of the review of effectiveness and what the current year's review involved including a description of the processes that were applied.
- An indication of the level of assurance that the systems and processes that comprise our governance arrangements can provide
- Significant governance issues, including an agreed action plan.
- Improvements made during the year.
- Statement of approval of the Leader and Chief Executive of the Council.

The Completion Process provides the detailed stages of the Annual Assessment. The Chief Executive, Statutory Officers, other Directors, Internal Audit and managers across the authority all have a role to play in this assessment. The overall assurance given is not a pass or fail. It is a narrative statement pointing to the Council's strengths and weaknesses.

Principles Adopted

Completion of the statement should flow from the normal business planning, review and reporting processes of the Council, its Governance and Standards Committees and the planned work of Internal Audit.

The Service Plan is one of the central mechanisms for each Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process.

Corporate Governance uses existing documents, procedures and frameworks. It also links to performance and risk reporting as poor service performance can reflect a failure of governance.

Effective internal controls are an important part of the Corporate Governance process. Through their audit assurance work, internal audit will provide an opinion on the effectiveness of the systems of internal control.

Preparation of the Annual Governance Statement

Data is collected throughout the year and saved electronically on the Council's Performance Monitoring system (Covalent). Supporting documents are also saved here. The action plan is prepared and monitored using the same system.

The Statement that the Leader and Chief Executive will be required to sign will be compiled from evidence held on the monitoring system which has been obtained from:

- **Internal Control Opinion**

The Assurance Statement from the Head of the Audit Partnership. This is compiled from the Internal Audit review of this Council's Corporate Governance arrangements.

The Monitoring Officer and the S151 Officer will review the internal control opinion and framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, Performance reporting, Risk management arrangements and the individual audit and risk management assessments.

- **Governance and Internal Control**

- Comment and recommendations from the Monitoring Officer, Section 151 Officer and Solicitor to the Council, who have responsibility for overseeing the operation of the Governance Framework and the Corporate Governance Local Code.
- The Director of Governance's (Monitoring Officer) review of the Council's performance against the Governance Framework.
- The Director of Governance (Monitoring Officer) and Director of Finance and Community's (Section 151 Officer) review of the Effectiveness of Internal Audit.
- Confirmation from other Directors via a Service Assurance Statement, which is also discussed and approved by the Portfolio Holder, that:
 - Risks have been identified. They are recorded and monitored in accordance with the Council's Risk Management Strategy.
 - Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.
 - Internal and External Audit reports and recommendations have been acted on.
 - Reports from other review agencies have been acted on.
 - Business arrangements are conducted in accordance with the law and proper standards.
 - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - The service 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.
 - A statement of assurance that improvement plans exist to rectify any acknowledged deficiency.
- The Annual Report of the Chairman of the Standards Committee on the ethical conduct of the Council.

- The Director of Governance (Monitoring Officer) and Solicitor to the Council's annual review of the Constitution.
 - The Solicitor to the Council's annual statement giving his opinion on the Council's compliance with relevant laws and regulations, and its legal obligations and requirements.
 - The Head of paid service annual statement giving his opinion on officers' compliance with the seven general principles of good conduct.
 - The Head of Corporate Services annual statement giving his opinion on compliance with the Council's Risk Management Strategy.
 - The director of EK Services annual statement giving her opinion of the Robustness of IT Systems.
- Other processes and reviews
 - Confirmation that Council policies are fully implemented.
 - The annual Constitutional review has been undertaken.
 - Checking that Council values and ethical standards are met
 - Ensuring Laws and regulations are complied with
 - Publishing financial statements and performance information accurately and reliably.
 - Confirmation that resources are managed efficiently and effectively
 - The External Auditor's Annual Audit and Inspection Letter, service assessments and other associated reviews
 - Confirmation that internal reviews are undertaken and findings are acted upon
 - Performance Reporting being seen to drive improvement
 - The Monitoring Officer and the Section 151 Officer will prepare a Draft Annual Governance Statement which will be considered by CMT and Cabinet who will provide the final review, evaluation and approval.
 - The Governance Committee, acting as the Audit Committee will monitor the overall governance process and ensure that the process is robust and agreed actions identified are properly implemented.
 - The final statements will then be signed before the end of June by the Leader and Chief Executive based on a clear evidence trail.

On-going monitoring and review is co-ordinated by the Director of Governance.

- The contents of this code will be reviewed annually alongside the Annual Governance Assurance Statement and will be kept up to date in the light of changing circumstances. The Director of Governance (Monitoring Officer) will maintain the documentation but Members and Officers must own the whole process.
- In addition, review and monitoring will be undertaken during the course of the year. This will be co-ordinated by the Director of Governance (Monitoring Officer) and includes:
 - Monitoring the Corporate Governance arrangements and recommended courses of action by the Section 151 Officer, Monitoring Officer and Solicitor to the Council.
 - Internal Audit review of Corporate Governance arrangements and auditable activities identified through risk based audit plans.
 - Ensuring management ownership for the delivery of agreed objectives, within a Corporate Governance Framework, whilst managing effectively their identified opportunities and risks.
 - Performance measurement of governance arrangements through the collection of Governance data on the Performance Management System.
 - Performance measurement of key objectives and associated risks using agreed key and local performance indicators.
 - On-going review of Risk Management arrangements and recommended courses of action by the Head of Corporate Services, Section 151 Officer and Head of the Audit Partnership.
 - On-going monitoring and review of compliance with the Seven Principles of Conduct by the Monitoring Officer, Head of EK Human Resources, Solicitor to the Council, Head of Democratic Services and the Standards Committee.
 - Ad hoc reviews initiated by the Chief Executive and/or Service Director.
 - Planned service reviews through the rolling programme of review.
 - External Audit review of Corporate Governance arrangements and other auditable activities.
 - The External Auditors will inspect the Annual Governance Assurance Statement, the evidence and position statements that support the statement, the risk management process and this Council's overall Corporate Governance arrangements.
 - Mid-year updates are given to Governance Committee on progress in implementing actions identified in the annual statement.

The Monitoring Officer, Section 151 Officer and Solicitor to the Council have responsibility for overseeing the implementation and monitoring of the operation of the Local Code. The

Head of the Audit Partnership has been given the responsibility for periodically reviewing the arrangements. Each of these officers also contributes to the annual assessment process and a clear separation of duties is required for these complementing but distinct roles.

Disagreements and differing opinions on the areas of non-compliance will be included within the assurance statement. They will be discussed and wherever possible agreement will be reached between signatories. An important part of the process is to develop an Action Plan to address any significant internal control issues disclosed in the statement. If agreement is not reached the Chief Executive and Leader will ultimately determine what is included, after taking advice from the Monitoring Officer, Section 151 Officer, Solicitor to the Council and Head of the Audit Partnership.

Dover District Council

Example - Annual Governance Assurance Statement

1 APRIL 2012 TO 31 MARCH 2013

WHAT WE ARE RESPONSIBLE FOR

We are responsible for ensuring that our business is conducted in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We have a duty under the Local Government Act 1999 to continually review and improve the way we work and at the same time have regard to a combination of economy, efficiency and effectiveness.

In order to meet our responsibility we have in place proper arrangements for overseeing what we do and this is called Governance. These arrangements make sure that we do the right things in the right way, that our services reach the right people and that we are open, honest and accountable in the way that we deliver those services.

We have approved and adopted a Local Code of Corporate Governance and a copy of this is available on our website here: - <http://www.dover.gov.uk> or one can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

THE AIM OF THE GOVERNANCE FRAMEWORK

The governance framework details the systems, processes, culture and values that we are controlled by and which we are answerable to. It also shows what we get involved with and how we engage with the community. It also shows how we monitor what we are achieving so that we can deliver services that are appropriate and value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies and aims and can only provide reasonable protection. The system of internal control is based on an on-going process designed to:-

- Identify and prioritise anything that could prevent us from achieving our policies and aims
- Assess how likely it is that identified risks might happen and what the result would be if they did
- Manage those risks efficiently, effectively and economically

The governance framework describes what has been in place at Dover District Council for the year ended 31 March 2013 and up to the date of approval of the Council's accounts.

OUR GOVERNANCE FRAMEWORK

Our Governance Framework is made up of a Code of Conduct as well as many systems, policies, procedures and operations. The key features are:-

Our Corporate Plan. This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2012-2016 is published and is available on the Council's website.

The following strategic priorities have been identified:-

- Enabling and supporting growth of the economy and opportunity for investment and jobs

- Facilitating strong communities with a sense of place and identity
- Serving our communities effectively
- An effective and efficient Council

Service Plans. We have service plans in place supporting the aims of the Corporate Plan which include performance indicators that use to measure our achievements. Copies of our performance report are available on our website.

Our Constitution. Our Constitution details how we operate, how decisions are made and the procedures, which are to be followed. It also ensures that we work in an efficient and transparent way and that we are accountable to local people.

The Executive. The Executive are responsible for most decisions and is made up of the Leader and a Cabinet. Major decisions to be taken 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 our 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.

Corporate Management Team. The Corporate Management Team comprises the Chief Executive (and Head of Paid Service) with responsibility for Regeneration and Development, Director of Governance and Monitoring Officer, Director of Finance, Housing and Community and S151 Officer and Director of Environment and Corporate Assets.

Members of Corporate Management Team have a responsibility for the day to day running of each Division of the Council. They must regularly assess their division's assurance arrangements and provide the Council with the opportunity to keep check on the adequacy of its overall arrangements.

Governance Committee. The six appointed members of the Council provide independent assurance of the adequacy of the risk management framework and the associated control environment together with independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The Committee also oversees the financial reporting process by considering the final Statement of Accounts. The Chairman provides an Annual Report of the Governance Committee to the Annual Council Meeting

Overview and Scrutiny. There are two overview and scrutiny committees who support and monitor the work of the Executive. A "call-in" procedure or addition to the work programme allows scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Monitoring Officer provides an Annual Report of the Scrutiny Committee to the Annual Council Meeting.

Standards. The standards of conduct and personal behaviour expected of our members and our officers, our partners and the community are defined in codes of conduct and protocols. These include:

- Members' code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A fraud and corruption policy
- Member/officer protocols
- A Standards Committee.
- An officer code of conduct. (In development)

The Chairman and Monitoring Officer jointly provide an Annual Report of the Standards Committee to the Annual Council Meeting.

We have effective formal and informal complaints procedures. Complaints of service maladministration are investigated and reported to standards committee. Lessons learned from these complaints are reviewed and acted on.

The Localism Act 2011 changed the standards regime and the Monitoring Officer is now responsible for considering allegations of Members breaches of the codes of conduct.

Our Solicitor. The Solicitor to the Council provides his opinion on our compliance with our legal obligations.

Financial procedures and Contract Standing Orders. We have to ensure that we act in accordance with the law as well as various other regulations. We have developed policies and procedures for our officers to ensure that, as far as are possible, they 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.

Financial Management. Our financial management arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition to the Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Plan (MTFP).

Responsibility for ensuring that an effective system of internal financial control is maintained rests with the Section 151 Officer. The systems of internal financial control provide 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 quickly.

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. On-going development and maintenance of the various processes may be the responsibility of other managers.

In particular, the process includes:

- The setting of annual budgets;
- Producing the Medium Term Financial Plan
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the use of 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.
- A continuous and effective internal audit.

Through our budget monitoring processes we are able to ensure that financial resources are being used to their best advantage, this includes monthly management reporting to the Corporate Management Team and Members.

Financial planning is underpinned by service planning. Increased expenditure in any service area has to be justified to the Corporate Management Team, and where necessary approved by the Executive. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within

Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

Policies. Corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights, and Fraud are all subject to internal review. We keep all staff aware of changes in policy, or documentation through a system called Netconsent and where appropriate arrange training for all or key members of staff.

Risk. The risk management strategy, which was reviewed in September 2011 by the Governance Committee, 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 regular review.

Service Assurance. A Service Assurance Statement is produced annually by all Directors, 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.

Performance Management Framework. Progress towards the achievement of our objectives is monitored through our Performance Management Framework. A quarterly Performance Report is produced and reviewed by Corporate Management Team, by Members and by Scrutiny.

Internal Audit. The East Kent Audit Partnership (EKAP) Internal Audit Team reports to the Director of Finance, Housing and Community. They operate under a Charter, which defines their relationship with our officers, and the Governance Committee. Their main responsibility is to provide assurance and advice on our internal control systems to the Corporate Management Team and Members. Internal Audit reviews the adequacy, reliability and effectiveness of internal control and recommends improvements where appropriate. It also supports the development of systems, providing advice on risk and control.

As part of the annual review of governance arrangements and in particular the System of Internal Control, we are required to undertake an annual review of the effectiveness of the system of internal audit.

Service Reviews. Delivering Effective Services (DES). The DES group has been established and consists of a small number of senior managers who carry out the following tasks:

- Act as a Corporate think-tank to aid Service Managers and CMT in decision-making
- Identification of potential budget savings.
- Offer a review service to encourage and produce innovation and transformation in service delivery.
- A review team holding a strategic overview of the organisation (and wider environment) to consider potential duplication as well as the benefits of links between services, both internally and externally, supporting the prevention of silo decision-making and services.

State of the District report. This was first introduced in May 2010, it is also published on our website. It is revised annually and is a backward look over the last year using the latest information available at the time of drafting. This is informative and used by Councillors.

Core Strategy. The Core Strategy is the overarching statutory planning document for the District and was adopted by the Council in February 2010. The Core Strategy identifies the overall economic, social and environmental objectives for the District and the amount, type and broad location of development that is needed to fulfil those objectives.

Draft Land Allocations Document. This follows on from the Core Strategy. Its primary purpose is to identify and allocate specific sites that are suitable for employment, retail and housing development in order to meet the Core Strategy's requirements and makes a major contribution to delivering the Strategy. It covers the same plan period as the Core Strategy.

Communication and Consultation strategies are in place. Our website has a Have Your Say Area where members of the public can communicate their views on current changes and implementations.

Equality. We have published our equality objectives and annual report helping to ensure that all groups in our community have a voice, can be heard and know how we make our decisions.

Whistle Blowing. 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. There are also processes in place for staff to report through their line managers or East Kent Audit.

Employment Stability. The Employment Stability Group was approved by the Council in 2010 to consider all requests to fill staff vacancies. The group is chaired by the Director of Governance and supported by the Head of Financial Services, a peer challenger and a Human Resources representative. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

Partnerships. Partnership evaluation criteria have been established to help ensure that all key governance criteria are incorporated into new and existing partnerships. This was approved by Cabinet and Scrutiny following a review in 2012.

REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

We have a responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. This review is informed by the work of our Internal Auditors and the Head of the Audit Partnership's Annual Report, the work of our Directors and managers who have responsibility for the development and maintenance of the governance environment and by the findings and reports of our external auditors together with any other review agencies or inspectorates.

The Director of Governance has a responsibility for:-

- Monitoring the Constitution and keeping it up to date
- Overseeing and monitoring the Corporate Code of Governance
- Maintaining and updating the code if required by best practice
- Reporting annually to members on compliance with the code

Cabinet

- Setting robust and challenging targets and
- Monitoring the achievement of key priorities

Scrutiny (Policy and Performance) Committee:-

- Monitoring the achievement of key priorities

The Governance Committee:-

- Receive quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year,
 - Review the annual assessment at the year end.
 - Receive the annual review of internal control
 - Receive the annual constitutional review
 - Review risk management arrangements
 - Receives Quarterly Treasury Management Reports

- Receives the Annual Statement of Accounts

Internal Audit:-

- required to provide an independent annual statement showing areas of concern
- the level of assurance in respect of systems
- The overall level of assurance

This year's review has involved:-

Council

The Corporate plan for 2012-2016 was published in 2012. The Constitution was reviewed in May 2012 and is being reviewed again in 2013.

A new Member code of conduct came into force on 1st July 2012. This is detailed within our constitution.

Cabinet

The Council's Quarterly Performance Report was reviewed regularly and shows our performance against our key priorities.

Scrutiny

The Council's Scrutiny Committee meet monthly to consider a range of matters including the Quarterly Performance Report.

Governance Committee

The Governance Committee receives quarterly updates from the Head of East Kent Audit Partnership 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 expected levels of audit assurance. Additionally, this Committee reviews the effectiveness of the Council's risk management arrangements.

The Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. A review of part three of the constitution was considered by the Governance Committee in March 2012 and adopted by Council on 16 May 2012. The significant changes are the alignment of new delegations and new executive arrangements.

Standards Committee

The Standards Committee receives a quarterly report on progress of formal complaints against the Council and lessons learned from those complaints.

There was one finding against Dover District Council from the Local Government Ombudsman in 2012/13 and appropriate procedures and processes have been put in place to prevent a recurrence of the issue.

During 2012/13 the way in which complaints against members changed and these were considered as follows:-

- 1/4/12 to 30/6/12 – Considered by Standards Committee. - 3 allegations of breaches of the code of conduct were received and none were upheld.
- 1/7/12 to 31/3/13 – Considered by the Monitoring Officer. - 29 allegations of breaches of the code of conduct were received.

The Annual Report of the work of the Standards Committee for 2012/13 was presented to the Annual Council Meeting on 22nd May, 2013 and gave a positive opinion on the ethical conduct of the members of this Council.

Internal Audit

Review of Internal Audit.

The effectiveness of internal audit is monitored jointly by the Monitoring Officer and the S151 officer through:-

- Quarterly review meetings with the Head of Internal Audit
- Sign off of the Audit Plan
- Review of the internal audit annual report
- Attendance at Governance Committee
- Review of individual audit reports
- Meetings with the S151 officers of the other partners

The Work of Internal Audit. Based on their work undertaken during the year, the Head of the Audit Partnership considers that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control, concerning either the main financial systems or overall systems of corporate governance. The report also considers that the Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements. Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a Substantial assurance level following audit reviews. The report goes on to state that the Council can be very assured in these areas and that this position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were five areas where only a limited assurance level was given; VAT (partially limited), Data Protection, New Homes Bonus (partially limited), Absence Management Flexi and Annual Leave where further reviews are planned for 2013/14 and SLA Management Arrangements where a further review has been undertaken and the outcome remains the same.

There were no fraud investigations carried out.

External Reviews.

- Regulatory and Investigatory Powers Act (RIPA). This review gave a positive opinion of DDC and stated that we have very good procedures in place and best practice in some areas of our work.
- Office of the Surveillance Commissioner. This review considered that further procedures were needed to ensure DDC maintained its standards. We have now joined the National Anti Fraud network to act on our behalf and address issues in the report.

Service Reviews during the Year

During the year there were reviews held in the following areas:-

Communication and Engagement

P.A. and administration support. – Looked at the wider service to ensure continuity.
Regeneration and Development

Training

A resourced training and development plan is being developed for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

Members Code of Conduct

The Principles of Good Conduct are contained within the Member Code of Conduct which is part of the Constitution. It is kept refreshed and the last review was in May 2012. It is currently under review again.

SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR

- Information Commissioner's Office (ICO)
A complaint was received from the ICO that we had divulged email addresses to all the recipients in a global email. We took immediate steps to apologise to those affected and started an investigation. Procedures have been put in place to ensure this does not happen again and the ICO has accepted that this was a human error for which they will not be taking formal regulatory action at this point.
- Local Government Ombudsman.
There was one finding of maladministration against the Council involving the processing of a homelessness application. Details were given to full Council on 26/9/12.
In response to this complaint appropriate training has been given to staff together with a full review of procedures.
- Welfare Reforms

The government are in the process of making a number of significant reforms to welfare benefits. The two most significant reforms for 2013/14 are the Council Tax Reduction Scheme and the Social Sector Size Criteria.

- Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) has been introduced to replace Council Tax Benefit (CTB), which ended in March 2013.

Where CTB was a benefit that "paid" the Council Tax of those who qualified, the CTRS is a discount which does not pay the Council Tax of claimants, but instead reduces the bill that they are sent, by providing a "discount".

In setting up the CTRS, the government have reduced the funding to Councils by 10% from that provided for CTB. Pensioners, who comprise around 50% of the claimants, are protected from the reductions, so they equate to a reduction of around 20% for all other claimants.

In making this change, the government have required all Councils to introduce their own local CTRS to replace the national CTB. Dover, working with partners Canterbury City Council, Thanet District Council and Kent County Council, has implemented an East Kent CTRS which addresses the reduction in government funding by stopping all empty property and second home discounts, limiting the loss of benefit to 6%.

- Social Sector Size Criteria

The Social Sector Size Criteria (SSSC) has been introduced by government to reduce the costs of providing housing benefit (HB) to Council tenants.

Where tenants have one surplus bedroom for the size of their family or household, they will see a reduction of 14% in their HB. Where they have two surplus bedrooms, they will see a reduction of 25%.

Dover District Council has worked with their housing managers, East Kent Housing, to prepare tenants for this change and to assist those tenants who are affected, to downsize to smaller units.

Although the size of households changes, and so a precise figure cannot be provided, it is estimated that around 10 – 15% of households in Dover Council housing will be affected by this change in HB. Given the limitations of available stock, the Council cannot guarantee to be able to assist all those who wish to downsize – but every effort will be made to do so.

Other significant welfare reforms which will be implemented in 2013/14 and following years include:

- Universal Credit

This combines a number of benefits into a single, monthly payment.

- The Benefits Cap

This caps the amount of benefit a family can claim to the average national wage. That is around £26,000 per annum.

- This Council is a defendant, (as are virtually all District and Unitary Councils), in proceedings brought by a group of Property Search Companies for fees paid to the Council to access land charges data. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council.

IMPROVEMENTS DURING THE YEAR

- Anti-fraud and corruption policy.
In line with the Audit Commission's recent publication called "Safeguarding the Public Purse" our Counter Fraud and Corruption Policy was reviewed and updated. The policy comprises:-
 - A Prevention of Fraud and Corruption Strategy
 - A whistle blowing Policy
 - A Protocol for Dealing with Allegations of Fraud or Corruption
 - An Anti Money Laundering Policy
 - An Anti-Bribery Policy
- Building on the open Golf 2011 event, we have, along with our multi-agency partners, successfully developed the Safety Advisory Group which effectively supported the Olympics Event.
- The Olympic Torch Event enabled us to enhance our events management planning process and this in turn has been the catalyst for major improvements in event planning. We now have a team of people who can help plan events and advise on best practice.
- A new code of conduct for Members was adopted at an extraordinary Council meeting on 26th June, 2012 and came into force on 1st July.

STATEMENT OF THE LEADER OF THE COUNCIL & THE CHIEF EXECUTIVE.

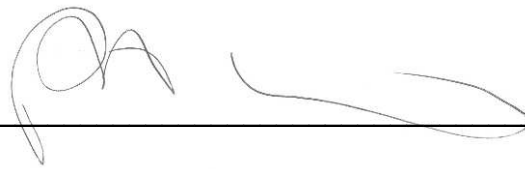
We have been advised on the implications of the result of the review of the effectiveness of the governance framework and plan to address weaknesses and ensure continuous improvement of our systems is in place.

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 and will monitor their implementation and operation as part of our next annual review.

Signatures:

Date: _____

Leader of the Council _____



Date: _____

Chief Executive _____



EXAMPLE DIRECTOR'S STATEMENT - Dover District Council – Annual Governance Process
Director's Assurance Statement 2012/13

The Council is required by law to include with the final accounts an Annual Governance Assurance Statement (AGAS). This statement also forms part of the Annual Governance Process.

The statement is intended to demonstrate to the public that the Council has sound governance arrangements in place including a sound system of internal control, designed to help manage and control business risk. It is considered to be an important way to demonstrate that the Council has good business practices in place, high standards of conduct and sound governance. It links to all the principles of good governance.

In support of the AGAS all Directors are required to complete, certify and return a statement of corporate responsibility. It is acknowledged that your divisions and their systems and processes can provide only reasonable and not absolute assurance that all risks have been identified, all assets safeguarded, all transactions properly authorised and recorded, and all material errors or irregularities either prevented or detected within a timely period.

The statement attached should therefore be completed 'to the best of your knowledge' and formally agreed with your Portfolio Holder. Evidence of this agreement should be attached to the statement.

As Director, you will need regular self-assessment of your Division's assurance arrangements. This will provide the Council with the opportunity to keep check on the adequacy of its arrangements that have been put in place with regard Corporate Governance and Risk Management.

Please return the certified statements, preferably in electronic format to Mary Venables, by 25th April 2012.
Please ensure that the form is also signed by the relevant Portfolio Holder.

It is advised that you also keep securely a copy of 'the statement' made, together with a file of documentary evidence where possible. It is likely that the External Auditors will make further enquiries in connection with how the statement can be supported.

Thank you for your assistance.

David Randall
Director of Governance and Monitoring Officer

Mike Davis
Director of Finance, Housing and Community and S151 Officer

<u>Question</u>	<u>Agreement Yes / No</u>	<u>Examples and Exceptions</u>
In my department risks have been identified. They are recorded and monitored in accordance with the Councils Risk Management Strategy.		
Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.		
The department has appropriate management and staff to enable objectives to be delivered. Performance is reviewed regularly.		
Resources at my disposal are used to achieve the Council's objectives. The level of resource is reviewed regularly.		
Suitable controls are in place to protect the Council's assets.		
Internal and External Audit reports and recommendations have been acted on. Reports from other review agencies have been acted on.		
Business arrangements are conducted in accordance with the law and proper standards		

<u>Question</u>	<u>Agreement Yes / No</u>	<u>Examples and Exceptions</u>
The service has in place appropriate management and reporting arrangements to ensure effective Governance.		
Improvement plans exist to rectify deficiencies.		
Key performance targets and indicators are linked to the Corporate Plan.		

Financial Assurance

This statement is given in respect of the Council's (Insert year) final accounts and refers to the state of my Division's operations up to the date of signature.

The information provided is given to the best of my knowledge in connection with the service areas for which I have responsibility. I have made appropriate enquiries with other officials of the Council and of information systems and records maintained and can confirm the following statements as detailed in the column below headed 'Accounts – Financial and Legal Implications'. However, where I am aware of such circumstances, I am able to provide further relevant information in the column headed 'Details and Action Plan':

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Accounts - Financial and Legal Implications	Confirmation (Yes /No) & Evidence	Details & Any Actions Planned
In my division there are no contingent liabilities (see footnote 1 below) that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no instances of non-compliance with laws or regulations that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no post balance sheet events (see footnote 2 below) that have occurred that are likely to have a significant effect on the finances or operations of the Council.		
In my division, there are no pending claims, proceedings or litigation that are likely to have a significant effect on the finances or operations of the Council.		

Accounts - Financial and Legal Implications	Confirmation (Yes /No) & Evidence	Details & Any Actions Planned
In my division, there are no other significant transactions with related parties other than those already disclosed.		
In my division, there are no instances of known error, irregularity, including fraud, which are likely to have a significant effect on the finances or operations of the Council.		

Footnotes:

1. A contingent liability is in effect a possible obligation at the balance sheet date (date) arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events which may not be within the Council's control
2. A post-balance sheet event is an event, both favourable and unfavourable, which occurs between the balance sheet date (date) and the date on which the financial statements are approved by the Council.

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	Director	Portfolio Holder	Portfolio Holder
Certified by, Signature:			
Name:			
Designation:			
Date:			

Risk Management

Introduction

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives successfully. Although risk is generally associated with the possibility of suffering harm, loss or liability, in some situations confrontation of risk might also enable us to capitalise on opportunities.

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. It is about identifying, analysing, evaluating, responding and monitoring threats and opportunities with a view to minimising the chances of failure and maximising the chances of success. Risk management is about being risk aware and not risk averse.

Following the Priority Service Review during 2010, it was agreed that this Council would apply its Risk Management Strategy to monitoring risks at a Corporate and Project level only. Corporate priorities will continue to be risk assessed as a fundamental part of the Governance process. Service / Day to Day risks are monitored as appropriate by individual departments.

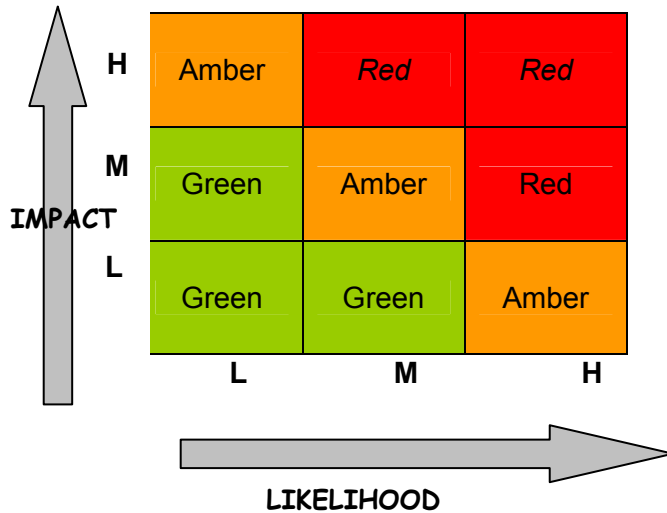
Risk Strategy and Approach

- Project Managers identify risks linked to the project objectives
- Service Managers and Directors identify risks associated with corporate priorities within their service.
- Service Managers and Directors identify risks arising from and within partnerships and other joint working arrangements.
- The Corporate Risk Register will comprise of Corporate and project risks.
- Ownership and responsibility is assigned to each risk identified.
- Each risk is recorded as an **inherent risk**, the management action necessary or already taken to mitigate the risk are recorded together with the subsequent **residual risk**.
- It is recognised that the risks will change over time as projects and Corporate Priorities develop, evolve and change. Through regular review of risk management arrangements it enables us to respond to these changes. The process is not a one-off exercise, but an ongoing task.
- Effective risk management helps us to deliver an appropriate balance between risk and control, ensure effective decision making, the better use of limited resources, greater innovation and consideration of positive risks (opportunities) as well as negative risks (threats) to the project.

Risk Management in Practice

- Risk Management is a five stage on-going process as follows:-
 - Identification
 - Analysis
 - Evaluation
 - Mitigation and control
 - Monitoring
- As part of risk analysis, an assessment should be undertaken of the impact and likelihood of risks occurring. Risks can then be plotted onto the following evaluation model:

Risk Prioritisation and Analysis Model



- The following scoring guidance is provided to simplify the assessment process, provide consistency and assist in determining where on the grid various risks should be plotted:

IMPACT			
Key Risk Areas	High	Medium	Low
Communication and publicity	<ul style="list-style-type: none"> Remembered long term. Adverse national publicity 	<ul style="list-style-type: none"> Adverse headlines in local media 	<ul style="list-style-type: none"> Letters of complaint
Corporate Governance	<ul style="list-style-type: none"> Project will fail to be implemented. Governance Committee identify significant governance failings. Significant levels of fraud 	<ul style="list-style-type: none"> Project will be delayed. Adverse governance findings by the Cabinet / Scrutiny and Governance Committee. Extraordinary Review by External Auditors 	<ul style="list-style-type: none"> Limited Assurance following Audit
Efficiency and Savings	<ul style="list-style-type: none"> Failure to meet all anticipated efficiency targets Inability to recover shortfall on budget overspend 	<ul style="list-style-type: none"> Failure to exploit benefits of partnership working Budget pressures with poor performance 	<ul style="list-style-type: none"> Budget managed but performance is below that originally planned
Financial/Funding	<ul style="list-style-type: none"> Budget Overspend > £10k or 10% Property loss or damage > £50k. Lack of external funding due to concerns over service delivery or 	<ul style="list-style-type: none"> Budget Overspend up to £10k or 10% Unaccountable short falls in stock / inventories or other assets. Property loss/damage in 	<ul style="list-style-type: none"> Budget Overspend up to £10k

IMPACT			
Key Risk Areas	High	Medium	Low
	project management Substantial loss or failure of investments	excess of £50k. Lack of provision when funding stream ends	
Health & Safety	<ul style="list-style-type: none"> Potential for loss of life Large scale major illness Forced closure of offices/leisure facilities/block of flats due to H&S legislation HSE Investigation with Fine 	<ul style="list-style-type: none"> Major illness Serious injury - including disablement Forced close of smaller office/facility due to failure to comply with H&S legislation 	<ul style="list-style-type: none"> Broken bones/illness Partial closure of offices/facility
IT	<ul style="list-style-type: none"> Complete failure of IT system. Breach of licence. 	<ul style="list-style-type: none"> Temporary failure of IT system. Software problems. 	<ul style="list-style-type: none"> Minor problems with new software.
Project aims	<ul style="list-style-type: none"> Objectives of project not achieved. Time/costs greatly exceeded. 	<ul style="list-style-type: none"> Key Milestone missed. 	<ul style="list-style-type: none"> Minor delays/problems.
Personnel resourcing	<ul style="list-style-type: none"> Mass staff resignation. Inability to attract new staff 	<ul style="list-style-type: none"> Industrial action 	<ul style="list-style-type: none"> Some hostile relationships, minor non-co-operation
Service delivery	<ul style="list-style-type: none"> Long-term suspension of service. Failure of service. High level of public dissatisfaction. 	<ul style="list-style-type: none"> Short term reduction in service provision. Pockets of dissatisfaction. 	<ul style="list-style-type: none"> Low standard of service provision evidenced by messages of complaint
Statutory Responsibilities	<ul style="list-style-type: none"> Failure to enforce regulatory powers. Major fraud. Criminal Proceedings against the Council. Public Inquiry to review substantial failure of a Council Service. Adverse findings of Standards Committee. No contingency planning. 	<ul style="list-style-type: none"> Adverse finding by the Local Authority Ombudsman. Failure to test emergency plans. 	<ul style="list-style-type: none"> Minor breach

LIKELIHOOD			
	High	Medium	Low
Timing	Imminent	Next 12 months	After 12 months
Probability	<75%	25-75%	>25%

Risk Methodology

- Project and corporate risks are identified in line with the project and corporate priorities and objectives. Associated risks, threats and opportunities are determined for each objective and priority.
- Risks are evaluated in terms of likelihood and impact, which will determine where the axes or parameters on the model will be drawn. This will determine the categories each risk falls into.
- Each significant risk will be considered in context. The potential impact will be measured against the possible benefits and it will then be assessed as to whether it is worthwhile to continue with a particular objective if the risk outweighs the reward.
- Risk mitigation is the stage of the process when action can be taken to minimise the likelihood of risks occurring, or to reduce the severity of the consequences should it occur.
- The final stage of the risk management process will be the effective monitoring and review of the identified risks to ensure the successful delivery of the project or corporate priority. This process will also assess whether the nature of risk has changed over time.

Risk Management Strategy

The risk management policy of Dover District Council is to adopt cost-effective practices in the assessment of risks to ensure that they are eliminated or reduced to an acceptable level. This will help safeguard assets, employees, customers and the delivery of services to the local community.

The Council pursues a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. In particular, Financial and Contract Procedure Rules which ensure that the Council does not expose itself to risks above an acceptable level.

The risk management objectives of the Council are to:

- Help ensure that the Council's key corporate priorities are delivered
- Manage and mitigate project risk
- Be responsive to changing social, environmental and legislative requirements whilst being aware of the related risks and opportunities
- Take reasonable steps to prevent injury, damage and loss and reduce the cost of risk

These objectives will be achieved by:

- Defining roles and responsibilities of Officers and Members within the organisation in relation to risk management.
- Providing relevant training on risk management to relevant officers and Members of the authority

- Encouraging officers participating in other professional discipline groups to consider risk management.
- Making sure officers are made aware of risk management information received from insurers and other related sources.
- Maintaining a risk management framework to provide for:-
 - A useful and meaningful Corporate risk register
 - Appropriate incident recording to enable the analysis of risk data
 - The annual review of the risk management framework

Roles and Responsibilities

Members

- The Governance Committee has specific responsibility included in its terms of reference for providing independent assurance on the adequacy of the control and risk management framework and the associated control environment.
- The Governance Committee also has responsibility for the independent scrutiny 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.

Executive and Corporate Management Team

- Corporate Management Team is responsible for identifying key risks as part of their strategic responsibilities.
- The Director of Governance will undertake an annual strategic risk review
- The Director of Governance, supported by the Head of Corporate Services has overall responsibility for ensuring the minimum agreed level of risk management is undertaken.

Directors / Service Managers

- Directors and Service Managers in conjunction with members of their teams and other parties/partners (where applicable), will review and monitor project and corporate risks relating to their services.

Employees Generally

- Employees will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain outstanding, then employees can refer their concerns elsewhere as prescribed in the Council's Whistleblowing Guide.

Insurance

- The Director of Governance in consultation with the Corporate Services (Insurance Team) will:
 - Regularly review and advise upon the Council's insurance requirements and arrangements, and arrange insurance cover as necessary
 - Annually review the adequacy of the Council's internal Insurance Provisions and Reserves, and advise on action to be taken

- Advise Officers and Members on insurance covers available and/or in place and advise Officers on claims procedures, and process claims arising
- Assist in the development and provision of claims data to aid future risk control

PERFORMANCE MANAGEMENT

Introduction

Dover District Council recognises that to achieve its corporate objectives and to deliver efficient services for the community, there is the need for effective performance management, supporting Council priorities and informing decision making, with links to the service planning and budget setting processes.

Performance Management Framework

Performance Planning:-

- Translates corporate objectives into targets for financial and service plans.
- Drives performance by developing the most efficient working practices and sharing them across the Council.
- Preparation of plans and targets should engage all staff.

Performance Monitoring:-

- Links strategies, plans, people and performance and assess how well and efficiently we are performing.
- Helps us be transparent.
- Monitoring enables employees to see how their actions impact on the corporate plan, strategic objectives, service plans and individual objectives by linking these all together.
- Converts plans into measurable goals and shows where we are providing good value.

Performance Reporting

- Reports on outcomes and gives early warning of potential failures
- Provides an opportunity to capture and share information and ideas
 - Increases operational efficiency.
 - Helps manage services effectively.
 - Increases accountability to the community.
- Increases cross service awareness
 - Recognises individuals' roles in the process and their contribution.

The steps involved in the performance planning process are:

Timescale	Activity
Continuous	The Corporate Plan is a continuously evolving document which includes the latest high level strategic priorities and priority actions for the Council.
September	Each September, Directors and Heads of Service identify their objectives for the next financial year. These will be closely aligned to those shown in the Corporate Plan. Interim Personal Performance Reviews held. Objectives and targets are adjusted if necessary.
October	Revenue Budget estimates are prepared for the coming year.
November/December	Draft service plans and service budgets are reviewed/finalised making sure that they align with the Corporate Plan and the budget. Service plans include service objectives; these can be measured by performance indicators where necessary. Shared services develop plans and targets ready for agreement by the respective Directors, DDC Client Officers and the relevant Portfolio Holder.
December	Service Plans and Budgets are agreed.
April	Personal Performance Reviews are also undertaken, reviewing individual performance against objectives. New personal targets are agreed. Corporate and Service Plans become live documents

The Corporate Plan

The Corporate Plan is a continuously evolving document which includes the latest high level strategic priorities and actions for the Council. It covers a 3 – 5 year span.

Top level, objectives and targets emanate from the corporate plan, cascading down to service divisions as a starting point for the preparation of service plans.

Service Strategies

The Council is responsible for a number of service strategies and plans. These are not annual documents but have a longer lifespan. Any targets and objectives resulting from these strategies are incorporated into the relevant Service Plan.

Service Plans

The Service Plan is one of the central mechanisms for each Director and Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process. It links corporate objectives, business objectives and personal objectives.

The Service Plan is the document that translates the strategic aims of the Council into service objectives and an annual programme of appropriately resourced activities. These are managed and monitored by the relevant Director and Heads of Service.

Each year Directors and Heads of Service are required to identify and review their key service objectives; these should also support and reflect corporate priorities. In developing objectives directors should consult with all their team members as well as portfolio holders. Service objectives need to be measurable using milestones or performance indicators.

Completed service plans are forwarded to the corporate services team where targets are collated, ready for monitoring and publishing in the quarterly performance report. Corporate management team identify key service objectives and indicators for the Council, for Cabinet/Council consideration and endorsement.

Shared Services

Shared services also develop plans and targets which are agreed by their respective Directors, DDC Client Officers and the relevant Portfolio Holder. These are agreed by Cabinet and in case of dispute the Kent Chief Executives Group will mediate.

Performance Monitoring

Performance results are collated by Corporate Services and reviewed quarterly by CMT and Cabinet. The report is available for full scrutiny if required. It provides an up to date picture of the Council's current performance with commentary from the relevant Director.

Partnership Evaluation Criteria

The Council has adopted partnership evaluation criteria as part of this framework. The objective of the evaluation is to measure the effectiveness of partnerships from the Council's perspective. It is used to evaluate new partnerships, and as an annual review of high risk/profile partnerships.

The Performance Report

On a quarterly basis the following key areas of performance are monitored and reported via the performance report:-

Service Delivery

This section reviews performance against key service targets. These are the indicators that are considered as key to the achievement of Corporate and Service objectives. If any are showing weakness or failure, details of the proposed recovery action will be provided.

Director's comments

A short summary by the Director of each division and from the Directors of shared services.

Performance Comments

A short explanation of any abnormal results

Key initiatives and Outcomes

Comments on specific projects/events which the director needs to bring to Members and public attention, especially those that will bring changes to the service delivery or have an impact on the current ways of working.

Concerns/Risks:

A short description of anything which may affect performance, service delivery or output.

Financial Performance

This section provides a summary of budget and actual.

The Performance Report is published on the Internet and the Intranet and sent to all members.

The Quarterly Review Process

The Performance report is reviewed firstly by CMT who take an active interest in overall performance. They look to take action to address weaknesses, and highlight success. Action plans enable the process to concentrate on the action being taken to address weaknesses, rather than becoming involved in identification of the weaknesses themselves.

The report is then considered by the Cabinet Member with responsibility for Governance and then by Cabinet itself. It is available for Scrutiny if required.

The On-going Review Process

Service Directors feedback performance information to the staff in their divisions. They discuss with their divisions and/or teams performance against service objectives, budget profile, and performance indicators.

Cabinet formally reviews key performance issues and CMT comments. This is scrutinised by the Scrutiny (Policy and Performance) Committee.

Performance Indicators

Performance indicators help to measure service objectives and targets and are one of the ways that the public can judge how well the Council is performing.

- All Services must provide their performance results to the Corporate Services Team at the end of each quarter. The results are then input into a data collection system ready for producing the Performance Report. An accuracy check is done on any indicators who do not look consistent.
- Directors and Heads of Service are responsible for ensuring the accuracy of their published figures.
- If an outside body has set indicators Directors are responsible for ensuring the published results are calculated in accordance with those bodies' definitions.

Timing for Submitting Indicator Results

- Quarterly Results must be prepared for the quarters ending 30 June, 30 September, 31 December and 31 March for inclusion in the quarterly Performance Report. The results should be sent to Corporate Services as soon as possible after the quarter end. In case of difficulty, the Corporate Services officer needs to be informed.

Standards for Target Setting

- Targets are discussed and agreed by the Directors and Portfolio Holder(s) prior to inclusion in Service Plans. Corporate Management Team will review all targets to ensure that a realistic, but challenging level of performance improvement is being sought. Arrangements for achieving targets should be built into Service Plans.

Acting on Performance Information

- All Directors and Heads of Service should be able to demonstrate that they have used their performance information in the management and improvement of their service. In particular to ensure that poor performance is acted on immediately and that good performance is developed to become excellent performance.
- Regular feedback should be given via weekly or monthly team meetings, 1:1 sessions, information on the Performance Information notice boards (as appropriate), and publication on the intranet.

Financial Performance

The Council's financial monitoring and reporting arrangements are an important part of performance management. Revenue and capital budgets are assigned to individual managers to enable them to deliver objectives and priorities of the Council and it is therefore vitally important that these are carefully managed.

Expenditure and income is monitored at budget manager level. There is an electronic budget monitoring system which the budget manager is expected to update. Members of accountancy staff keep a watching brief on expenditure and liaise with Managers where necessary.

The Accountancy team will look at the expenditure from a strategic viewpoint to ensure that the Council has the necessary financial resource to deliver its priorities. This will include the examination of budget pressures and commitments from a corporate viewpoint. Budget reports are then prepared for Management and Members.

Individual Performance Appraisal Review

The Council has an individual Performance Review process for employees that is designed to ensure everyone:

- Knows what they have to do and the standards expected of them in their job
- Knows how what they do fits in with the aims of the Council and their own particular service
- Has the skills to help them deliver excellent services
- Receives feedback on how they are performing in their job and identifies any training & development needs
- Knows how their personal objectives link to wider service and corporate objectives

The Performance Review process involves twice yearly interviews between an employee and their manager. These take place in September and April each year. The first meeting enables the results to be considered as part of the Service Planning, Corporate Planning, budget setting and development of training plans. The second meeting is a mid year review that examines outturn performance for the financial year and reviews the objectives and targets set.

Alongside the formal Performance Review system is the need for regular dialogue with all team members, either on a 1:1 basis or in small groups to discuss performance issues. In particular it will be important to celebrate performance successes and identify weaknesses. For poor or failing performance it is important to identify with team members the reasons why, and identify what action is necessary and any resource or procedural implications.

Quality Assurance, Audit & Risk Management

The Council has a number of systems and processes to check and monitor the way it carries out its activities. These include:

Audit and Performance Teams

The Council's Corporate Services Teams and East Kent Audit Partnership provide an internal checking and monitoring role in relation to a number of key areas of work. One of their roles is ensuring that the Council is delivering its corporate objectives with the minimal level of risk. The Audit team assesses whether management has identified and acted on key business risks and that the internal control system is operating effectively. This work includes reviewing systems and processes.

External auditors annually review our financial statements and examine our governance arrangements. Their findings are reported in the Annual Audit Letter.

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent	
<p>296</p> <p>Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.</p>	<p>Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users</p>	<p>An authority develops and promotes their purpose and vision.</p>	<p>Communication strategy is contained within the constitution</p>	<p>17-Jul-13</p>	<p>Constitution</p>	<p>Live partnerships Current 02.01.13.xls</p>	
		<p>It reviews on a regular basis its vision for the local area and its implications for the authority's governance arrangements.</p>	<p>Communication toolkit is in place and available on the intranet for all staff</p>	<p>17-Jul-13</p>	<p>Corporate Plan</p>	<p>Partnership Agreement Guidance.docx</p>	
		<p>It ensures that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</p>	<p>Constitution is reviewed regularly and a copy is available on the Internet</p>	<p>17-Jul-13</p>	<p>Financial information</p>	<p>Partnership assessment form.docx</p>	
		<p>It publishes an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</p>	<p>Corporate plan is agreed and up to date</p>	<p>17-Jul-13</p>	<p>Performance Information</p>	<p>Partnership assessment scoring form.docx</p>	
		<p></p>	<p>Financial statements are up to date and published on the website</p>	<p>17-Jul-13</p>	<p>Scrutiny information</p>	<p>Partnership Framework.doc</p>	
		<p></p>	<p>Governance assurance statement is approved and published on the website</p>	<p>17-Jul-13</p>		<p>Partnerships - follow-up Questionnaire Jan 2013.doc</p>	
		<p></p>	<p>Governance Framework Local Code is in place and is regularly reviewed.</p>	<p>17-Jul-13</p>		<p>Cabinet Report - Partnerships - Feb 2013.doc</p>	
		<p></p>	<p>Partnership protocol is in place and regularly reviewed</p>	<p>17-Jul-13</p>		<p>Member Induction - Partnerships Briefing.doc</p>	
		<p></p>	<p>Performance is reported regularly in line with the Governance Framework and published on the website</p>	<p>17-Jul-13</p>			
		<p></p>	<p>Scrutiny annual report is published on the website</p>	<p>17-Jul-13</p>			
		<p></p>	<p>Shared service agreements in place</p>	<p>17-Jul-13</p>			
		<p>Ensure that users receive a high quality of service whether directly or in partnership, or by commissioning</p>	<p>The quality of service for users is measured and information to ensure effective service review is available</p>	<p>Budget completed annually and published for the current year</p>	<p>17-Jul-13</p>	<p>Complaints</p>	<p>Housing Needs Service Delivery.doc</p>
			<p>Effective arrangements are in place to identify and deal with failure in service delivery</p>	<p>Complaints process in place with on-going monitoring and review of complaints and lessons learned. Lessons learned are reported to Standards Committee.</p>	<p>17-Jul-13</p>	<p>Corporate Plan</p>	<p>CorporatePlan2012-2016.pdf</p>
<p></p>	<p>Corporate Plan and service plans completed and published</p>		<p>17-Jul-13</p>	<p>Financial information</p>	<p>2012-13 Legal Service Plan.doc</p>		
<p></p>	<p>Medium term financial plan is completed and published</p>		<p>17-Jul-13</p>	<p>Neighbourhood forums</p>	<p>Accountancy Service Plan 2012-13.doc</p>		
<p></p>	<p>Neighbourhood forums held throughout the year</p>		<p>17-Jul-13</p>	<p>Performance</p>	<p>Alt Svc Delivery Service Plan 2012-13.doc</p>		
<p></p>	<p>Performance reports are reviewed by CMT, Cabinet and Scrutiny and published on the website</p>		<p>17-Jul-13</p>		<p>Audit service plan 2012-13 (2).doc</p>		
<p></p>	<p>SIMALTO budget planning exercise planned for 2013/14</p>		<p>17-Jul-13</p>		<p>Bdg Control Serv Plan 2012-13.doc</p>		
<p></p>					<p>Community Leisure Service Plan 2012-13 (3).doc</p>		
<p></p>					<p>Corporate Support Serv Plan 2012-13.doc</p>		
<p></p>					<p>Env Corp Assets 2012 - 2013 Serv Plan combined.doc</p>		
<p></p>					<p>Financial Svcs Service Plan 2012-13.doc</p>		
<p></p>					<p>Housing Service Plan 2012-13.doc</p>		
<p>Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money</p>	<p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</p>		<p>DES Team (Delivering Effective Services) review services for efficiencies. There is an ongoing programme of reviews.</p>	<p>17-Jul-13</p>	<p>Procurement</p>		
		<p>Environmental Impact current position forms part of the Head of Service Statement.</p>	<p>17-Jul-13</p>	<p>Performance</p>			

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent
		Measure the environmental impact of policies, plans and decision	Performance report, which shows key targets for the Council including those for shared services, is produced quarterly. It is reviewed by CMT, Cabinet and Scrutiny and published on the Website.	17-Jul-13		
			Procurement information is available on the website	17-Jul-13		
297	Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	A clear statement is set out of the respective roles and responsibilities of the executive and of the executive's members individually, also the approach towards putting this into practice.	Job descriptions for Members and Senior Officers are contained in the constitution	18-Jul-13	Constitution Members Roles and Responsibilities	Constitution.pdf
		Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers and of the leadership team and its members individually	Member/officer protocol is in place and is part of the Constitution	18-Jul-13		Counter Fraud and Corruption Policies.doc
		Roles and Responsibilities of Members are published on the website	18-Jul-13	How Decisions are Made at DDC - August 11.doc		
				Induction Evening Pack List.doc		
				IT Questionnaire.doc		
				Ivysoft - Explanatory document.doc		
				Letter to new Councillor - May 11.doc		
				Member Induction - Partnerships Briefing.doc		
				Member Job Description.doc		
				Members' Allowances Scheme 2011.doc		
				Members ICT Guide - May 2011.doc		
				Members ICT Overview - Nov 11.doc		
		Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard	A scheme of delegation and reserve powers is contained within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	Conditions of employment are part of the Constitution		18-Jul-13
The chief executive or equivalent is responsible and accountable to the authority for all aspects of operational management						
Protocols developed to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained						
A senior officer (the S151 officer) is responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control						
Members and officers working together to achieve a common			Job Descriptions / specifications of Senior Officers are contained within the Constitution including the S151 officer and the Monitoring Officer	18-Jul-13		

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent
purpose with clearly defined functions and roles		A senior officer (usually the monitoring officer) is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied	S151 officer give a statement of compliance. This is contained within the Annual Governance Statement	18-Jul-13		
			Scheme of delegation is documented and contained in the constitution	18-Jul-13		
			Standing orders and financial regulations are reviewed on a regular basis as per the Monitoring officer and S151 officer assurance statements	18-Jul-13		
298	Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other	Protocols developed to ensure effective communication between members and officers in their respective roles	Budget process in place and budgets are published on the website.	18-Jul-13	Constitution Corporate Plan Financial information Neighbourhood forums Performance	Housing Needs Service Delivery.doc
		Terms and conditions set out for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	Job evaluations are done by fully trained officers	18-Jul-13		Live partnerships Current 02.01.13.xls
		Effective mechanisms exist to monitor service delivery	Medium term financial plan (MTFP) has been produced and published.	18-Jul-13		Partnership Agreement Guidance.docx
		The organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Member officer protocol is in the constitution	18-Jul-13		Partnership assessment form.docx
		When working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	Partnerships all have clear statements of principle and objectives. Partnership protocols are in the constitution	18-Jul-13		Partnership assessment scoring form.docx
		There is clarity about the legal status of partnerships	Performance is reported each quarter in a report containing key indicators. This is reviewed by CMT, Cabinet and Scrutiny	18-Jul-13		Partnership Framework.doc
		Representatives of the organisation both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	Review of pay and conditions is continual with relevant policies and practices in place. An independant remuneration panel is established and referred to in the constitution.	18-Jul-13		Partnerships - follow-up Questionnaire Jan 2013.doc
			Service Plans are refreshed annually and contain revised Performance indicators	18-Jul-13		2012-13 Legal Service Plan.doc
			Statutory guidance is followed as per the S151 Officer's statement	18-Jul-13		Accountancy Service Plan 2012-13.doc
						Alt Svc Delivery Service Plan 2012-13.doc
						Audit service plan 2012-13 (2).doc
						Financial Svcs Service Plan 2012-13.doc
						Housing Service Plan 2012-13.doc
						Leadership and Corporate Communication Service plan 2012-13.doc
						Constitution.pdf
						Cabinet Report - Partnerships - Feb 2013.doc
						MTFP 2012-13to2014-15.pdf
	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	The authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect Standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of	A performance appraisal system is in place	18-Jul-13	Disclosures Constitution Financial Information Complaints	
Annual Governance Assurance Statement has been prepared and published along with the annual accounts	18-Jul-13					
Anti-Fraud and Anti-Corruption policy are in place and contained in the constitution	18-Jul-13					
Code of conduct is contained in the constitution	18-Jul-13					

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent
299 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		conduct and protocols Arrangements are in place to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Complaints process is detailed on the website	18-Jul-13		
			Disclosures register is available on the Intranet	18-Jul-13		
			Financial regulations are in the Constitution	18-Jul-13		
			Induction processes for new members and staff explain standards of behaviour expected and are contained in the constitution	18-Jul-13		
			Member / officer code of conduct is in place and contained in the constitution.	18-Jul-13		
			Training is sourced as and when required for staff and members. Training requirements are listed in annual PPR's for staff.	18-Jul-13		
	Ensuring that organisational values are put into practice and are effective	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	Complaints responses are published in standards committee agendas and minutes	23-Jul-13	Complaints Constitution Financial Information Standards Committee	Live partnerships Current 02.01.13.xls
		Arrangements are in place to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Decision making practices are contained within the constitution	18-Jul-13		Partnership Agreement Guidance.docx
		Member / Officer code of conduct is contained in the Constitution	Member / Officer code of conduct is contained in the Constitution	18-Jul-13		Partnership assessment form.docx
		An effective standards committee is in place	Partnership framework and protocols in place	23-Jul-13		Partnership assessment scoring form.docx
		Shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	Shared Service agreements are in place. Regular meetings held with management.	18-Jul-13		Partnership Framework.doc
		Standards Committee Terms of reference are contained in the Constitution	Standards Committee Terms of reference are contained in the Constitution	18-Jul-13		Partnerships - follow-up Questionnaire Jan 2013.doc
		A set of values have been agreed for partnerships against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Whistleblowing procedures are on all notice boards, The intranet and in the Constitution	18-Jul-13		Constitution.pdf
	Being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	Complaints procedures are publicised in offices and via the internet	18-Jul-13	Constitution Councillor, Committees, minutes and agendas, Decisions, Councillors and meetings Scrutiny information	Constitution.pdf
	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Decision making protocols, Members code of conduct and committee Terms of Reference are contained within the Constitution	18-Jul-13		Standards comm report 4.3.13.pdf	
	Put in place arrangements to safeguard members and employees against conflicts of	Decisions that are forthcoming and those already made are published on the website	24-Jul-13			
		Disclosures register is on the home page of the intranet	24-Jul-13			

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent	
300		members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Minutes and agendas are published on the website including Cabinet and Scrutiny. These include a record of any professional advice given	18-Jul-13			
		Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Scrutiny have two committees each with their own remit, lessons learned and actions taken are also reported. Agendas and minutes are on the website	18-Jul-13			
			The Constitution is subject to annual review	18-Jul-13			
		Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	The S 151 officer makes an annual statement which contains an opinion on the effectiveness of Internal Audit throughout the year	18-Jul-13			
	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Having good-quality information, advice and support to – ensure that services are delivered effectively and are what the community wants/needs	Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications. Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	Calendar of decisions, details of decisions, minutes and agendas are all published on the internet	24-Jul-13	Calendar and records of decisions.	
				Governance and budget monitoring arrangements are all contained within the Constitution	18-Jul-13		
				The authority complies with the CIPFA statement of the Role of the Chief Financial Officer	18-Jul-13		
	Ensuring that an effective risk management system is – in place	Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	Financial standards and regulations form part of the constitution	22-Jul-13	Constitution.	Risk Management and strategy 2011 revision.doc	
			Prevention of Fraud and Corruption Strategy contains a Whistle blowing, Money laundering and Anti-bribery policies. These are within the constitution.	22-Jul-13			Constitution.pdf
			Risk management protocol in place	22-Jul-13			Counter Fraud and Corruption Policies.doc
	Using their legal powers to the full benefit of the citizens and communities in their area	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities place on local authorities by public law Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes	Monitoring officer roles and responsibilities are detailed in the constitution. The Monitoring Officer also gives an Annual Statement which forms part of the Governance Assurance Statement.	22-Jul-13	Constitution	Constitution.pdf	
			Officers do not provide legal advice unless they are qualified to do so	22-Jul-13			
Statutory provisions are detailed in the constitution			22-Jul-13				

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent	
301	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	Provide induction programmes tailored to individual needs and opportunities for members and officer to update their knowledge on a regular basis.	Induction programme is in place for members. Staff induction is tailored to individual needs due to minimal recruitment numbers.	22-Jul-13	Constitution	Constitution.pdf	
		Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.	Job descriptions and person specifications for top management are all regularly reviewed and in the constitution	22-Jul-13			
			Legislation and other skills training is available through the Ivysoft intranet training package.	22-Jul-13			
			Training and development plans are in place for members. Staff training needs are picked up during the PPR process	22-Jul-13			
	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Staff Performance reviews are held every 6 months	22-Jul-13		Induction Evening Pack List.doc	
		Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed					
		Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community engage with, contribute to and participate in the work of the authority.	Training and development needs are subject to continual review through the service planning and Performance review process	22-Jul-13			Member Induction - Partnerships Briefing.doc
			Training and development plans are in place for Councillors.	22-Jul-13			
	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	A Strategic Partnership framework is in place	22-Jul-13	Neighbourhood forums	Partnership Agreement Guidance.docx	
			DES Group have a programme of ongoing service review	22-Jul-13			
			Neighbourhood forums are held regularly throughout the district. They have their own webpage	22-Jul-13			
		Ensure that career structures are in place for members and officers to encourage participation and development					
	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	Both staff and the community are clear to whom DDC is accountable to and for what	A state of the district report is published annually	22-Jul-13	Assets of community value Neighbourhood forums State of the district Scrutiny	StateoftheDistrict2012.pdf	
Effective relationships exist between DDC and institutional stakeholders to whom the authority is accountable.		Neighbourhood forum invitee list is extensive and is drawn up in co-operation with other public bodies to reach as wide an audience as possible.	22-Jul-13				
		Surveys are done in house enabling a wide range of consultees to be engaged through various media.	22-Jul-13				
Annual report of scrutiny is published		The annual report of overview and scrutiny has been published	22-Jul-13	Scrutiny annual report.doc			

Core Principle Description	Supporting Principle Description	Outcome required	DDC Evidence	Evidence verified	Hyperlinks to evidence in Covalent	Attached evidence / documents in Covalent
<p>Engaging with local people and other stakeholders to ensure robust public accountability</p> <p>302</p>	<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	<p>Clear channels of communication are in place with all sections of the community and other stakeholders. Monitoring arrangements are in place to ensure that they operate effectively</p> <p>Arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p> <p>A clear plan is in place for consulting on issues and engaging with the public and service users. This includes a feedback mechanism for those consultees to demonstrate what has changed as a result</p> <p>Plans are published on an annual basis giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</p> <p>The authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in a</p> <p>Accountability extends to the recording of asset</p>	<p>Annual financial statements are published</p>	<p>22-Jul-13</p>	<p>Community Constitution Corporate Information Financial information Freedom of information Neighbourhood forums</p>	<p>Partnership Agreement Guidance.docx</p>
			<p>Communication and Engagement Team routinely work and communicate with all sections of the community</p>	<p>22-Jul-13</p>		<p>Partnership assessment form.docx</p>
			<p>Communication strategy is in the Constitution and a Communication toolkit is available on the front page of the Intranet</p>	<p>22-Jul-13</p>		<p>Partnership assessment scoring form.docx</p>
			<p>Constitution published and available on the website</p>	<p>22-Jul-13</p>		<p>Partnership Framework.doc</p>
			<p>Corporate Plan is published</p>	<p>22-Jul-13</p>		<p>Partnerships - follow-up Questionnaire Jan 2013.doc</p>
			<p>Freedom of information scheme is published</p>	<p>22-Jul-13</p>		<p>Member Induction - Partnerships Briefing.doc</p>
			<p>Medium Term Financial Plan Published</p>	<p>22-Jul-13</p>		
			<p>Neighbourhood forums provide opportunity for the public to discuss a wide range of topics</p>	<p>22-Jul-13</p>		
			<p>Partnership framework is in place</p>	<p>22-Jul-13</p>		

Subject:	GOVERNANCE ASSURANCE STATEMENT MID-YEAR UPDATE
Meeting and Date:	Governance Committee – 26 September 2013
Report of:	Dave Randall, Director of Governance
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report:	To accept and note the Governance Assurance Statement Action Plan mid-year update.
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Recommendation:	The Committee accepts the update report.
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1. **Summary**

1.1 This report is the six monthly update in respect of the Annual Governance Assurance Statement action plan.

2. **Introduction and Background**

2.1 The Annual Governance assurance statement contains a list of actions which need to be completed during the year. This report contains a list of progress to date.

3. **Identification of Options**

3.1 Committee accept and note the report.

3.2 The report is not accepted

4. **Evaluation of Options**

4.1 Option 1 is the preferred option.

4.2 **Resource Implications**

4.3 None

5. **Appendices**

5.1 Appendix 1 – Action plan

Contact Officer: Dave Randall, Director of Governance extn 2141

Governance Assurance Statement - Action plan mid-year update

Action	Outcome as at September 2013
The corporate plan to be been kept up to date and any necessary update is published	The latest version of the Corporate Plan is available on the Website
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	Constitution under constant review. Further reports to Governance Committee later in the autumn.
Service Plans Prepared and Published for each division	Service plans prepared for all services. New Property Services Section plan being updated to reflect the new departmental structure.
Quarterly performance reports all reviewed by Cabinet and Scrutiny P&P Committee	Reports all considered year to date.
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Reports all considered year to date. Annual report due to Governance in September.
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Reports received and considered. Annual report to go in September.
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	All considered in a timely and regular manner.
An annual review of the effectiveness of systems of internal control is undertaken	Annual review taken and details included in Governance Assurance Statement.
All service reviews that are planned are undertaken	The programme of service review is underway.
Issues arising from the new welfare reforms are monitored, progressed and reported as appropriate	Issues are being monitored and dealt with.
The actions brought by property search companies are carefully managed and addressed	The situation is still being monitored.
Governance Framework revised and incorporated with Performance Management Framework	Completed.
The provision for clawback of MMI insurance claims is reviewed and is adequate	Provision reviewed and adequate. To re reviewed again before March 2014.
Employee Code of Conduct Developed	Under development.