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12 September 2014

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 25 September 2014 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

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** (Page 4)

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

4 **MINUTES** (Pages 5 - 9)

To confirm the attached Minutes of the meeting of the Committee held on 26 June 2014.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 10 - 33)

To note the report of the Head of Audit Partnership.

6 **FINANCIAL OUTTURN 2013/14** (Pages 34 - 52)

To note the attached report of the Director of Finance, Housing and Community.

7 **AUDIT FINDINGS REPORT** (Pages 53 - 81)

To consider the attached report from Grant Thornton.

8 **STATEMENT OF ACCOUNTS 2013/14** (Pages 82 - 182)

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

9 **TREASURY MANAGEMENT YEAR END REPORT** (Pages 183 - 195)

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

10 **TREASURY MANAGEMENT QUARTER ONE REPORT** (Pages 196 - 208)

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

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.

- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.

- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.

- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Jemma Duffield, 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.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered 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.

Other Significant Interest (OSI)

Where a Member is declaring an 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.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 26 June 2014 at 6.00 pm.

Present:

Chairman:	Councillor T J Bartlett
Councillors:	K E Morris M R Eddy S J Jones A S Pollitt M A Russell
Also Present:	Emily Hill, Grant Thornton Daniel Woodcock, Grant Thornton
Officers:	Director of Finance, Housing and Community Head of Finance (East Kent Housing) Head of Audit Partnership (East Kent Audit Partnership) Deputy Head of Audit Partnership (East Kent Audit Partnership) Corporate Support Officer Team Leader – Democratic Support Democratic Support Officer

1 APOLOGIES

There were no apologies for absence received from Members.

2 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

3 DECLARATIONS OF INTEREST

There were no declarations of interest received from Members.

4 MINUTES

The Minutes of the meeting of the Committee held on 20 March 2014 were approved as a correct record and signed by the Chairman.

5 ORDER OF BUSINESS

The Chairman proposed that the order of business be changed to allow for agenda item 10 to be considered at agenda item 5.

RESOLVED: That, in accordance with Council Procedure Rule 14, the order of business be amended in order that agenda item 10 be considered at agenda item 5.

6 2013/14 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Corporate Services Officer introduced the 2013/14 Annual Governance Assurance Statement to members. This was a statutory document to be published with the accounts outlining the aims of the governance framework, strategic priorities, processes and action plans. There were no significant governance issues during the year.

RESOLVED: That the report be received and noted.

7 GOVERNANCE COMMITTEE UPDATE

The Audit Manager – Grant Thornton presented the update to the Committee. The following areas of progress had been made up to 10 June 2014:

- Completed and agreed the 2013/14 Account Audit Plan;
- The Interim Accounts Audit had been undertaken;
- Liaison meeting with the Director of Finance, Housing and Community and the Head of Finance;
- Liaison meeting with the Head of Internal Audit.

In response to a question from Councillor A S Pollitt in respect of the funding arrangements for new staff posts, the Audit Manager advised Members that she had received assurances from the Director of Finance, Housing and Community that the Housing Revenue Account (HRA) transfer would not be used to support the Council's finances in an unsustainable way. The Director of Finance, Housing and Community explained to Members that the money transferred from the HRA had not been allocated and would only be spent in accordance with the Medium Term Financial Plan.

Members were also directed to the 'Understanding your accounts -member guidance' contained within the report.

RESOLVED: That the update be noted.

8 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Audit Update Report. There had been seven audits undertaken during the period; four were classified as providing Substantial Assurance Levels, as set out below:

- Performance Management
- Main Accounting System
- EK Services – Housing Benefit Fraud
- EK Services – Housing Benefit Overpayments

A split Reasonable / Limited Assurance Level was awarded for EK Services Business Rates, although the Deputy Head of Audit Partnership advised the Committee that it was expected that the assurance level would be revised to reasonable or higher by year end in light of the proposed actions. For the EK Services – ICT Change Controls audit which received a Limited Assurance, a Change Management Policy was being developed and it was anticipated that an update on this would be made to the September 2014 meeting of the Committee.

The EK Services - Housing Benefit Quarterly Testing did not require an assurance level.

RESOLVED: That the update report be noted.

9 ANNUAL INTERNAL AUDIT REPORT

The Head of Audit Partnership reported to the Committee a summary of the work completed by the East Kent Audit Partnership (EKAP) together with details of the performance of the EKAP against its targets for the year ending 31 March 2014.

During 2013-14 the EKAP delivered 103% of the agreed audit plan days, with 9.04 days over delivered to be adjusted for in 2014-15. During the same period, 78 recommendations were made in the agreed final audit report with 26 analysed as being high risks; Members were advised that none of these were so significant that they needed to be escalated. A budgetary saving of 10% had also been achieved having delivered a cost per audit day in 2013-14 of £290.18 against the budget cost of £319.56.

Following the introduction of the New Public Sector Internal Audit Standards (PSIAS) in April 2013, Members were asked to approve and adopt the Audit Charter (formally the Audit Charter and Audit Strategy).

RESOLVED: (a) That the report be noted

(b) That the Audit Charter be approved.

10 ANNUAL FRAUD REPORT 2013/14

The Head of Audit Partnership provided Members with a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 March 2014.

Members were advised of Fighting Fraud Locally, a strategy launched by the National Fraud Authority in April 2012 as the first sector-led local government counter-fraud strategy. Fighting Fraud Locally set out a three tiered approach for local authorities to follow – to Acknowledge, Prevent and Pursue fraud, which Internal Audit had been commissioned by the Council to identify opportunities against their own existing arrangements. The current approach was described as reactive rather than proactive.

It was reported to the Committee that during 2013-14 of 505 referrals received, 226 had been accepted for formal investigation. Councillor M A Russell queried why only 18 of 159 of referrals received on the Fraud Hotline were accepted for formal investigation; Members were advised that if the intelligence did not lead anywhere then it would not be investigated. The Fraud Hotline was required but Members were reminded this was a public line and anyone could use it and could question the quality of the information.

Members were advised that the Council would continue to monitor the development of the Single Fraud Investigation Service (SFIS) and the wider Welfare Reform agenda given its potential impact on the Council's Investigation staff who were expected to transfer to the Department of Work and Pensions (DWP) in December 2015 with the resultant loss of skills and a lost opportunity to share expert knowledge and experience across Council departments. The Council's Corporate Management Team would continue to monitor this matter.

RESOLVED: That the report be noted.

11 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Director of Housing, Finance and Community presented the report on the Effectiveness of Internal Audit to Members. This was required to comply with the Accounts and Audit Regulations 2011. In order to assess the effectiveness of the system of internal audit, from 1 April 2013 the East Kent Audit Partnership (EKAP) had been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for internal audit in the UK Public Sector. Its findings were to be considered in the context of the Annual Governance Statement.

Feedback from the audits and any other matters arising from the work of EKAP were considered at regular meetings held between the Section 151 Officers of the partnering councils and the auditors. Areas where action was required included:

- An update to the Audit Charter;
- Requirement of an external assessment to be carried out in the next four years; and
- To confirm annually that EKAP is organisationally independent.

Members were advised that overall an effective Internal Audit programme was in place.

RESOLVED: That the report be received.

12 EXCLUSION OF THE PRESS AND PUBLIC

It was moved by Councillor S J Jones, duly seconded and

RESOLVED: That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the items to be considered involve the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Schedule 12A of the Act.

13 ANNUAL DEBT COLLECTION REPORT

The Director of Finance, Housing and Community presented the Annual Debt Collection Report to the Committee. The purpose of the report was to establish a format for the annual reporting of outstanding debt and to advise Members of the value of write offs in 2013/14.

RESOLVED: (a) That the format of the report be approved as the basis for an annual debt report;

(b) That the proposed arrangements for future debt reporting and write-offs be approved;

(c) Members resolved to note:

   (i) The generally high collection rates;

   (ii) The aged debt profile;

   (iii) The increasing arrears for leasehold service charges;

   (iv) The requirement to raise invoices for rechargeable works more promptly; and

   (v) That the Constitution would be reviewed to make any amendments required to facilitate these changes.

The meeting ended at 7.01 pm.

Subject:	**QUARTERLY INTERNAL AUDIT UPDATE REPORT**
Meeting and Date:	**Governance Committee – 25th September 2014**
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 the 30th June 2014.
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 2014.

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.

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 Annex 2 to the EKAP report.

2.5 The purpose of the Council's Governance 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 six Internal Audit reports that have been completed during the period, of which two reviews was classified as providing Substantial Assurance, one as Reasonable Assurance, one as Limited, and a further two resulted in a split assurance which was partially limited. Summaries of the report findings and the recommendations made are detailed within Appendix 1 to this report.

2.8 In addition six 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 2014, 84.62 chargeable days were delivered against the planned target of 270, which equates to 31.34% 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 2014-15 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 2014-15 - Previously presented to and approved at the 20th March 2014 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership

EAST KENT
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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 2014.

2. SUMMARY OF REPORTS:

	Service / Topic	Assurance level
2.1	Homelessness	Substantial/ Limited
2.2	EKS – Debtors	Substantial
2.3	Monitoring of Complaints, Comments and Compliments	Substantial
2.4	East Kent Housing – Rent Collection & Debt Management	Reasonable
2.5	Employee Benefits-in-Kind	Limited
2.6	East Kent Housing – Tenant Health & Safety	Split Assurance

2.1 Homelessness – Substantial/ Limited Assurance.

2.1.1 Audit Scope

To provide assurance that the Council deals fairly and efficiently with all homelessness applications and provides advice and/or housing accommodation where appropriate, whilst complying with the Council's Homelessness Strategy and Policies.

2.1.2 Summary of Findings

Households experiencing, or threatened with homelessness are often trapped in cycles of deprivation that impact on their health, emotional well-being and life chances. The effects on children within households experiencing or threatened with homelessness can be life-long. Sometimes being homeless is epitomised by the rough sleeper who is living on the streets, but this group of people form a relatively small proportion of all homeless households. Many homeless households are 'hidden' as they may have access to some sort of shelter, but lack a stable, long term, settled home. Homelessness can also have significant cost implications for local housing authorities and their partners at a time when overall public resources are reducing.

During 2013-14 the Housing Options team made determinations on 154 homeless applications. This does not include the 312 households who presented themselves as homeless but with the Housing Options Team assistance found suitable accommodation and therefore did not register as homeless.

Management can place Substantial Assurance on the processes in place to ensure that homeless applications are dealt with fairly and efficiently, however only Limited Assurance can be placed on the processes in place regarding the recovery of temporary accommodation costs.

The primary findings giving rise to the Substantial Assurance opinion are as follows:

- The Council offers an accessible service that will provide information to all.
- There is an effective ‘Out of Hours’ service available.
- The Council has numerous options for assisting those making a homeless application including emergency accommodation, short term housing and the deposit bond scheme.
- The deposit bond scheme is being reviewed to reduce the potential debt to the Council.

The primary finding giving rise to the Limited Assurance opinion is as follows:

- The tenants Housing Benefit is taken as payment for emergency B&B, however there is often a shortfall. Tenants are generally unlikely to have the means to meet the shortfall. If it is the Council’s policy to accept Housing Benefit as sufficient payment and not seek to recover the shortfall, then a formal decision should be taken to that effect, or that decision should be formally delegated to an appropriate officer.

2.2 EKS Debtors – Substantial Assurance.

2.2.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls.

2.2.2 Summary of Findings

EKS manage the Sundry Debtors function at CCC, DDC and TDC. They are responsible for the collection of corporate debt on behalf of each council at the point the invoice is raised. The Customer Delivery Service Level Agreement has been approved by all of the partner authorities and is reviewed on an annual basis to ensure that it details the shared service programme and current delivery requirements.

EKS raised Sundry debtors in 2012/13 of £10.6m and in 2013-14 of £10m with debt outstanding at year end (31-03-2014) of £1.2m and £800k respectively.

In addition to the Service Level Agreement, an Income Management Policy has been created by EK Services and agreed by all of the partners. The policy refers to the collection of monies including Sundry Debtors and the power to recover monies due has been fully delegated to EK Services.

During April 2014 changes were made to the telephone system. Customers can contact their local council to discuss their overpayment/sundry debtor invoice and the call will be received into a central hub where any of the Corporate Income Team based at any location will be able to deal with their query.

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- There is an Income Management Policy in place which provides clear guidance as to how the collection of corporate debt will be undertaken for all partner authorities.
- Where possible consistent procedures have been implemented to ensure the Corporate Income Team are generic and can deal with enquiries for all sites.
- Since the last audit in 2011/12 a considerable amount of work has been undertaken to ensure that the Corporate Income Team are a success.

Scope for improvement was however identified in the following areas:

- There is a lack of information being recorded on all financial systems detailing the action taken on the invoices. This could be a key issue with the introduction of the new telephone system and dealing with enquiries from all sites.
- The approach to write-offs has not been standardised across all three authorities and there is a lack of information available regarding the recovery action which has been taken prior to the debt being approved for write off.

2.3 Monitoring of Complaints, Comments and Compliments – Substantial Assurance.

2.3.1 Audit Scope

To ensure that the procedures established by the Council for the monitoring and management of complaints, comments and compliments are efficient and effective and wherever possible drive service improvements.

2.3.2 Summary of Findings

The majority of complaints are dealt with by the Corporate Complaints & Resilience Officer (SC) who has two roles; firstly dealing with and managing complaints and secondly the responsibility for Emergency Planning. During 2013/14 the Council received and dealt with 138 complaints on a wide range of subjects and services provided by the Council. 69% of complaints were resolved at Stage 1 and 31% of complaints were resolved at Stage 2 or referred to the Local Government Ombudsman for a decision.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The process for handling complaints was well defined and well publicised;
- The covalent system was used to manage and monitor complaints to good effect;
- The records of all correspondence sent and received were well documented;
- The correspondence examined was of a good standard and was very professional;
- The Corporate Complaints & Resilience Officer and her substitute team members have each had a good level of training; and

- The outcome of complaint investigations were reported to the Standards Committee.

Minor scope for improvement was identified in the following areas:

- Some of the statistical information recorded on covalent could be more accurate;
- The Council should organise some training on stage one complaint handling
- The complaints manual or complaints booklet did not contain expected timescales for responding to complaints and was not version dated; and
- As a precaution the learning from complaints / feedback loop should be reviewed to maximise its effectiveness.

2.4 East Kent Housing (Rent Collection & Debt Mgmt.) – Reasonable Assurance.

2.4.1 Audit Scope

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

2.4.2 Summary of Findings

East Kent Housing collects the rent on behalf of the four East Kent authorities and is also responsible for the collection of arrears and former tenant arrears (not for Canterbury City Council). Below are figures taken from the 3rd quarter's performance report for 2013/14;

- The total current residential arrears for all four authorities is £1,066,961 against a target for the year of £1,009,471;
- The total former tenant arrears for three authorities (DDC, SDC and TDC) is £441,583 against a target for the year of £427,391; and
- The total number of evictions as at 31st December 2013 for rent arrears for all four authorities is 37.

Management can currently place Reasonable Assurance on the system of internal controls in operation with emerging evidence to support a Substantial assurance opinion in the future. The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Procedures for rent management and former tenant arrears are being followed by all staff within the Income Recovery team.
- Rent account statements are sent out to tenants every quarter.
- Pro-active efforts are in place to contact tenants before their arrears spiral out of control.
- Extensive reconciliation routines are in place for Canterbury, Shepway and Thanet; and
- Regular reporting of performance to Senior Management, Client Officers and tenants' area board meetings is implemented.

Scope for improvement was however identified in the following areas:

- Utilisation of scanning facilities for Dover and Shepway documentation.
- No longer using the in house rent refund request form at Shepway.

- Remove the need for a second manager to authorise documentation at Dover if it has already been approved by the Income Recovery Manager
- Reduce the £1,000 limit at Dover for refunds that are checked with EK Services for outstanding debts
- The Administration team to take over the issuing of rent cards at Dover to free up additional time for the income recovery team to continue to chase for outstanding arrears; and
- Consider if a consistent approach to the preparation of legal documentation can be put in place. Ensuring that it complies with the Legal Services Act 2007.

2.5 Employee Benefits-in-Kind – Limited Assurance:

2.5.1 Audit Scope

To provide assurance that the correct regulatory requirements are being adhered to in relation to the benefits in kind that are being provided to the officers and Members of the three partner councils.

2.5.2 Summary of Findings

Income Tax and Employees and Employers National Insurance are chargeable on employment income that includes:

- earnings – salary, wages, fees and other emoluments;
- amounts treated as earnings; and
- amounts which are not earnings but count as employment income (Benefits in Kind).

As part of their role, the payroll function should ensure that (where applicable) dispensations for each Council are obtained that will help to reduce the level of reporting that is required to HMRC on an annual basis and also, where applicable, income tax and national insurance are processed through the payroll system on appropriate benefits in kind.

Management can place Limited Assurance on the system of internal controls in operation for Dover District Council regarding P11Ds.

The primary findings giving rise to this Limited Assurance opinion for are as follows:-

- The 2012/13 P11d`s for lease cars have not been calculated correctly. As a result of this the Class 1a NIC for the Council is incorrect and an additional payment of approximately £263 is due to HMRC. The total cash value for was originally £37,931.44 with class 1a due of £5,234.54 then after the error was corrected it became £39,836.07 and class 1a due of £5,497.38.
- Also the individual employees' P11d`s for the lease cars are incorrect as the wrong emissions percentages have been used to calculate the taxable benefit. Therefore the employees concerned have an additional tax liability for 2012/13.

Scope for general improvement was also identified in the following areas:

- There is the need to ensure that when the new in house payroll system and payroll team is introduced, that someone within the team has the expertise on P11d`s, PAYE Settlements and Payroll Dispensations and Agreements so that the end of year returns and payments of Class 1A NIC can be carried out for each authority. Currently the service is provided by an officer within Dover District Council who used to work for EKHRP.

- A regular timetable should be put in place to review the dispensations / agreements that are in place and ensure that they are still relevant and also to make sure that if any new applications need to be made to HMRC. (i.e. VDU eye tests or safety uniform)
- The Creditors sections at each authority need to be advised of the checking and reporting processes that need to be carried out to ensure that professional subscriptions are being processed correctly for employees. (This includes ensuring that the professional body is on the HMRC list 3 and what to do if the employee is reimbursed for paying the professional subscription)
- There is a need to ensure that any HMRC changes in the treatment of Elected Members car mileage has been fully investigated and that the correct deductions are being taken from the payments or that the appropriate dispensation is in place or applied for.

2.6 East Kent Housing - Tenant Health & Safety:

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by East Kent Housing to ensure the safety of all residents in all properties for which they are responsible for is not compromised.

2.6.2 Summary of Findings

East Kent Housing (EKH) has been appointed by each of the councils in East Kent to undertake the management of all tenanted properties. Whilst EKH are responsible for the maintenance of the properties, the Law sets out that the Chief Executive of each Council remains ultimately accountable for the Health and Safety of tenants. From the testing completed during this review a number of the necessary systems of control surrounding fire safety and lift maintenance are currently absent. There is however evidence of compliance with the majority of the key controls surrounding Gas Safety and Asbestos Management which leads us to conclude an assurance level on each individual area, (rather than the system as a whole), as follows;

Area	Assurance
Gas safety	Substantial
Fire safety	Limited
Asbestos	Reasonable
Lifts	No
Legionella	Reasonable

The primary findings giving rise to the audit opinions of Substantial assurance for Gas Safety and Reasonable assurance for Asbestos, and Legionella are as follows:

- All gas safety inspections are carried out by a Gas Safe registered contractor.
- Gas safety inspections are being completed prior to expiry.
- Asbestos registers are in place and are made available to contractors working at properties which are known to have asbestos present.
- Legionella temperature testing is undertaken at suitable intervals, however where it is identified that temperatures are outside of acceptable parameters, the remedial work is not always being completed in a reasonable timescale.

Significant scope for improvement was identified in the key areas of fire safety and lifts, and it is the following findings which result in a conclusion of Limited and No Assurance in these areas.

- The link between budget spend on Fire Prevention works and the actions identified in Fire Risk Assessments is not clear, the outstanding actions have not been monitored or reviewed for at least 3 years.
- Responsibilities in respect of the Responsible Person (Fire) are not clearly identified.
- Remedial work identified on risk assessments carried out in 2011 has not been completed.
- Registers detailing firefighting equipment, fire doors & fire detection systems are absent from all ten sites visited as part of this review.
- Eight fire extinguishers across six sites had not been serviced in accordance with BS 5306-3:2009.
- Dry risers in tower blocks in Thanet have not been inspected and tested in accordance with BS 5306-1.
- Personal Emergency Evacuation Plans (PEEPs) are out of date at the three sites inspected as part of this review.
- Remedial work identified on lift examination reports is not being carried out resulting in the same defects being evident on the next examination six months later, potentially breaching the law

2.6.3 Management Response.

We welcome the comprehensive and thorough review of health and safety in the audit report and most of the recommendations will help us deliver our commitment to ensure that our estates and tenants homes are safety places to live. The Board has taken a keen interest in developing a robust and consistent approach to health and safety and has appointed its own Health and Safety champion. The Board also conducts an annual review of Health and Safety as part of its Corporate Health meeting each July. A number of reports have been made to the Board on health and safety and as a result a number of improvements have already been made and a number of other actions were already in train at the time of the audit, including developing consistent policy and processes across all four districts. Similarly a number of changes were already being made in our approach to health and safety in sheltered housing scheme, for example the introduction of fire boxes and the roll out of personal Emergency Evacuation Plans. The implementation of the sheltered housing review later this year will ensure that a comprehensive, robust and consistent approach to health and safety in the sheltered housing schemes is achieved.

The timing of the audit, during a time at which the independent fire safety assessments were being carried out was unfortunate as it gave rise to findings and recommendations that would no doubt have been addressed had the risk assessment process been complete. Nevertheless the findings especially around quality control procedures have proved to be helpful. A number of recommendations, some classified as High in fire safety are not consistent with the requirements of the Regulatory Reform Order.

While we accept that there was a key failing in lift safety in respect of the LOLER reports, an oversight caused by the transition to an online service, there are corresponding safeguards and checks in place through existing maintenance and service contracts which significantly mitigate the potential risks and we believe that no assurance in this area is a harsh judgement. Given the potential risk and no assurance but the relative ease which the weakness can be addressed we would welcome an early re-assessment of this aspect of the audit.

The audit process has been appropriately challenging and the subsequent dialogue with the audit team has been positive and constructive. We are confident that the findings and the implementation of the recommendations will result in a very strong approach to the health and safety

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period’s work, six 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)	FOI, Data Protection and	Reasonable	Reasonable	H M L	2 0 1	H M L	1 0 1

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
	Information Mgmt.						
b)	Environmental Protection	Reasonable	Reasonable	H M L	0 0 1	H M L	0 0 1
c)	EKS – ICT Software Licences	Limited	Limited	H M L	4 1 1	H M L	4 1 1
d)	EKS - Business Rates	Reasonable	Reasonable	H M L	4 0 0	H M L	0 0 0
e)	Monitoring and Management of Complaints	Substantial	Substantial	H M L	0 4 0	H M L	0 1 0
f)	Capital	Substantial	Substantial	H M L	0 1 0	H M L	0 1 0

3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 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.

3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) EKS – ICT Software Licences

The follow up review of EK Services – ICT Software Licensing has found that no significant progress has been made implementing the recommendations due to an ongoing issue with the supplier of the required system.

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: Leasehold Services, Anti-Money Laundering, Waste Management and Street Cleansing, White Cliffs Countryside Partnership and Up on the Downs Partnership, HMO Licensing, CSO Compliance, and Payroll.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2014-15 Audit plan was agreed by Members at the meeting of this Committee on 20th March 2014.

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 Annex 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 2014, 84.62 chargeable days were delivered against the planned target of 270, which equates to 31.34% 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 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.

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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 2014 against the agreed 2014/15 Audit Plan.
Annex 4	EKAP Balanced Scorecard of Performance Indicators to 30th June 2014.
Annex 5	Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1		
Original Recommendation	**Agreed Management Action, Responsibility and Target Date**	**Manager's Comment on Progress Towards Implementation.**
FOI and Information Management (July 2014)		
Ensure that the hyperlinks visible on the Publication Scheme, available via the website, actually function as hyperlinks guiding interested parties to the desired information.	The Publication Scheme is in the process of being updated and will include refreshed hyperlinks where necessary. **Responsibility &Completion date.** Corporate Support Officer - 31/03/14	This is being worked on and will be completed by 30 June 2014
EKS – ICT Software Licences (July 2014)		
Recommendation 1 The process for purchasing, installing and uninstalling software should be redesigned and communicated to all staff involved in the process. The new process should ensure that once a technician has installed any new software or uninstalled any redundant software that information is documented regarding the serial number, security access key and asset number of the computer where the software has been installed or uninstalled is reported back to the Business Support Team before closing the call.	**Proposed Completion Date:** 2014 **Responsibility:** Head of ICT (SH)	**Follow Up Findings as at 16th July 2014** EK Services intend to purchase and install new SAM software in 2015/16. Once implemented this should address all of the issues raised by Internal Audit. Action has been taken by EK Services to reduce the impact and likelihood of the risks identified. As mentioned EK Services have taken the following steps to reduce the risk and improve its position in terms of managing its licenses. These include: - 1) Completed an Oracle licensing review for all partners to establish the effective licensing position; 2) Completed a Microsoft requested review of Microsoft Licensing at Canterbury City

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1		
Original Recommendation	**Agreed Management Action, Responsibility and Target Date**	**Manager's Comment on Progress Towards Implementation.**
		Council to establish the effective licensing position; 3) The roll-out of new equipment (157 laptops & 42 desktops) at Dover District Council has improved the licensing position at Dover District Council; 4) The roll-out of new equipment (242 laptops & 54 desktops) at Canterbury City Council and has improved the licensing position at Canterbury City Council; 5) The roll-out of new equipment (250 laptops & 26 desktops) at Thanet District Council and has improved the licensing position at Thanet District Council; 6) The roll-out of new equipment (411 smart devices) to all partners 7) Increased knowledge of licensing requirements and controls required. **Conclusion** This recommendation remains outstanding and will be included in the briefing to the Audit Committees at Dover, Canterbury and Thanet.

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1		
Original Recommendation	**Agreed Management Action, Responsibility and Target Date**	**Manager's Comment on Progress Towards Implementation.**
Recommendation 2 Work should be carried out prior to 2014 to ensure that; all software installed across all three Councils is established and recorded in an appropriate register (or three separate registers). Information should be collected to include: - a) a description / title of software / license type (free and open source, proprietary or concurrent; b) the Council to which the software belongs; c) date of procurement; d) number of licences held; e) number of authorised users; f) expiry date of licence if applicable; g) any restrictions on use; h) details of PCs / laptops on which the software is installed; i) software licence key code number; j) location of software licensed disks and receipts / boxes; and k) Name of officer installing software.	**Proposed Completion Date:** 2014 **Responsibility:** Head of ICT (SH)	Recommendation is outstanding at 2nd July 2014. The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way. Revised Implementation Date: 2015/16

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
Recommendation 3 The Business Support Team should gain full access to; and responsibility for maintaining the new Software Register or Software Registers as soon as they are correct and up to date. This will allow the Business Support Team who is currently responsible for purchasing software to control and update the central register of software and software licenses with accurate and timely information.	**Proposed Completion Date:** 2013 **Responsibility:** Head of ICT (SH)	Recommendation is outstanding at 2nd July 2014. The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way. Revised Implementation Date: 2015/16
Recommendation 4 A full reconciliation of software currently being used, against licences held should be carried out using a TRACK IT (if the functionality can be resolved) or a suitable alternative Software Asset Management Tool (SAM). This should be undertaken to ascertain what software is currently being used across all three Councils. This will assist management to gather information to help produce an appropriate software asset register or registers for each Council.	**Proposed Completion Date:** 2013 **Responsibility:** Head of ICT (SH)	**Recommendation is outstanding at 2nd July 2014.** The contract for the new software is in dispute. The Head of ICT (EK Services) will be following this up through the Thanet legal team. In the meantime EK Service will endeavour to manage assets and licences in the most effective way. Revised Implementation Date: 2015/16

ANNEX 2

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.	Work-in-progress as part of 2014-15 plan
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress as part of 2014-15 plan
Cemeteries	March 2014	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress
Employee Benefits-in-Kind	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress
Safeguarding Children and Vulnerable Groups	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress

ANNEX 3

PROGRESS AGAINST THE AGREED 2014-15 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-14	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & PCNs	10	10	0	Quarter 3
Creditors and CIS	10	10	0	Quarter 3
Income	10	10	0	Quarter 3
RESIDUAL HOUSING SYSTEMS:				
HRA Business Plan	10	10	0	Quarter 4
GOVERNANCE RELATED:				
Asset Management	10	10	0	Postpone to accommodate additional work b/fwd from 2013-14
Anti-Money Laundering	5	5	0.17	Work-in-Progress
Fraud Prevention	10	10	0	Quarter 3
Complaints Monitoring	10	10	10.24	Finalised - Reasonable
Partnerships and Shared Service Monitoring	10	10	0.17	Work-in-Progress
Corporate Advice/CMT	2	2	3.55	Work-in-Progress throughout 2014-15
s.151 Meetings and support	9	9	2.79	Work-in-Progress throughout 2014-15
Governance Committee Meetings and Reports	12	12	4.19	Work-in-Progress throughout 2014-15
2015-16 Audit Plan Preparation and Meetings	9	9	0.41	Quarter 4
CONTRACT RELATED:				
CSO Compliance	10	10	0.24	Work-in-Progress
Receipt and Opening of Tenders	6	6	0.17	Quarter 3
SERVICE LEVEL:				
Safeguarding Children & Vulnerable Groups	10	10	1.79	Work-in-Progress
Community Safety	10	10	0	Quarter 4
Pest Control	10	10	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-14	Status and Assurance Level
Towards a Digital Future	18	18	10.18	Work-in-Progress
HMO Licensing	10	10	0.47	Work-in-Progress
Land Charges	10	10	0	Quarter 3
Building Control	10	10	0	Quarter 4
Waste Management	10	10	1.57	Work-in-Progress
White Cliffs Countryside Partnership and 'Up on the Downs'	10	10	0.27	Quarter 3
OTHER				
Liaison with External Auditors	2	2	0.20	Work-in-Progress throughout 2014-15
Follow-up Work	17	17	5.24	Work-in-Progress throughout 2014-15
UNPLANNED WORK				
None in Quarter 1				
FINALISATION OF 2011-12 AUDITS				
Planning	5	-4.04	9.98	Work-in-Progress
Tackling Tenancy Fraud			4.12	Work-in-Progress
Payroll			0.07	Work-in-Progress
Main Accounting System			0.47	Finalised - Substantial
Homelessness			11.04	Finalised – Substantial/Limited
Employee BIKs			1.23	Work-in-Progress
Car Parking Investigation			6.94	Work-in-Progress
Days over delivered in 2013-14			0	Finalised
EK HUMAN RESOURCES				
Absence Management	5	5	0.08	Work-in-Progress
Payroll	5	5	0	Quarter 3
Employee Allowances & Expenses	5	5	0	Quarter 3
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	**270**	**260.96**	**75.58**	**29% at 30th June 2014**

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2014	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8.5	1.5	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	24.16	Finalised – Split Assurance
Void Property Management.	15	18	0	Quarter 4
Sheltered Housing	30	0	0	Postpone until 2015-16
<u>Finalisation of 2013-14 Audits:</u>				
Leasehold Services	0	21	20.11	Work-in-progress
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed
Total	**80**	**80**	**47.81**	**60% at 30-06-2014**
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-14	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	0.10	Work in progress
Housing Benefits Payments	15	15	1.72	Work in progress
Council Tax	30	30	0	Work in progress
Customer Services	15	15	0	Work in progress
ICT File Controls / Data Protection / Back ups	12	12	0	Work in progress

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-14	Status and Assurance Level
ICT Internet & Email	12	12	10.80	Work in progress
ICT Physical & Environment	12	12	0.20	Work in progress
Corporate / Committee /follow up	9	9	2.81	Ongoing
DDC / TDC HB reviews	40	40	0.96	Ongoing
Finalisation of 2013-14 audits:				
Housing Benefit Verification	0	15	1.08	Work in progress
Payroll	0	16	12.88	Work in progress
Total	**160**	**191**	**30.55**	**16% at 30-06-2014**

EAST KENT
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ANNEX 4

BALANCED SCORECARD – QUARTER 1

INTERNAL PROCESSES PERSPECTIVE:	2014-15 Actual	Target	FINANCIAL PERSPECTIVE:	2014-15 Actual	Target
	Quarter 1		Reported Annually		
Chargeable as % of available days	84%	80%	• Cost per Audit Day		£312.86
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)		£392,980
CCC	25%	25%			
DDC	29%	25%			
SDC	29%	25%	• Indirect Costs (Recharges from Host)		£19,990
TDC	27%	25%			
EKS	16%	25%	• 'Unplanned Income'		Zero
EKH	60%	25%			
Overall	28%	25%	• Total EKAP cost		£412,970
Follow up/ Progress Reviews;					
• Issued	19	-			
• Not yet due	25	-			
• Now due for Follow Up	27	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

EAST KENT

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ANNEX 4

BALANCED SCORECARD – QUARTER 1

CUSTOMER PERSPECTIVE:	2014-15 Actual	Target
	Quarter 1	
Number of Satisfaction Questionnaires Issued;	26	
Number of completed questionnaires received back;	8 =31%	
Percentage of Customers who felt that;		
• Interviews were conducted in a professional manner	100%	100%
• The audit report was 'Good' or better	100%	100%
• That the audit was worthwhile.	100%	100%

INNOVATION & LEARNING PERSPECTIVE:	2014-15 Actual	Target
Quarter 1		
Percentage of staff qualified to relevant technician level	88%	75%
Percentage of staff holding a relevant higher level qualification	43%	32%
Percentage of staff studying for a relevant professional qualification	25%	13%
Number of days technical training per FTE	1.94	3.5
Percentage of staff meeting formal CPD requirements	43%	32%

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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.

Subject:	**FINANCIAL OUTTURN 2013/14**
Meeting and Date:	**Governance – 25th September 2014** **Cabinet – 6th October 2014**
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 2013/14 following the audit of the Statement of Accounts
Recommendation:	That Members receive and note the report.

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 7 and 8 on the Governance agenda).

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

- The General Fund was circa £320k in surplus for the year and balances have been maintained at over £2.5m;
- No funds have been drawn down from the HRA Transfer Reserve;
- HRA balances have been increased by over £3m;
- The capital and major revenues projects have stayed within budget, although resources for further projects remain limited;
- No new borrowing has been undertaken, the Council has complied with the Prudential Code and its own Treasury Management policies;
- The return of the Iceland investments is complete, over 97% has been recovered and so no further updates will be provided on this.

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 The main changes to the accounts for 2013/14 were:

- **National Non-Domestic Rates**

  Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

  Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government and the amount not paid to the government at the balance sheet date was included as a creditor; similarly, if cash paid to the government exceeds the cash collected from NNDR payers (net of the billing authority's cost of collection allowance), the excess was included in the Balance Sheet as a debtor.

  On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government, the billing authority and the major precepting authorities. There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year, as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

  This is explained further in the Explanatory Foreword and the Collection Fund section of the Supplementary Statements.

- **Council Tax**

  Council tax benefit (CTB) was abolished by Government from April 2013 and billing authorities were required to implement a local 'Council Tax Reduction Scheme' (CTRS). This has had a significant impact on the council tax base, which is explained further in the Collection Fund section of the Supplementary Statements.

- **Accounting for Pensions**

  The Accounts also reflect the changes to International Accounting Standard 19 in respect of pensions. The main changes are: the expected return on assets and pensions interest cost are replaced by a net interest cost; some labelling changes to the charges to income and expenditure; and administration expenses are now accounted for within the charges to income and expenditure.

3.2 The core statements are:

- **Movement in Reserves Statement (page 17 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 18)**

  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 19)**

  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 20)**

  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 21 - 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 – 87)**

  - Collection Fund (pages 73 – 79)

  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 80 – 85)

  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 86 – 87)

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 2013/14 Original budget which is shown, together with the 2013/14 Projected Outturn and the 2013/14 Outturn, at Appendix A (i).

4.2 The original budget for 2013/14 forecast a surplus of £5k. The latest projection of the budget, following various changes in year, was a surplus of £296k. The outturn, after transfers to earmarked reserves, was a surplus of £325k. This gives an underlying General Fund Balance of £2.585m

4.3 Appendix A (ii) provides a breakdown of the main 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 2013/14 Outturn was a surplus of £325k. This was after transfers made to earmarked reserves, including the transfer of the 2012/13 HRA transfer of £12.5m to an earmarked reserve.

Movement in General Fund Balances	
	£000
Balance at start of the year	**(14,760)**
Surplus from 2013/14	(325)
Transfer to HRA transfer reserve	12,500
Balance at the end of the year	**(2,585)**

5.4 The Opening Balance of £14,760k and the year-end balance of £2,585k 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. 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.
- HRA Transfer - Council on 25th September 2013 resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This has been transferred into an earmarked reserve in 2013/14. No plans have yet been made for the application of the funds and any such plan will form the basis of future reports.

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;

- 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 £3,128k before transfers to reserves. This is a favourable variance of £1,408k against the original budgeted increase of £1,720k, and a favourable variance of £833k against the Projected Outturn of £2,295k surplus (see Appendix B (i)).

7.2 The main variances against the original budget are detailed below;

- An increase in dwelling rents due to lower than budgeted void levels (£170k);
- Re-phased spend on the Capital Works Programme (£1,125k).

7.3 A detailed schedule of variances is contained in Appendix B (ii) to this report.

7.4 The overall HRA Balance has increased to £1,786k (from £658k at 31 March 2013) after the transfer of £2m to a separate 'Housing Initiatives' reserve. The Housing Initiatives reserve has been established as a source of funding for suitable future projects.

8. **Collection Fund Outturn**

8.1 This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. There have been 2 significant changes to the Collection Fund in 2013/14:

- Replacement of Council tax Benefit with the Council Tax Support Scheme;
- Implementation of the Business Rates Retention Scheme.

These are explained in more detail in the Collection Fund section of the Statement of Accounts.

8.2 The Collection Fund shows a total surplus of £2.3m at 31 March 2014. This surplus is split between Council Tax (£1.8m) and NDR (£0.5m). Any surplus balance on the fund is distributed to the precepting authorities (Dover District Council, Kent County Council, Kent and Medway Fire Authority and Kent Police Authority (Council Tax only)) in proportion to their respective precept amounts. However this surplus is on an accruals basis and is not fully cash backed and calculations for distribution of the surplus form part of the following year's budget process.

9. **Capital Programme Outturn**

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

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 2013/14
- Proposed spending for 2014/15 and future years

- Revised total project budgets.

9.4 The Council invested £6.1m in Capital projects in 2013/14, the most significant of which were:

- £132k on works to progress the development of Dover Town Investment Zone and the surrounding area;
- £4.2m on Housing Revenue Account property projects;
- £148k on grants and loans for private sector housing;
- £613k on Disabled Facility Grants;
- £277k on coast protection and emergency sea defence works;
- £146k to purchase land at Whitfield to enable sustainable transport connections;
- £76k on ICT infrastructure projects;
- £123k on the 'Up on the Downs' landscape projects;
- £80k on the refurbishment of the East Cliff public conveniences;
- £65k on replacement of plant and equipment in the leisure centres;
- £48k on refurbishment of the Sheridan Road play area;
- £90k on demolition works at William Muge House and Snelgrove House;
- The remainder has been spent on a number of smaller projects.

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

- £1.4m in grants from external bodies including the Homes and Communities Agency, Department of Communities and Local Government, Environment Agency, Heritage Lottery Fund, Kent County Council and Partnership Funding;
- £3m from the Major Repairs Reserve;
- £273k from capital receipts;
- £1.1m from Housing Revenue Account direct revenue financing;
- £302k funding from other reserves.

9.6 Overall, the capital programme is within budget; however, a low level of funding sources continues to limit 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 D) are shown as "projects in progress" and these had a total spend in year of £464k. 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 2013/14 accounts the following additional transfers have been made:

- £47k transferred to the Special Projects Reserve from the Invest to Save Reserve;
- £150k repayment to the Reserve of the 12/13 one-off allocation to fund 13/14 savings;

- £238k of Special Revenue expenditure on ICT projects has been funded by the ICT Reserve.

10.4 Allowing for future commitments of £785k and an allocation of £484k to the Reserve from the General Fund in 2014/15, the Special Projects reserve has a forecast uncommitted balance of £625k at the end of 2013/14.

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 2013/14 were lower than returns achieved through in-house investments.

11.3 At 31 March 2014 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 2013/14.

11.4 The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.70% for the year. The investments with the investment managers, Investec, also outperformed the benchmark and achieved an average of 0.60% for the year. The total interest received for the year was approximately £245k.

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. The Council sold the remaining balance of the deposit to a third party in January 2014. Further information relating to the impairment is included in Note 12 to the Accounts.

Borrowing

11.6 The Council has just under £91m 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 2013/14. 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	**2013 £000**	**2014 £000**
Value of land, property and other assets	228,823	231,463
Investments held and cash at bank	25,820	34,520
Money owed to DDC for goods and services	6,029	6,976
Loans owed to DDC (short and long term)	2,748	2,850
Money owed by DDC for goods and services	(10,628)	(14,793)
Loans owed by DDC (short and long term)	(96,024)	(94,111)
Grants for assets received but not yet used	(825)	(768)
Share of pension scheme liabilities owed by DDC	(64,198)	(65,828)
Total Assets less Total Liabilities	**91,745**	**100,309**
Financed by:		
Usable reserves[1]	24,237	28,905
Unusable reserves[2]	67,508	71,404
Net Worth of Council	**91,745**	**100,309**

[1] Usable reserves are made up of:

Capital receipts and grants	3,796	4,296
Revenue balances	10,419	4,371
Earmarked reserves	10,022	20,238
	24,237	**28,905**

[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 2013/14 relates to the increase in the HRA balances 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 7 on the Governance agenda. In addition, a summary of the controls operated by the Director of Finance, Housing and Community is provided at Appendix E.

14. **Appendices**

Appendix A (i) – General Fund Budget Summary

Appendix A (ii) – Explanation of Main General Fund Variations

Appendix B (i) – Housing Revenue Account Summary - BW

Appendix B (ii) – Explanation of Main Housing Revenue Account Variations

Appendix C – Medium Term Capital Programme Outturn

Appendix D – Special Projects Outturn

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

15. **Background Papers**

Statement of Accounts 2013/14 - Item 8 Governance Agenda 25/09/14

Contact Officer: Helen Lamb, extension 2063

GENERAL FUND BUDGET SUMMARY

2012/13 Actual £000		2013/14 Original Budget £000	2013/14 Projected Outturn (28 Feb 14) £000	2013/14 Actual £000
	Directorate			
1,989	Chief Executive	2,161	1,845	1,633
2,223	Governance	2,430	2,375	2,168
2,739	Finance, Housing & Community	2,430	2,318	2,513
9,698	Environment & Corporate Assets	7,114	7,535	7,295
190	Special Revenue Projects	81	506	464
0	Shared Services (DDC hosted)	0	0	0
0	Vacancy Allowance	-100	0	0
0	Delivering Effective Services	-293	0	0
-113	Council Tax Second Homes	-113	-113	-113
0	Contingency	98	36	0
16,726	**Directorate Service Costs**	**13,808**	**14,502**	**13,960**
-4,205	Depreciation	-1,494	-1,652	-1,636
1,113	Pension Adjustments	1,207	730	830
-15	Annual Leave Adjustment	0	0	4
64	River Stour Drainage Board	64	64	64
0	Council Tax Support Funding to Towns & Parishes	284	284	284
	Contribution to/(from) Reserves:			
-193	- Special Projects & Events Reserve	89	-336	-56
320	- Periodic Operations Reserve	-72	152	-66
348	- Urgent Works Reserve	354	354	363
-75	- Regeneration Reserve	32	236	539
71	- IT Equipment Reserve	58	98	-90
127	- Revenue Grants in Advance Reserve	0	-2	210
0	- Business Rates & Council Tax Reserve	0	-223	-32
14,281	**Net Service Expenditure**	**14,330**	**14,207**	**14,374**
	Financing Adjustments			
-124	Interest Receivable	-92	-195	-154
236	Interest Payable	236	236	236
24	Loan Principal Repayments	0	0	15
-86	Revenue Expenditure Funded by Capital Under Statute	0	0	-776
0	Capital Grants Unapplied	0	0	447
-38	Soft Loan Adjustments	0	0	-71
-19	Impairment of Iceland Investment	0	0	-28
0	Collection Fund / Enterprise Zone Relief Adjustment	0	256	867
14,274	**Total Budget Requirement**	**14,474**	**14,504**	**14,910**
	Financed by:			
7,104	Non-Domestic Rates	2,994	2,994	2,994
0	Enterprise Zone Relief Retained	0	321	697
138	Revenue Support Grant	4,699	4,699	4,699
6,608	Council Tax	5,822	5,822	5,822
0	Council Tax Freeze Compensation	0	0	0
0	Collection Fund Surplus	37	37	37
413	New Homes Bonus	927	927	927
13	New Burdens	0	0	34
0	Capitalisation Redistribution	0	0	25
14,276	**Total Financing**	**14,479**	**14,800**	**15,235**
-2	**General Fund Deficit/(Surplus) for the Year**	**-5**	**-296**	**-325**
-2,258	**General Fund Balance at Start of Year**	**-2,333**	**-14,760**	**-14,760**
-12,500	**Transfer from the HRA**	**0**	**0**	**0**
0	**HRA Transfer to Earmarked Reserves**	**0**	**12,500**	**12,500**
0	**Supplementary approvals**	**49**	**0**	**0**
-14,760	**Leaving Year End Balances of**	**-2,289**	**-2,556**	**-2,585**

Appendix A(ii)

Explanation of Main General Fund Variations

The table below provides the reasons for the some of the main variations between the original budget, the revised budget and the actual for the year.

	Variance £000	Budget £000
Original Budget Surplus		**(5)**
Enterprise Zone Relief under new funding arrangements	(321)	
NNDR Discretionary Relief (now shared through collection fund)	(133)	
Parking income reductions	148	
Development income increase (net of reserve transfer)	(126)	
Various savings from internal review	(103)	
Interest receivable, less treasury management costs	(95)	
Waste contracts reduced RPI & extra waste management income	(63)	
Waste – delayed removal of bring banks, lower refuse sack sales	68	
Waste – replacement bins	46	
Waste – green waste income reduction	29	
ICT Reserve – additional allowance for future ICT initiatives	58	
Building Control income reduction	55	
On-street parking profit transferred to reserve for highway maintenance	52	
Land Charges increased income	(41)	
External funding target, not achieved in year	40	
Museum income reductions	30	
Bellwin Flood Support scheme claim threshold for reimbursement	28	
Adverse variance from recalculation of recharges	26	
Miscellaneous other variances	11	
Revised Budget Surplus		**(296)**
Enterprise Zone Relief under new funding arrangements	(376)	
Enterprise Zone Relief reversed under regulations (timing only)	667	
Collection Fund Surplus (NNDR) reversed under regulations	200	
Street lighting repairs and maintenance, electricity, etc	(106)	
Council Tax Support scheme - New Burdens grant credited to service	(76)	
EKS Management fees saving	(70)	
New Burdens and other grant funding (not attributed to service)	(59)	
ICT Reserve – additional allowance for future ICT initiatives	50	
Corporate properties rent - additional space leased at Whitfield, other one off leases of land, and higher rents on re-let properties	(39)	
Contingency not used in year	(36)	
Port Health, Licensing, Pollution Control & Dog Measure - net increased income/reduced costs	(33)	
Acoustic equipment provision at Toolmasters site deferred to next year	(31)	
CCTV – equipment and communications savings	(30)	
Cemeteries – lower interment fees	30	
Waste contracts further savings	(28)	
DCLG Flood Support funding	(17)	
Council Tax court costs income to fund debt collection	(14)	
Parks & Open Spaces reduced landscape maintenance expenditure	(13)	
HR corporate and qualification training	(11)	
Miscellaneous other variances	(37)	
Actual Budget Surplus		**(325)**

Housing Revenue Account for the Year Ended 31 March 2014

	Original Budget 2013/4	*Projected Outturn 2013/14*	*Outturn 2013/14*	*Variance Outturn to Original*
	£000	*£000*	*£000*	*£000*
INCOME				
Dwelling Rents	(18,520)	(18,622)	(18,691)	(171)
Non-dwelling Rents	(445)	(472)	(470)	(25)
Tenant Charges for Services and Facilities	(285)	(300)	(302)	(17)
Conts. towards Expend. - Grants for Supporting People	(178)	(178)	(180)	(2)
Leaseholder Charges for Services and Facilities	(166)	(296)	(295)	(130)
Other Misc	(23)	(39)	(40)	(17)
TOTAL INCOME	**(19,616)**	**(19,906)**	**(19,977)**	**(361)**
EXPENDITURE				
Repairs and Maintenance	3,385	3,498	3,213	(173)
Supervision and Management	3,533	3,679	3,647	114
Rents, Rates, Taxes and Other Charges	66	101	86	20
Negative Subsidy Entitlement (Incl MRA)	0	0	0	0
Depreciation of Fixed Assets	2,180	2,183	1,496	(684)
Impairment of Fixed Assets	0	0	0	0
Revaluation Gain - Reversal of Prior Year Loss	0	0	(1,821)	(1,821)
Debt Management Expenses	20	25	26	6
Bad Debt Provision	250	250	114	(136)
Rent Rebate Subsidy Limitation	20	20	12	(8)
TOTAL EXPENDITURE	**9,454**	**9,756**	**6,773**	**(2,681)**
NET COST OF HRA SERVICES PER AUTHORITY INCOME AND EXPENDITURE ACCOUNT	**(10,162)**	**(10,150)**	**(13,204)**	**(3,042)**
HRA Share of Corporate and Democratic Core	435	402	407	(28)
HRA share of other amounts not allocated to specific services	0	0	23	23
NET COST OF HRA SERVICES	**(9,727)**	**(9,748)**	**(12,774)**	**(3,047)**
(Gain)/Loss on Sales of HRA Fixed Assets	0	0	(663)	(663)
Interest Payable and Similar Charges	2,980	2,980	2,972	(8)
Amortisation of Premiums & Discounts	0	0	0	0
Interest and Investment Income	(138)	(63)	(63)	75
Pension Int Costs and expected return on pensions assets	338	464	462	123
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(6,546)**	**(6,367)**	**(10,067)**	**(3,521)**
Amount required by statute to be credited to the HRA Balance for the year (as per the Note to the Statement of Movement below) **	4,826	4,072	6,940	2,114
Net (Increase)/Decrease in the Housing Revenue Account Balance before transfers to or from reserves	***(1,720)***	***(2,295)***	***(3,127)***	**(1,407)**
Transfer to or (from) reserves	*2,000*	*0*	*2,000*	0
(Increase)/decrease in year on the HRA balance	***280***	***(2,295)***	***(1,127)***	**(1,407)**

Impact of Deficit / (surplus) on balances

Housing Revenue Account surplus brought forward	(9,940)	(658)	(658)
Housing Revenue Account surplus carried forward	***(9,660)***	***(2,953)***	***(1,785)***

HRA Variances Original Budget to Outturn 2013/14

		£000	
Original Budget		**280**	
Dwelling Rents - Increase mainly due to reduced void levels against budget		(171)	
Increase in Non Dwelling Rents - mainly re: Garages		(25)	
Increase in Service Charge income		(17)	
Leaseholder Charges for Services & Facilities: additional recoverable Major Works & Insurance premium recovery		(130)	
Income - Other miscellaneous variances		(19)	
Repairs and Maintenance: Numerous changes to R&M budgets to meet in year requirements			
Term Maintenance - increase due to general level of demand	(32)		
External Decorations - virement to Elderly Persons Redecorations & works delayed until 2014/15	(61)		
Boiler Maintenance	(14)		
Vandalism	(11)		
Reduction in Estate Paths etc based on Estate Inspection	(52)		
Other Miscellaneous Variances	(3)		
		(172)	
Supervision & Management:			
Increase in EKH Management Fee	65		
Leaseholder Premises Insurance - previously netted against Leaseholder Income	26		
Caretaking & Cleaning - increased specification of works	24		
Increase in internal recharges	37		
Increase in Computer Software Maintenance/Purchases - work on tenancy types & BACS payments	18		
Professional & Agency Fees	(28)		
Grounds Maintenance/Contract Payments/Repairs & Maintenance	(14)		
Careline Services - reduced cost following reconcilliation of charges from Sheway	(28)		
Reduction in Maintenance of Play Areas re: replacement equipment now funded through Capital	(33)		
Other Miscellaneous Variances	46		
		114	
Rent, Rates etc - projected increase in Council Tax due to removal of void "grace period"		20	
Depreciation / Major Repairs Allowance		121	
Debt Management expenses & Housing Finance Loan interest		(2)	
Reduced Bad Debt Provision / Write Off		(136)	
Rent Rebate Subsidy Limitation		(8)	
Share of Corporate & Democratic Core - mainly recharges		(32)	
Reduction in interest due to transfer of balance in September 13 & re-assessment of 'Negative Credit Ceiling' adjustment		76	
Reduction in Capital expenditure funded by the HRA due to:			
Increase in Structural Works - re: mainly catchup up on previously delayed programme	150		
Decent Homes	93		
Rewiring Works b/f/ from 2013/14:	56		
Comprehensive Improvements - includes virement from Disabled Adaptations (£63k)	40		
Asbestos Programme	(19)		
Adaptations for Disabled Persons (inc £63k vired to Comp Improvements)	(34)		
Renewal Heating - low requirement for installations	(45)		
Door Entry Systems - Delay in works procurement. Now expected in 14/15 - £69k uplift to revised business plan for 14/15	(127)		
Thermal Insulation - expectation of majority of works being grant funded. 14/15 proposed budget also reduced by £200k	(155)		
Contingency re: replacement of alarm systems at Sheltered units - not required	(200)		
Replacement Doors & Windows - reduced 13/14 spend projection no increase in 14/15 requested	(220)		
Fire Precaution Works - Delayed 13/14 programme "matched" by £230k addition to 14/15 proposed budget	(261)		
Demolition of decanted Sheltered properties	90		
Sheridan Road Play Area - originally to be funded from specific reserve	48		
Increased Funding from Major Repairs Reserve	(117)		
Provision for replacement Housing System - now intended to be funded by loan to EKH	(330)		
Other Miscellaneous Variances	5		
		(1,027)	
2013/14 Year End Outturn		**(1,127)**	(1,127)

MEDIUM TERM CAPITAL PROGRAMME - 2013/14 FINAL OUTTURN **APPENDIX C**

		PROPOSED BUDGET					
Projects included in the programme	**Total Approved £000**	**Previous years £000**	**Actual 2013/14 £000**	**Estimate 2014/15 £000**	**Estimate 2015/16 £000**	**Future years £000**	**Total £000**
Committed General Fund Projects							
Dover Regeneration Projects							
Dover Pride - Dover Town Investment Zone	2,035	1,857	117	62	0	0	2,035
DTIZ - SEEDA funded projects	6,863	6,694	12	177	0	0	6,883
DTIZ/Waterfront (DDC/GP Funded)	720	584	1	136	0	0	720
DTIZ - HCA funded projects	2,684	2,387	1	153	0	0	2,542
DTIZ Growth Point - Unallocated Grant Funding	150	0	0	32	0	0	32
Dover Pride - Dover Priory Ph 1 & 2	120	107	0	113	0	0	220
Waterfront (Yorkgate) - (Cluster Prep/GP Funded)	115	84	2	30	0	0	115
Waterfront - Planning (Cluster Prep funded)	150	0	0	150	0	0	150
Sub total	**12,837**	**11,713**	**132**	**853**	**0**	**0**	**12,698**
Other Regeneration Projects							
Aylesham Regeneration Project	1,491	1,423	18	49	0	0	1,491
Land Purchase-Sustainable Transport Connections-Whitfield Court	146	0	146	0	0	0	146
Install Bollards - Menzies Rd (Capital Grant - GP Funded)	0	0	18	0	0	0	18
Deal Transportation & Flood Alleviation Models- GP/KCC Funded	124	124	0	0	0	0	124
Sub total	**1,761**	**1,547**	**182**	**49**	**0**	**0**	**1,779**
ICT Projects							
Replace Core Switched Network	80	0	61	19	0	0	80
Upgrade Northgate (OHMS)	15	0	15	0	0	0	15
	95	**0**	**76**	**19**	**0**	**0**	**95**
Other projects							
Mandatory Disabled Facilities Grants	1,461	n/a	613	864	0	0	1,477
Small Works Adaptations Grants	50	0	0	50	0	0	50
Renovation Grants	32	n/a	0	21	0	0	21
Renovation/PSH Loans	4,358	3,933	148	500	0	0	4,581
Walmer to Kingsdown/Oldstairs Bay Study	77	66	11	0	0	0	77
Sandown Castle - Coastal Defence Works (100% grant)	42	38	4	0	0	0	42
White Cliffs Landscape Project-DDC Capital Expenditure (100% grant funded)	125	0	55	27	23	23	128
White Cliffs Landscape Project-Capital Grants (100% grant funded)	649	0	69	432	74	74	649
East Cliff Public Conveniences Refurbishment	90	0	81	0	0	0	81
Kingsdown Wall Repair/Beach Recycling	285	0	273	12	0	0	285
Dover Leisure Centre - Plant & Equipment Replacement	79	0	35	45	0	0	79
Tides - Plant & Equipment Replacement	108	0	31	78	0	0	108
Kingsdown Timber Groyne Study	30	0	10	20	0	0	30
Beach Hut Project	0	0	4	28	0	0	31
Community Safety Project (100% grant)	0	11	2	12	0	0	25
Silver Screen Cinema Dover-New Digital Projection Equipment	0	0	0	40	0	0	40
Deal Seafront Enhancement	13	0	13	0	0	0	13
Sub total	**7,399**	**4,048**	**1,346**	**2,129**	**98**	**98**	**7,718**
Sub total of Committed General Fund Projects	**22,092**	**17,308**	**1,737**	**3,050**	**98**	**98**	**22,290**
General Fund Projects - Proposed Projects							
Beach Recycling Works - Walmer to Kingsdown (100% grant)	240	0	0	0	120	120	240
Beach Recycling Works - Sandown Castle to Deal Castle (100% grant)	90	0	0	30	30	30	90
Community Safety Project (100% grant)	25	0	0	0	0	0	0
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
Dover Leisure Centre - Plant & Equipment Replacement	21	0	0	21	0	0	21
Leisure Centres Contingency - Repairs & Equipment	462	0	0	262	200	0	462
Museum - General Replacements	70	0	0	70	0	0	70
Deal Pier - Refurbishments on pier stem	270	0	0	135	135	0	270
Deal Seafront Enhancement	113	0	0	112	0	0	112
Capital Contingency	150	0	0	99	0	0	99
Deal Youth Centre (S106 Funded)	200	0	0	200	0	0	200
Aylesham Redevelopment	10	0	0	10	0	0	10
Dover Town Investment Zone	140	0	0	140	0	0	140
Redevelopment of Centurion House Site	160	0	0	160	0	0	160
Redevelopment of Centurion House Site-Grant Funded	90	0	0	90	0	0	90
Kearsney Abbey-HLF Parks for People Bid	300	0	0	300	0	0	300
Dover Town Hall-Replacement of flat roof coverings	150	0	0	150	0	0	150
Leisure Centres-Fitness Equipment Replacement	30	0	0	30	0	0	30
Repair Kingsdown Sea Defences-DDC contribuiton	200	0	0	200	0	0	200
Repair Kingsdown Sea Defences-Grant	1,486	0	0	1,486	0	0	1,486
Museum-Bronze Age Boat, Fire Alarm & General Replacements	32	0	0	32	0	0	32
Solar PV for Whitfield Offices	85	0	0	85	0	0	85
Deal Town Football Clubhouse Rebuild	536	0	0	531	0	0	531
Capital Grant to RSL to assist construction of affordable housing in Whitfield	700	0	0	700	0	0	700
William Pitt Ave-Play Area	90	0	0	90	0	0	90
Victoria Park-Play Area	33	0	0	33	0	0	33
Sub total of General Fund Proposed Projects	**5,742**	**0**	**0**	**5,025**	**485**	**150**	**5,660**
ICT Infrastructure Investment - Proposed Projects							
Replace Core Switched Network (Switches & Cabling-Whitfield Site)	30	0	0	30	0	0	30
Sub total of ICT Proposed Projects	**30**	**0**	**0**	**30**	**0**	**0**	**30**
Sub total of all Proposed General Fund Projects	**5,772**	**0**	**0**	**5,055**	**485**	**150**	**5,690**
General Fund Projects Total	**27,865**	**17,308**	**1,737**	**8,106**	**583**	**248**	**27,980**

MEDIUM TERM CAPITAL PROGRAMME - 2013/14 FINAL OUTTURN								APPENDIX C
			PROPOSED BUDGET					
Projects included in the programme	Total		Previous	Actual	Estimate	Estimate	Future	Total
	Approved		years	2013/14	2014/15	2015/16	years	
	£000		£000	£000	£000	£000	£000	£000

MEDIUM TERM CAPITAL PROGRAMME - 2013/14 FINAL OUTTURN							APPENDIX C
		PROPOSED BUDGET					
Projects included in the programme	Total Approved £000	Previous years £000	Actual 2013/14 £000	Estimate 2014/15 £000	Estimate 2015/16 £000	Future years £000	Total £000
HRA Programme							
Housing Revenue Account Property Projects - Committed Works	4,214	n/a	4,182	0	0	0	4,182
Housing Revenue Account Property Projects - New bid	6,110	n/a	0	4,310	0	0	4,310
Sheridan Rd Play Area Refurbishment (HRA Funded)	48	n/a	48	0	0	0	48
Demolition - William Muge & Snelgrove House	120	n/a	90	30	0	0	120
Redevelopment - HRA Land - Adelaide Rd	318	n/a	18	300	0	0	318
Sheltered Upgrade - proposed	0	n/a	0	1,800	0	0	1,800
Urban Renewal - Housing Development - proposed	2,182	n/a	0	532	850	800	2,182
Housing Revenue Account - Provisions for proposed projects	28	n/a	0	28	0	0	28
Empty Homes Project - Provision for proposed project	260	n/a	0	260	0	0	260
Play Areas - proposed HRA funding	64	n/a	0	64	0	0	64
Systems Replacement Contingency - proposed	328	n/a	0	328	0	0	328
HRA Total	**13,672**	**0**	**4,338**	**7,652**	**850**	**800**	**13,640**
Total	**41,537**	**17,308**	**6,075**	**15,758**	**1,433**	**1,048**	**41,621**
Financed by:							
Capital projects financed in previous financial years	17,308	17,308	0	0	0	0	17,308
Capital receipts - General Fund	3,093	n/a	273	2,476	335	0	3,084
Capital receipts - HRA	0	n/a	0	0	0	0	0
Major Repairs Allowance	5,900	n/a	2,987	3,030	0	0	6,017
Tenants Compact - Reserve Funding	253	n/a	242	0	0	0	242
Direct Revenue Financing - HRA	7,164	n/a	1,125	3,720	0	0	4,845
Direct Revenue Financing - General Fund	705	n/a	0	181	98	98	376
Direct Revenue Financing - General Fund - New bid	186	n/a	0	0	0	0	0
Grants							
SEEDA for DTIZ	169	n/a	12	177	0	0	190
HCA (was - English Partnerships) for DTIZ/mid-town centre	298	n/a	3	153	0	0	156
HCA (Land Acquisition)	145	n/a	145	0	0	0	145
HCA (Empty Homes Project)	110	n/a	0	110	0	0	110
HCA (Redevelopment of Centurion House Site	90	n/a	0	90	0	0	90
Growth Point - Unallocated Grant Funding	150	n/a	0	32	0	0	32
Growth Point (Waterfront-Yorkgate)	14	n/a	2	13	0	0	14
Growth Point (White Cliffs Landscape Partnership)	80	n/a	80	0	0	0	80
Growth Point (Bollards-Menzies Rd)	0	n/a	18	0	0	0	18
Growth Point (Dover Priory Multi-Storey Car Park)	0	n/a	0	100	0	0	100
Heritage Lottery/Partnership Funding (White Cliffs Landscape Partnership) - Revenue Grant	0	n/a	43	459	0	0	502
Mandatory Disabled Facilities Grants	708	n/a	613	595	0	0	1,208
Mandatory Disabled Facilities Grants-new bid	484	n/a	0	0	0	0	0
Coast Protection grants	575	n/a	234	42	150	150	575
Kent County Council (Kingsdown Wall Repair/Beach Recycling)	50	n/a	50	0	0	0	50
Private Sector Renewals Grant	260	n/a	148	277	0	0	425
Renovation/PSH Repayments of Loans	164	n/a	0	223	0	0	223
Dover Town Council (Silver Screen-Digital Projection Equipment)	0	n/a	0	20	0	0	20
Dover Town Council (East Cliff Toilets)	13	n/a	13	0	0	0	13
Dover Harbour Board (East Cliff Toilets)	13	n/a	13	0	0	0	13
Environment Agency (Sandown Castle-Coastal Defence)	4	n/a	4	0	0	0	4
Environment Agency (Kingsdown Timber Groyne Study)	30	n/a	10	20	0	0	30
Environment Agency (Repair Kingsdown Sea Defences)	1,486	n/a	0	1,486	0	0	1,486
Performance Reward Grant (Community Safety)	14	n/a	2	12	0	0	14
Performance Reward Grant (DFGs)	75	n/a	0	75	0	0	75
Football Assoc/Sport England (Deal Town FC Clubhouse Rebuild	350	n/a	0	350	0	0	350
Section 106 Funding	370	n/a	0	370	0	0	370
Section 106 Funding (Play Areas)	123	n/a	0	123	0	0	123
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							
- Cluster Prep Reserve (Waterfront)	167	n/a	0	167	0	0	167
- Special projects reserve	85	n/a	0	85	0	0	85
- ICT Reserve (ICT Infrastructure Investment)	110	n/a	61	49	0	0	110
- Excess Right to Buy Receipts (Redevelopment HRA Land - Adelaide Rd)	90	n/a	0	90	0	0	90
- Housing Initiative Reserve	0	n/a	0	532	850	800	2,182
- Sale of land at Whitfield/RTB Receipts	700	n/a	0	700	0	0	700
Total	**41,537**	**17,308**	**6,075**	**15,758**	**1,433**	**1,048**	**41,621**

Appendix D

SPECIAL PROJECTS - 2013/14 OUTTURN

PROJECTS FINANCED FROM THE SPECIAL PROJECTS RESERVE	Capital / Revenue	Total Approved Budget	Prior Years Exp	Actuals 2013/14	Estimate 2014/15	Estimate 2015/16	Future Years	Total Budget
		£000	£000	£000	£000	£000	£000	£000
Committed Special Revenue Projects								
Corporate Property Maintenance	R	636	505	70	62	0	0	636
Play Areas - enhancements to strategic sites	R	50	35	0	15	0	0	50
Control of Asbestos Regulations Works - Corporate Buildings	R	44	21	3	19	0	0	44
Disability Discrimination Act Works - Corporate Buildings	R	109	93	3	13	0	0	109
Quality Bus Partnership (formerly Kickstart Bus Initiative	R	76	76	0	0	0	0	76
Farthingloe/Western Heights - consultancy	R	45	12	4	29	0	0	45
ICT Solutions-Regen & Dev/Corp PA & Support	R	50	32	14	4	0	0	50
Connaught Park Pond/Shelter	R	45	0	45	0	0	0	45
Whitfield Office Lighting Replacement	R	70	0	61	9	0	0	70
Parks - General Repairs (walls, fences, lakes, structures etc)	R	25	0	6	19	0	0	25
Dover Live Site-Big Screen Removal	R	20	0	20	0	0	0	20
Sub total		**1,170**	**775**	**226**	**169**	**0**	**0**	**1,170**
ICT Infrastructure Investment Projects								
ICT Small Projects	R	4	0	4	0	0	0	4
Replace Storage (SAN)	R	45	0	45	0	0	0	45
Upgrade VMWare	R	30	0	26	4	0	0	30
Install Wi-Fi - Whitfield Offices	R	18	0	0	18	0	0	18
PC Refresh	R	189	0	163	25	0	0	189
Sub total		**286**	**0**	**238**	**47**	**0**	**0**	**286**
Capital projects in MTCP financed from reserve:								
Provision allocated to capital programme to finance capital projects	C	783	783	0	0	0	0	783
Total		**2,239**	**1,558**	**464**	**216**	**0**	**0**	**2,239**
Proposed Projects								
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
Car Park Study	R	25	0	0	25	0	0	25
DES Efficiency Projects	R	30	0	0	30	0	0	30
Parks - General Repairs (walls, fences, lakes, structures etc)	R	56	0	0	25	31	0	56
Cemetery Provision for Dover - consultancy	R	10	0	0	10	0	0	10
Corporate Property Maintenance	R	150	0	0	50	50	50	150
Corporate Property Maintenance - Contingency	R	100	0	0	50	50	0	100
Utilities Management for all Corporate Properties	R	20	0	0	20	0	0	20
Dover Tourism Signage Scheme	R	20	0	0	20	0	0	20
Corporate Property Maintenance-Contingency - new bid	R	0	0	0	30	0	0	30
Special Revenue Contingency	R/C	0	0	0	30	0	0	30
Sub total - proposed projects		**471**	**0**	**0**	**350**	**131**	**50**	**531**
ICT Infrastructure Investment - Proposed Projects								
Upgrade GIS & Replace Xmap Internet Server	R	60	0	0	60	0	0	60
Upgrade VMWare	R	30	0	0	30	0	0	30
Replace Backup Facility	R	30	0	0	30	0	0	30
Telephone DNA Server Upgrade (inc software)	R	4	0	0	4	0	0	4
Replace Tonesmart System	R	9	0	0	9	0	0	9
Sub total - ICT proposed projects		**133**	**0**	**0**	**133**	**0**	**0**	**133**
Proposed balance to transfer to capital projects	C	0	0	0	85	0	0	85
Total Projects Subject to Approval/Appraisal		**604**	**0**	**0**	**568**	**131**	**50**	**749**
GRAND TOTAL		**2,843**	**1,558**	**464**	**784**	**131**	**50**	**2,988**
Special Projects Financing								
Funded from Special Projects Reserve		2,425	1,558	226	604	131	50	2,569
Funded from ICT Reserve		418	0	238	180	0	0	418
TOTAL		**2,843**	**1,558**	**464**	**784**	**131**	**50**	**2,988**

Remaining balance in Special Projects reserve	
Balance at 1 April 2013	**955**
Invest to Save balance transferred in	47
Proposed allocation to projects 2013/14	-226
Repayment of 12/13 one-off allocation to fund 13/14 savings	150
Balance at 31 March 2014	**926**
Allocation from General Fund for 14/15	484
Proposed allocation to projects in 14/15 & future years	-785
Balance after future years allocations	**625**
Major Events opening position	3
13/14 Allocation to Reserve	20
Major Events commitments	0
Major Events balance	**23**
Special Projects & Events Reserve balance	**648**

Appendix E

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

Grant Thornton

The Audit Findings for Dover District Council

Year ended 31 March 2014

25 September 2014

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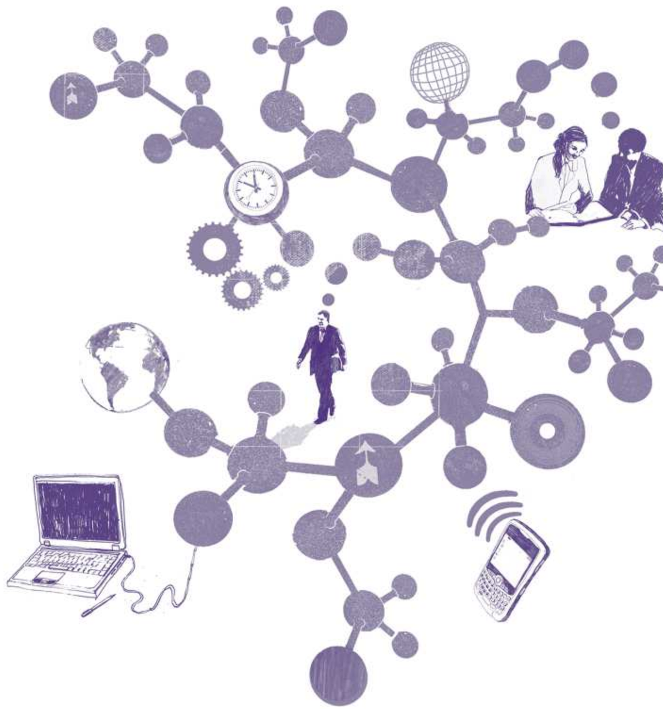

Agenda Item No 7

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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.

Contents

Section 1: Executive summary

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 2014. 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 dated March 2014.

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

- review of Property, Plant and Equipment valuations;
- journals testing;
- revenues testing;
- soft loans testing;
- finalising testing of cash and cashflow;
- review of the final version of the financial statements;
- obtaining and reviewing formal responses from management, those charged with governance in relation to fraud and the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We expect testing to be completed in advance of the meeting and will update the Governance Committee verbally on any findings arising from this work.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position. The draft and audited financial statements record net expenditure on the cost of services of £1,187,000 and total net assets of £100,309,000.
We recommended a number of presentational and disclosure adjustments to the accounts. The Council agreed to amend the financial statements to correct improvements we identified during the audit.

The key messages arising from our audit of the Council's statements are:

- the accounts were prepared on time and to a good standard;
- staff responded quickly and efficiently to all audit queries;
- the adjustments made to the draft statements were mainly in relation to making improvements in presentation and disclosure.

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 Value for Money (VfM) conclusion.

Further detail of our work on Value for Money 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.

Our work has identified one control weaknesses in relation to the bank reconciliation process which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

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 with the Director of Finance, Housing and Community and Head of Finance.

We have made recommendations as set out in the action plan in Appendix A. These have been discussed and agreed with the Director of Finance, Housing and Community and the Head of Finance.

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 2014

Section 2: Audit findings

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 have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance Committee on 20 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified 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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition. A new policy were included during the year to reflect changes in funding arrangements in relation to localisation of non-domestic rate income. We are completing our work on Other Revenues (Fees and Charges) and will update the Governance Committee verbally with any findings.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	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 to date has not identified any significant issues. We will update the Governance Committee verbally with any findings on completion of our work. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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
Operating expenses	Creditors understated or not recorded in the correct period	• We have documented and walked through the controls in place to assess whether those controls are designed effectively and implemented • We have tested large and unusual items and a sample of other expenses • We have completed cut-off testing around the year-end to ensure expenditure is accounted for in the correct period	Our audit work has not identified any significant issues in relation to the risk identified. Our testing identified one case where VAT had not been accounted for correctly – this has been subsequently corrected and our testing has identified this as an isolated error. We did identify that, as in 2012/13, there remains an on-variance in the bank reconciliation which need to be cleared.
Employee remuneration	Employee remuneration accrual understated	• We have documented and walked through the controls in place to assess whether those controls are designed effectively and implemented • We have tested the completeness of the payroll system interfaces in the general ledger and control account reconciliations • We have tested a sample of payroll payments made during the year to gain assurance that employees have been remunerated at the correct rates during 2013/14	Our audit work has not identified any significant issues in relation to the risk identified. We identified in our interim audit that payroll reconciliations should be completed on a timely basis in line with the planned frequency of review. This has now been implemented.
Welfare expenditure	Welfare benefit expenditure improperly computed	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively. • We have completed initial Department of Work and Pensions certification testing of housing benefits, including analytical review and verification of benefits awarded on a sample basis	Our audit work has not identified any significant issues in relation to the risk identified.

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
Housing Revenues (Rents)	Revenue transactions not recorded	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and are implemented. • We have completed a predictive analytical review of housing rents revenue. • We have tested a sample of rental and service charge payments back to supporting evidence. • We have tested the completeness of the housing rents system interfaces in the general ledger and control account reconciliation.	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and implemented. • Evaluated the qualifications and work of the valuation expert. • We have tested re-valued assets by agreement to valuation certificates.	Our audit work has not identified any significant issues in relation to the risk identified. We are completing our review of the Council's assessment to ensure assets not re-valued in year are not materially misstated. We will update the Governance Committee verbally with any findings. In future year's the valuer should provide a detailed analysis documenting how he has satisfied himself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end alongside his asset valuation.

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
Revenue recognition	• 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: – the Authority will comply with the conditions attached to the payments; and – the grants or contributions will be received.	• Policies are consistent with the prior year and the disclosure is in line with the requirements of the CIPFA Code.	Green
Judgements and estimates	• 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 revaluation of property (see next slide), depreciation of property, plant and equipment, pension fund valuations and impairment of doubtful debts.	• Our review of key judgements and estimates has not highlighted any issues which we wish to bring to your attention. • We have reviewed the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14 following changes to the business rate system. We are satisfied that the Council has taken an appropriate approach to estimating this provision, which has been correctly recognised within the Council's Collection Fund Account.	Green

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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 cont.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates - PPE	• Page 28 of the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary within a five year period. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. • This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date.	• In our view, we would expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year. • However, this approach is similar to many other authorities and completing our review of the Council's assessment to satisfy ourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.	Green
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	Green

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, Misclassifications & disclosure changes

There are no material adjustments to the financial statements. A small number of disclosure and presentation adjustments were agreed to the statement with no impact on the reported surplus. There are no unadjusted items.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misstatement and disclosure	-	-	A small number of minor adjustments and disclosure amendments were made in order to improve the overall presentation of the financial statements.

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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.

This recommendation, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Deficiency	The implementation of the e-financials upgrade has delayed progress to bring the bank reconciliation up-to-date.	Although the variance is small in value, the Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.
2.	● Deficiency	In accordance with the Code, the Council needs to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. For 2013/14, this review was not complete at the start of our audit of the accounts.	The Council should ensure that detailed working papers are obtained from the valuer in order to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end.
3.	● Deficiency	There is currently a difference of £101,000 on the reconciliation of the LOBO borrowing which dates back a number of years.	The Council should ensure that the variance on the LOBO account is reviewed and cleared.

Assessment

● Significant deficiency – risk of significant misstatement

● Deficiency – risk of inconsequential misstatement

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**	• The Governance Committee considers risks of fraud. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 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; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code of Audit Practice. These criteria are:

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council has good arrangements in place to secure financial resilience. However, 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.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has good arrangements for financial planning and control, it is prioritising its resources and delivering cost reductions and efficiencies.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance and a healthy financial position. The working capital ratio is in line with the preferred range, borrowing is minimised, useable reserve levels are healthy and staff days lost to sickness remain comparatively low.	**Green**	**Green**
Strategic financial planning	The Council's MTFP and budget for 2014/15 reflect its corporate priorities and strategic plans. The 3 year MTFP is based on appropriate assumptions, including a prudent assumption in relation to uncertainty over business rates. The Council has developed initiatives such as the Delivering Differently project for heritage assets, on-going service reviews to be undertaken by the Delivering Effective Services team and review of the landscape management provision. These have enabled the Council to forecast a balanced budget across 2015/16 and 2016/17. The corporate management team will meet regularly throughout the year to identify and then implement any changes required with appropriate member involvement and oversight.	**Amber**	**Green**
Financial governance	The Council has a well established approach to financial governance. There is an appropriate level of senior management and member level engagement in the financial management process. Cabinet is regularly briefed with comprehensive and timely papers on the financial challenges facing the Council and how they are being managed.	**Green**	**Green**
Financial control	The Council has a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on controls and this has been reflected in the positive results of the external audit of accounts.	**Green**	**Green**
Prioritising resources	The Council employed a research company, to carry out an exercise in 2013 to identify the public's priorities. These have been used to inform how it allocates its resources in its budget setting process.	**Not rated**	**Green**
Improving efficiency & productivity	The Council has a history of considering alternative delivery methods. It has entered into local partnerships for revenues and benefits, internal audit, and housing services; has carried out joint procurement for waste collection; and has outsourced its payroll service .The Council uses a range of key performance indicators to monitor the effectiveness of its key services. Efficiency savings have had no substantial impact on service provision to date.	**Not rated**	**Green**

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. and additional indicators identified by ourselves. We identified the following areas of focus in our audit plan, which form sub-sets of the overall findings in the previous slide. The table below sets out our findings and residual risks to our VFM conclusion.

Residual risk identified	Summary findings	RAG rating
Financial Resilience – risk of slow progress implementing the recommendations raised in our 2012/13 Financial Resilience Report	Our 2012/13 financial resilience report made five recommendations. We reviewed progress against these as follows: *R1: 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.* A budget consultation exercise was undertaken to ensure a balances 2014/15 budget. These have been reflected in the updated Medium Term Financial Plan (MTFP). *R2: 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 regularly updates its MTFP through update reports to members and Corporate Management Team (CMT) and on-going work with East Kent Services. *R3:The Council should start to actively consider longer term plans and options.* The 3 year MTFP is supported by 5 year modelling for CMT reporting. *R4:The Council could use available comparative data to identify further savings opportunities.* The Council feels , based on past experience, that comparisons with other authorities are of limited value due to the differing calculation methods. It is able to explain areas where the Council might appear outliers. *R5: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.* The Council do not currently take the corporate risk register to its Governance Committee. This is recognised good practice and provides a high level assessment of completeness and progress. We have therefore included this recommendation in the action plan.	
Medium Term Financial Plan – risk that this has not been updated to reflect the Local Government Finance Settlement and transfer from the Housing Revenue Account	The MTFP has been appropriately updated to reflect the Local Finance Settlement and transfer from Housing Revenue Account.	**Green**

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	70,680	71,580
Grant certification	19,200	16,956* (expected)
Total audit fees	**89,880**	**88,536**

*Certification work is on-going. The final fee will reported to the Governance Committee later in the year in our annual certification report.

- **Reduction in certification fees** – The £2,244 reduction in grant certification scale fee relates to the removal of the external audit requirement for Council Tax Benefits and the NNDR3 return.
- **Increase in the audit fee** - The £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return.

All fee variations are subject to final agreement by the Audit Commission.

Fees for other services

	Fees £
None	**Nil**

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.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, 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 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 of Audit Practice.

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.

Our communication plan	Audit Plan	Audit Findings
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

Appendix A: Action plan

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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 (p15)	The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.	Deficiency	Resources have been committed to the process and the backlog is in the process of being cleared.	December 2014 Head of Finance
2 (p20)	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.	Deficiency	The Council will review its reporting and monitoring arrangements to ensure they are appropriate.	December 2014 Head of Corporate Services
3 (p16)	The Council should ensure that detailed working papers are obtained from the valuer in order to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end.	Deficiency	The process will be built into the 2014/15 closedown timetable.	March 2015 Head of Finance
4 (p16)	The Council should ensure that the variance on the LOBO account is reviewed and cleared.	Deficiency	The Council will review this discrepancy in 2014/15.	March 2015 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 2014 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 2013/14.

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 for the Statement of Accounts, the Director of Finance, Housing and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 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 2014 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 2013/14.

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 October 2013, 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 2014.

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 October 2013, 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 2014.

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:

Grant Thornton

Subject:	**STATEMENT OF ACCOUNTS 2013/14**
Meeting and Date:	**Governance 25th September 2014**
Report of:	**Director of Finance, Housing & Community**
Portfolio Holder:	**Corporate Resources and Performance**
Purpose of the report:	To present the audited Statement of Accounts for 2013/14 to Governance Committee.
Recommendations:	That the audited Statement of Accounts for 2013/14 (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 2013/14 report at item 6 of the agenda. The Statement of Accounts supports the Financial Outturn 2013/14 report and provides additional information for members if required.

The auditors, Grant Thornton, have completed their audit of the Statement of Accounts and have given an unqualified opinion. A small number of minor adjustments and disclosure amendments were made to the draft statement of accounts provided to the auditors in order to improve the overall presentation of the financial statements. These changes do not alter the outturn for 2013/14 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 2013/14
Appendix 2 - Letter of Representation

Contact Officer: Helen Lamb, extension 2063

APPENDIX 1

DOVER DISTRICT COUNCIL

Statement Of Accounts

2013/14

CONTENTS

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 2014

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 91 to 96.

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 2013/14. The Code is based on a hierarchy of approved accounting standards. The main changes to the Statement of Accounts for 2013/14 are detailed below:

<u>National Non-Domestic Rates</u>

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government and the amount not paid to the government at the balance sheet date was included as a creditor; similarly, if cash paid to the government exceeds the cash collected from NNDR payers (net of the billing authority's cost of collection allowance), the excess was included in the Balance Sheet as a debtor.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government, the billing authority and the major precepting authorities. There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year, as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income. The difference between the income included in the CIES and the amount required by regulation to be credited to the General fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement (MIRS).

The cash flow statement only includes in revenue activities the cash flows relating to the Council's own share of NNDR collected. The difference between the government's and the preceptors' share of the net cash collected from NNDR payers and the net cash paid to them is included as a net movement in other liquid resources.

There are a number of NNDR reliefs available to NNDR payers which are mandatory and the government funds these reliefs in full (except for Small Business Rate relief which it funds 50%) via section 31 grants to each authority. The section 31 grant included in the CIES for the year is the accrued amount, and the difference between the income included in the CIES and that received from the government will result in a debtor or creditor position between the billing authority and the government to be recognised at the end of each year.

To ensure that BRRS is equitable when compared to the previous system of NNDR, the government has calculated the Funding Baseline which each authority needs to fund its business, as well as a Business Rate Baseline which relates to the collectable NNDR, and the difference between the two will either result in an individual authority paying a tariff to, or receiving a top-up from the government. Usually the County Council will be in a top-up position and the billing authority (which is the district council) in a tariff position. The tariff or top-up is reflected in the authority's individual CIES, i.e. it does not go through the Collection Fund.

The authority is also required to calculate whether it is in a "levy" or "safety net" position at the year end. If the authority's income from NNDR and the section 31 grant, less the tariff paid, is greater than the funding baseline, then a levy is payable to Government in accordance with the levy formula. The percentage of the excess that has to be paid as a levy is capped at 50%. If the authority's income from NNDR and the section 31 grant, less the tariff paid, is less than 92.5% of the funding baseline, then the authority is entitled to a safety net payment from Government. Any levy/ safety net amounts are accrued and included in the CIES and in creditors/debtors as appropriate in the Balance Sheet.

The introduction of the BRRS has resulted in a shift of risk of non-payment of NNDR and movement in rateable value from the government in full, to the billing authority (40%) and the precepting authorities (10% - comprising 9% to Kent County Council and 1% to Kent & Medway Fire & Rescue Services).

As this is a change in legislation there is no requirement for the restatement of prior year figures.

Council Tax

Council tax benefit (CTB) was abolished by Government from April 2013 and billing authorities were required to implement a local 'Council Tax Reduction Scheme' (CTRS). This has had a significant impact on the council tax base, which is explained further in the Collection Fund section of the Supplementary Statements on Page 74.

IAS19 Accounting for Pensions

The Accounts also reflect the changes to International Accounting Standard 19 in respect of pensions. The main changes are: the expected return on assets and pensions interest cost are replaced by a net interest cost; some labelling changes to the charges to income and expenditure; and administration expenses are now accounted for within the charges to income and expenditure.

3. **OVERVIEW OF STATEMENT OF ACCOUNTS**

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

(a) **Explanatory Foreword (pages 2 to 14)**

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

(b) **Statement of Responsibilities for the Statement of Accounts (page 15)**

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

(c) **Core Financial Statements (pages 16 to 72)**

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

- **Movement in Reserves Statement - MIRS (page 16)**

  This statement shows the movement in the year of the different reserves held by the Council, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. The balance as at 31 March for all useable reserves is detailed at the end of the MIRS.

- **Comprehensive Income and Expenditure Statement – CIES (page 18)**

  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 19)**

  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 20)**

  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 21 to 72)**

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

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

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

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

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

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

- **The Housing Revenue Account (page 80 to 85)**

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

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

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

(e) **Independent Auditors' Report (page 88 to 9088)**

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

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

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

SUMMARY OF THE 2013/14 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 2013 the Council set a net revenue budget of £14.47m. This was to be met by financing of £14.48m made up of central government grant of £7.69m, council tax income of £5.82m, New Homes Bonus of £0.93m and a Collection Fund surplus of £0.04m. This resulted in a forecast surplus for the year of £5k.

During the year the forecast budget was revised to £14.50m, an increase of £30k and the financing was revised to £14.80m, an increase of £320k, resulting in an anticipated surplus of £296k. The actual budget requirement for the year was £14.91m, £410k higher than the forecast position. The financing received in the year was £15.24m, an increase of £440k from the forecast. Overall the year-end position resulted in a £325k 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.

2012/13 Actual £000	General Fund Budget Summary	2013/14 Original Budget £000	2013/14 Revised Budget £000	2013/14 Actual £000
	Directorate			
1,989	Chief Executive	2,161	1,845	1,633
2,223	Governance	2,430	2,375	2,168
2,739	Finance, Housing & Community	2,430	2,318	2,513
9,698	Environment & Corporate Assets	7,114	7,535	7,295
190	Special Revenue Projects	81	506	464
0	Vacancy Allowance	(100)	0	0
0	Delivering Effective Services	(293)	0	0
(113)	Council Tax Second Homes Income	(113)	(113)	(113)
0	Contingency	98	36	0
16,726	**Directorate Service Costs**	**13,808**	**14,502**	**13,960**
(4,205)	Depreciation & Revaluations	(1,494)	(1,652)	(1,636)
1,113	IAS 19 Pension Adjustments	1,207	730	830
(15)	Accrued Annual Leave Adjustment	0	0	4
64	River Stour Drainage Board	64	64	64
0	Council Tax Support to Towns & Parishes	284	284	284
	Contribution to/(from) Reserves:			
(193)	- Special Projects & Events Reserve	89	(336)	(56)
320	- Periodic Operations Reserve	(72)	152	(66)
348	- Urgent Works Reserve	354	354	363
(75)	- Regeneration Reserve	32	236	539
71	- IT Equipment Reserve	58	98	(90)
127	- Revenue Grants in Advance Reserve	0	(2)	210
0	- Business Rates & Council Tax Reserve	0	(223)	(32)
14,281	**Net Service Expenditure**	**14,330**	**14,207**	**14,374**
	Financing Adjustments			
(143)	Interest & Investment Income	(92)	(195)	(182)
260	Interest Payable & Loan Repayments	236	236	251
(86)	Revenue Expenditure Funded by Capital Under Statute & Capital Grants Unapplied	0	0	(329)
(38)	Soft Loan Adjustments	0	0	(71)
0	NDR Collection Fund Adjustment	0	256	867
14,274	**Total Budget Requirement**	**14,474**	**14,504**	**14,910**
	Financed by:			
7,104	Non-Domestic Rates	2,994	2,994	2,994
0	Enterprise Zone Relief Retained	0	321	697
138	Revenue Support Grant	4,699	4,699	4,699
6,608	Council Tax	5,822	5,822	5,822
0	Collection Fund Surplus	37	37	37
413	New Homes Bonus	927	927	927
13	New Burdens & Other Grants	0	0	59
14,276	**Total Financing**	**14,479**	**14,800**	**15,235**
(2)	**General Fund Surplus for the Year**	**(5)**	**(296)**	**(325)**
(2,258)	**General Fund Balance at Start of Year**	**(2,332)**	**(14,760)**	**(14,760)**
(12,500)	**Transfer from the HRA / To Reserves**	**0**	**12,500**	**12,500**
(14,760)	**Leaving Year End Balances of**	**(2,337)**	**(2,556)**	**(2,585)**

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 Surplus		(5)
Enterprise Zone Relief under new funding arrangements	(321)	
NNDR Discretionary Relief (now shared through collection fund)	(133)	
Parking income reductions	148	
Development income increase (net of reserve transfer)	(126)	
Various savings from internal review	(103)	
Interest receivable, less treasury management costs	(95)	
Waste contracts reduced RPI & extra waste management income	(63)	
Waste – delayed removal of bring banks, lower refuse sack sales	68	
Waste – replacement bins	46	
Waste – green waste income reduction	29	
ICT Reserve – additional allowance for future ICT initiatives	58	
Building Control income reduction	55	
On-street parking profit transferred to reserve for highway maintenance	52	
Land Charges increased income	(41)	
External funding target, not achieved in year	40	
Museum income reductions	30	
Bellwin Flood Support scheme claim threshold for reimbursement	28	
Adverse variance from recalculation of recharges	26	
Miscellaneous other variances	11	
Revised Budget Surplus		(296)
Enterprise Zone Relief under new funding arrangements	(376)	
Enterprise Zone Relief reversed under regulations (timing only)	667	
Collection Fund Surplus (NNDR) reversed under regulations	200	
Street lighting repairs and maintenance, electricity, etc	(106)	
Council Tax Support scheme - New Burdens grant credited to service	(76)	
EKS Management fees saving	(70)	
New Burdens and other grant funding (not attributed to service)	(59)	
ICT Reserve – additional allowance for future ICT initiatives	50	
Corporate properties rent - additional space leased at Whitfield, other one off leases of land, and higher rents on re-let properties	(39)	
Contingency not used in year	(36)	
Port Health, Licensing, Pollution Control & Dog Measure - net increased income/reduced costs	(33)	
Acoustic equipment provision at Toolmasters site deferred to next year	(31)	
CCTV – equipment and communications savings	(30)	
Cemeteries – lower interment fees	30	
Waste contracts further savings	(28)	
DCLG Flood Support funding	(17)	
Council Tax court costs income to fund debt collection	(14)	
Parks & Open Spaces reduced landscape maintenance expenditure	(13)	
HR corporate and qualification training	(11)	
Miscellaneous other variances	(37)	
Actual Budget Surplus		(325)

Financing

The financing of the budget of £15.235m came from:

	£000	%
Council tax [1]	5,822	38.2%
Revenue Support Grant [2]	4,699	30.8%
Non-domestic rates [3]	2,994	19.7%
Enterprise Zone Relief Retained [4]	697	4.6%
New Homes Bonus [5]	927	6.1%
New Burdens & Other Grants [6]	59	0.4%
Collection Fund Surplus – Council Tax [7]	37	0.2%
Total	**15,235**	**100.0%**

(1) Council tax is paid by the residents of the district to the Council. However, only 15.3% of the council tax collected was retained by the district, of which 11.3% was for its own use as 4.0% was to meet the precepts of the various town and parish councils. 70.6% was paid to Kent County Council with the remainder paid to The Police & Crime Commissioner for Kent (9.5%) and the Kent and Medway Fire & Rescue Authority (4.6%).

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

(3) National non-domestic rates are collected by the Council from businesses in the district. Under the new rates retention scheme implemented during the year by Central Government, the amounts collected are split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). In 2013/14 £33.7m of NNDR was billed to ratepayers in the district. However, Dover's 40% share is reduced significantly by a tariff payable to Central Government which, in 2013/14, reduces its retained funding beneath the baseline level that the Government has calculated that it needs. As such, Dover receives a safety net payment to increase its NNDR income to 92.5% of the baseline level, and therefore the total it keeps for 2013/14 is £2,994k. This amount includes section 31 grant received from Government for capping the small business rates increase at 2%, and for other 'relief' changes and extensions, as well as Dover's share of the collection fund surplus relating to NNDR.

(4) Enterprise Zone Relief is granted to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2013/14 is £697k. However, legislative requirements mean that the excess of Enterprise Zone Relief over the sum originally estimated (in November 2012) as likely to be granted for 2013/14 is reversed out through the Movement in Reserve Statement, and is to be recognised in the following year. The amount reversed is £667k.

(5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2013/14 was £927k.

(6) 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 2013/14 was £16k. The Government has also provided £15k for the pilot run of Individual Electoral Registration (in place of registration by household). The Council has also received £26k

Capitalisation Provision Redistribution Grant and further funding of £2k to support the Transparency Agenda, all from D.C.L.G.

(7) Collection Fund Surplus – Council Tax. This is the sum estimated (in November 2012) as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2013 relating to Council Tax, which has been distributed in 2013/14.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,422 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. £1,898k was paid off the PWLB loan principle sum during 2013/14. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2013/14 the HRA achieved an increase in the HRA balance of £3,128k compared to the original budget that forecast an increase of £1,720k. The main reasons for the variance are as follows:

- An increase in dwelling rents due to lower than budgeted void levels (£170k);
- Re-phased spend on the Capital Works Programme (£1,125k).

In 2013/14 £2m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district.

CAPITAL INVESTMENT

The Council invested £6.1m in major projects in 2013/14, the most significant of which were:

- £132k on works to progress the development of Dover Town Investment Zone and the surrounding area;
- £4.2m on Housing Revenue Account property projects;
- £148k on grants and loans for private sector housing;
- £613k on Disabled Facility Grants;
- £277k on coast protection and emergency sea defence works;
- £146k to purchase land at Whitfield to enable sustainable transport connections;
- £76k on ICT infrastructure projects;
- £123k on the 'Up on the Downs' landscape projects;
- £80k on the refurbishment of the East Cliff public conveniences;
- £65k on replacement of plant and equipment in the leisure centres;
- £48k on refurbishment of the Sheridan Road play area;
- £90k on demolition works at William Muge House and Snelgrove House;
- The remainder has been spent on a number of smaller projects.

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

- £1.4m in grants from external bodies including the Homes and Communities Agency, Department of Communities and Local Government, Environment Agency, Heritage Lottery Fund, Kent County Council and Partnership Funding;
- £3m from the Major Repairs Reserve;
- £273k from capital receipts;
- £1.1m from Housing Revenue Account direct revenue financing;
- £302k funding from other reserves.

Overall, the capital programme is within budget; however, a low level of funding sources 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 higher in 2013/14 than in 2012/13.

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 2014 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 were approximately £16m as at 31 March 2014.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.45% for the year. The investments with the investment managers, Investec, also outperformed the benchmark and achieved an average of 0.22% for the year.

The total interest received for the year was approximately £224k. This was lower than the original budget of £240k, which was almost entirely due to lower than expected returns from Investec.

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, of which £1.8m was repaid in 2013/14. The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

The Council retains the services of Capita (formerly 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. In January 2014 the Council took part in a joint action to sell its remaining balance of the deposit to a third party. Further information relating to the impairment is included in Note 12 on page 45.

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	**2013**	**2014**
	£000	**£000**
Value of land, property and other assets	228,823	231,463
Investments held and cash at bank	25,820	34,520
Money owed to DDC for goods and services	6,029	6,976
Loans owed to DDC (short and long term)	2,748	2,850
Money owed by DDC for goods and services	(10,628)	(14,793)
Loans owed by DDC (short and long term)	(96,024)	(94,111)
Grants for assets received but not yet used	(825)	(768)
Share of pension scheme liabilities owed by DDC	(64,198)	(65,828)
Total Assets less Total Liabilities	**91,745**	**100,309**
Financed by:		
Usable reserves[1]	24,237	28,905
Unusable reserves[2]	67,508	71,404
Net Worth of Council	**91,745**	**100,309**

[1] Usable reserves are made up of:

Capital receipts and grants	3,796	4,296
Revenue balances	10,419	4,371
Earmarked reserves	10,022	20,238
	24,237	**28,905**

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

PENSION FUND

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

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

The net liability at 31 March 2014 was £65.8m (£64.2m at 31 March 2013).

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2013. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

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

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2014/15 and Medium Term Financial Plan (MTFP) 2014/15 – 2016/17 was approved in March 2014. 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 2014/15;
- Prudent General Fund balances maintained in 2014/15;
- Council Tax levels frozen at 2013/14 rates;
- Forecasting for future years shows projected deficits of £763k in 2015/16 and £1.19m in 2016/17;
- HRA balance transfer from 2012/13 Statement of Accounts transferred into earmarked reserves in 2013/14;
- Ring fenced Housing Revenue Account balance of over £3m;
- Financed 2014/15 capital programme but limited capital resources for the future; and
- Significant risks and budget volatility in future years.

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;
- 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 2013/14 (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 2014.

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

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

MOVEMENT IN RESERVES STATEMENT

Restated[1] 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		(3,499)	1,989					(1,510)		(1,510)
Other comprehensive income & expenditure									1,972	1,972
Total Comprehensive Income & Expenditure		**(3,499)**	**1,989**	**0**	**0**	**0**	**0**	**(1,510)**	**1,972**	**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 3	0	(3,390)		3,390			0	0	0
MRA transferred to fund capital expenditure		0	0		(4,873)			(4,873)	4,873	0
Capital grants and contributions	22	(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	34	(7)	0					(7)	7	0
Adjustments under statutory provisions relating to soft loans	16	(250)	0					(250)	250	0
Self Financing Determination		(24)	0					(24)	24	0
Net charges made for retirement benefits	19	1,039	67					1,106	(1,106)	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	23	15	0					15	(15)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	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	26	(597)	0	541	(93)	0	0	(149)	149	0
Transfers to or (from) HRA Balances / reserves		12,500	(10,000)	0	(2,500)	0	0	0	0	0
Increase or Decrease in Year		**12,502**	**(6,706)**	**541**	**(2,593)**	**1,455**	**355**	**5,554**	**(5,093**	**461**
Balance at 31 March		**14,760**	**659**	**4,769**	**253**	**2,816**	**980**	**24,237**	**67,508**	**91,745**

[1] 2012/13 figures have been restated to reflect the changes made to IAS19, as detailed in note 19.

MOVEMENT IN RESERVES STATEMENT

	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
		2013/14								
Balance at 1 April		**14,760**	**659**	**4,769**	**253**	**2,816**	**980**	**24,237**	**67,508**	**91,745**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(1,583)	10,067					8,484		8,484
Other comprehensive income & expenditure								0	80	80
Total Comprehensive Income & Expenditure		**(1,583)**	**10,067**	**0**	**0**	**0**	**0**	**8,484**	**80**	**8,564**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation and amortisation of non-current assets	4	1,677	0		1,491			3,168	(3,168)	0
Impairment of non-current assets	4	13	(1,821)					13	(13)	0
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA 3	0	(3,394)		3,394			0	0	0
MRA transferred to fund capital expenditure		0	0		(4,885)			(4,885)	4,885	0
Capital grants and contributions	22	(917)	0				(269)	(1,186)	1,186	0
Changes in the value of Investment Properties	5	68	0					68	(68)	0
Revenue expenditure funded from capital under statute	11	776	0					776	(776)	0
(Gain) or loss on disposal of non-current assets	8	786	(663)			1,430		1,553	(1,553)	0
Revaluation gain	34	(54)	0					(1,875)	1,875	0
Adjustments under statutory provisions relating to soft loans	16	(177)	0					(177)	177	0
Loan Principal Repayments	13	(15)	0					(15)	15	0
Net charges made for retirement benefits	19	1,274	63					1,337	(1,337)	0
Council tax income regulatory adjustment	20	(22)	0					(22)	22	0
NNDR income regulatory adjustments	21	(200)	0					(200)	200	0
Enterprise Zone Relief regulatory adjustment	21	(667)	0					(667)	667	0
Capital expenditure charged to revenue	10	0	(1,125)					(1,125)	1,125	0
Employee benefits – accrued annual leave	23	(4)	0					(4)	4	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	238	0			(238)		0	0	0
Capital receipts applied	10	0	0			(273)		(273)	273	0
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**1,193**	**3,127**	**0**	**0**	**919**	**(269)**	**4,970**	**3,594**	**8,564**
Transfers to or (from) earmarked reserves	26	(13,368)	(2,000)	13,457	1,759	(150)	0	(302)	302	0
Increase or Decrease in Year		**(12,175)**	**1,127**	**13,457**	**1,759**	**769**	**(269)**	**4,668**	**3,896**	**8,564**
Balance at 31 March		**2,585**	**1,786**	**18,226**	**2,012**	**3,585**	**711**	**28,905**	**71,404**	**100,309**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2012/13[2] Gross Expenditure £000	Restated 2012/13[2] Gross Income £000	Restated 2012/13[2] Net Expenditure £000	Continuing Operations	Note No	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
12,313	(10,785)	1,528	Central Services to the Public		2,692	(1,262)	1,430
4,479	(616)	3,863	Cultural and Related Services		3,870	(391)	3,479
10,510	(5,677)	4,833	Environmental and Regulatory Services		11,523	(6,687)	4,836
3,748	(1,966)	1,782	Planning and Development Services		4,015	(2,355)	1,660
1,714	(2,380)	(666)	Highways and Transport Services		1,475	(2,174)	(699)
14,499	(19,325)	(4,826)	Local Authority Housing (HRA)		7,203	(19,978)	(12,775)
45,195	(41,632)	3,563	Other Housing Services		44,071	(42,651)	1,420
1,808	(161)	1,647	Corporate and Democratic Core		1,642	(141)	1,501
0	(0)	0	Public Health		86	(53)	33
327	(167)	160	Non-distributed costs		423	(121)	302
94,593	**(82,709)**	**11,884**	**Net Cost of Services**		**77,000**	**(75,813)**	**1,187**
			Other Operating Expenditure:				
		(874)	(Gain) or loss on disposal of fixed assets	8			123
			Amounts due to precepting authorities:				
		2,014	– Town and Parish Councils				2,362
		64	– River Stour Drainage Board Levy				64
		207	Contribution of Housing Capital Receipts to Central Government Pool	24			238
			Financing and Investment Income & Expenditure:				
		3,268	Interest payable and similar charges				3,208
		(631)	Interest and investment income				(469)
		(51)	Changes in the value of Investment Properties	5			68
		(19)	Impairment of Icelandic investment adjustment	12			(28)
		2,568	Net Interest on Defined Benefit Liability	19			2,565
			Taxation & Non-specific Grant Income:				
		(8,665)	Demand on the Collection Fund – Council Tax	20			(7,959)
		(7,104)	Income from National Non-Domestic Rates	21			(3,690)
		(563)	Government grants (not attributable to specific services)	22			(5,685)
		(588)	Capital Grant Contributions	22			(469)
		1,510	**(Surplus) or Deficit on Provision of Services**				**(8,485)**
		(7,669)	(Surplus) or deficit arising on revaluation of fixed assets	36			(415)
		0	(Surplus) or deficit on revaluation of available-for-sale financial assets	17			44
		25	Transfer of Capital Grant to Long Term Borrowing				0
		5,673	Actuarial (gains) or losses on pension fund assets and liabilities	19			293
		(1,971)	**Other Comprehensive Income & Expenditure**				**(78)**
		(461)	**Total Comprehensive Income & Expenditure**				**(8,563)**

[2] 2012/13 figures have been restated to reflect the changes made to IAS19, as detailed in note 19.

CONSOLIDATED BALANCE SHEET

31 March 2013 £000		Notes	31 March 2014 £000	£000
149,902	Council dwellings		153,755	
61,155	Land and buildings		59,752	
1,171	Vehicles, plant and equipment		1,103	
7,386	Infrastructure assets		7,150	
193	Community assets		188	
1,794	Assets under construction		2,318	
495	Surplus assets not held for sale		495	
222,096	**Property, Plant and Equipment**	4		**224,761**
4,127	Heritage Assets	7	4,127	
2,317	Investment property	5	2,249	
118	Intangible assets	4	167	
362	Long term investments	12	6	
2,748	Soft loans	16	2,850	
730	Long term debtors	27	509	
(66)	Less provision for bad debts	27	0	
10,336	**Long Term Assets**			**9,908**
19,073	Short term investments	12	18,931	
165	Stocks in hand		159	
7,501	Short term debtors	27	9,674	
(2,136)	Less provision for bad debts	27	(3,207)	
6,385	Cash and cash equivalents	28	15,584	
0	Assets held for sale	6	0	
30,988	**Current Assets**			**41,141**
(2,070)	Short term borrowing	13	(2,128)	
(9,320)	Short term creditors	29	(12,001)	
(33)	Provisions	30	(1,188)	
(1,275)	Receipts in advance	31	(1,605)	
(12,698)	**Current Liabilities**			**(16,922)**
(93,954)	Long term borrowing	13	(91,983)	
(825)	Capital grants received in advance	33	(768)	
(64,198)	Pensions liability	19	(65,828)	
(158,977)	**Long Term Liabilities**			**(158,579)**
91,745	**Net Assets**			**100,309**
14,760	General Fund balance	25	2,585	
659	Housing Revenue Account balance	25	1,786	
4,769	Earmarked reserves	26	18,226	
253	Housing Revenue Account reserves	26	2,012	
2,816	Usable capital receipts reserve	24	3,585	
980	Capital grants unapplied	32	711	
24,237	**Reserves Available to Fund Services**			**28,905**
24,836	Revaluation reserve	36	24,676	
107,907	Capital adjustments account	34	112,566	
148	Available-for-sale financial instruments reserve	17	104	
(1,337)	Financial adjustments account	15	(1,160)	
250	Collection Fund adjustment account-Council tax	20	272	
-	Collection Fund adjustment account-NNDR	21	200	
-	Enterprise Zone relief adjustment account	21	667	
(98)	Employee adjustment account	23	(93)	
(64,198)	Pensions reserve	19	(65,828)	
67,508	**Reserves Unavailable to Fund Services**			**71,404**
91,745	**Net Worth**			**100,309**

CASH FLOW STATEMENT

Restated[3] 2012/13 £000	£000		2013/14 £000	£000
	2,097	Cash & cash equivalents – at 1 April		6,385
	6,385	Cash & cash equivalents – at 31 March		15,584
	(4,288)	**Net (increase) or decrease in Cash & Cash Equivalents**		(9,199)
£000	**£000**		**£000**	**£000**
	1,510	**Net deficit on Income & Expenditure**		**(8,484)**
		Non-cash transactions:		
(1,615)		Depreciation and amortisation	(1,681)	
(7,352)		Revaluation gains / losses	1,672	
(1,106)		Pension adjustments	(1,337)	
245		Financial instruments adjustments	249	
(33)		Provisions	(1,155)	
(1,483)		Transfer to/from earmarked reserves	(1,491)	
	(11,344)			(3,743)
		Items on an accruals basis:		
28		Increase or (decrease) in stock and work in progress	(6)	
(486)		Increase or (decrease) in debtors	1,011	
339		Increase or (decrease) in long term debtors	(221)	
(23)		Movement in provision for bad debts	(201)	
194		(Increase) or decrease in creditors	(132)	
625		(Increase) or decrease in receipts in advance	(331)	
43		Collection Fund adjustment accounts	889	
	720			1,009
		Adjustments re financing activities:		
(86)		Revenue expenditure funded from capital	(776)	
588		Capital grant contributions	917	
	502			141
	(8,612)	**Net Cash Flows from Operating Activities**		**(11,077)**
		Investing activities:		
4,824		Purchase of property, plant, equipment, etc.	4,877	
(86)		Other payments for investing activities	(75)	
(8,196)		Proceeds from long and short term investments	(17,620)	
8,500		Purchase of long and short term investments	17,125	
(1,982)		Proceeds from the sale of non-current assets	(1,430)	
(790)		Movement in capital grants	(85)	
	2,270	**Net Cash Flows from Investing Activities**		2,792
		Financing activities:		
1,864		Net movement in short & long term borrowing	1,913	
190		Net movement in Collection Fund cash position	(2,827)	
	2,054	**Net Cash Flows from Financing Activities**		(914)
	(4,288)			**(9,199)**

3 2012/13 figures have been restated to reflect the changes made to IAS19, as detailed in note 19.

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. The Code is based on a hierarchy of approved accounting standards:

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

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

(b) Qualitative Characteristics of Financial Information

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

(c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the accounts have been prepared on a going concern basis.
- Accruals – the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the effects of

transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

- Primacy of legislation – local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

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

Income and expenditure 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**

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

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

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

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

(g) **Provisions**

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

(h) **Contingent Assets and Liabitites**

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

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

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

(i) **Debt Write-Off**

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

(j) **Employee Benefits**

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

<u>Benefits Payable during Employment</u>

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

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

Termination Benefits

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

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a 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 next formal valuation of the Kent County Council Pension Fund for funding purposes is due on 31 March 2016. Changes to contribution rates as a result of the 31 March 2013 valuation take effect from 1 April 2014.

(k) **Events After the Balance Sheet Date**

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

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

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

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

(l) **Exceptional Items**

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

(m) **Prior Period Adjustments**

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

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

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

(n) **Financial Instruments**

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

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

<u>Financial Assets</u>

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.

<u>Soft Loans</u>

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

<u>Financial Liabilities</u>

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.

(o) **Foreign Currency Transactions**

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

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

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

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

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

(q) **Long Term Contracts**

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

(r) **Leases**

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

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

Finance Leases

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

Operating Leases

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

(s) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

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

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

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

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

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

- Land and Buildings

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

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

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

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

- Vehicles, Plant and Equipment

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

- Infrastructure Assets

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

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

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

Investment property is not subject to depreciation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(t) **Overheads and Support Services**

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

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and

- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

(u) **Reserves**

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

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

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

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

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

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

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

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

- Further expected cuts in government grant funding will not be significantly different to that reflected in the Council's Medium Term Financial Plan;
- The level of funding received under the Business Rates Retention Scheme and will not be significantly different to that reflected in the Council's Medium Term Financial Plan;
- 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 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 maximum 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	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	obligations of approximately £2.2m.
Bad Debts Provisions	The Council has bad debt provisions of £3m for HRA, benefit overpayment, council tax & NNDR (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. From 2013/14, it also includes the costs of planning and building control services, and management of regeneration activities, previously included in Regeneration and Development below.
- Finance, Housing and Community – includes costs associated with financial control, compliance and processing functions, community engagement, private sector housing, homelessness, choice-based lettings, administration of housing grants and payment of housing and council tax benefits (and the receipt of related subsidies). It also includes the Council's share of internal audit and management fees paid to East Kent Services for managing the ICT, customer services and revenues and benefits functions.
- Regeneration and Development – for 2012/13 only, this includes the costs of planning and building control services, and management of regeneration activities, which are included under Chief Executive for 2013/14. For 2012/13 this also included preservation of cultural heritage and promotion of tourism, which includes the operation of Dover Museum and the Visitor Information Centre, which were transferred to Environment & Corporate Assets from 2013/14.
- Environment and Corporate Assets – includes costs associated with the management and maintenance of the Council's assets, including parks and sports centres, as well as environmental health and licensing (2012/13 only), street cleansing, refuse collection and recycling. It also includes community safety partnership work aimed at reducing antisocial behaviour and crime.
- Governance – includes costs associated with council democracy and compliance, including elections and maintaining the electoral register, remuneration of councillors, and land charges, as well as support services such as legal, performance & risk and the Council's share of human resources. It also includes licensing and environmental health and control services (including inspection and enforcement) which were transferred from Environment & Corporate Assets in 2013/14.

- 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

	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	1,575	2,010	3,144	1,495	1,482	259	10,591
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**	**53,947**	**3,584**	**16,231**	**1,598**	**1,624**	**8,811**	**86,664**
Net Cost of Services (excl. impairments)	**858**	**2,544**	**2,458**	**6,869**	**1,257**	**0**	**(10,728)**	**3,258**

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Segmental Analysis

	2013/14						
	Chief Executive	**Finance, Housing & Community**	**Environment & Corporate Assets**	**Governance**	**Shared Services (DDC-Hosted)**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Income:							
Fees, charges and other service income	(1,267)	(641)	(10,343)	(653)	(1,551)	(19,978)	(34,433)
Interest and investment income	0	(3)	0	0	0	(62)	(65)
Government grants and contributions	(10)	(41,893)	(27)	(14)	0	0	(41,944)
Total Income	**(1,277)**	**(42,537)**	**(10,370)**	**(667)**	**(1,551)**	**(20,040)**	**(76,442)**
Expenditure:							
Employee expenses	1,798	1,804	3,251	2,247	1,343	265	10,708
Premises	2	6	1,800	33	0	873	2,714
Transport	15	12	92	35	20	0	174
Supplies and services	545	1,794	1,226	712	152	1,549	5,978
Third party payments	0	3,030	9,426	11	208	5,250	17,925
Housing Benefits and Council Tax Benefits	0	39,790	0	0	0	12	39,802
Support service recharges	462	(1,568)	333	(213)	(175)	705	(456)
Depreciation and amortisation	87	69	1,525	10	2	1,496	3,189
Total Expenditure	**2,909**	**44,937**	**17,653**	**2,835**	**1,550**	**10,150**	**80,034**
Net Cost of Services (excl. impairments)	**1,632**	**2,400**	**7,283**	**2,168**	**(1)**	**(9,890)**	**3,592**

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.

	2012/13 £000	2013/14 £000
Cost of services in service analysis	**3,258**	**3,592**
Add: Amounts not reported to management		
Revaluation loss/(gain) on HRA stock	5,686	(1,822)
Revaluation loss on General Fund assets	2,598	13
Special Projects, incl. Restructuring – reported separately in Medium Term Financial Plan	190	464
Less: Amounts not included in Comprehensive Income and Expenditure Statement		
Direct revenue financing	(66)	(1,125)
Add back: Items included in other operating expenditure		
Investment income received	218	65
Net Cost of Services in the Comprehensive Income & Expenditure Statement	**11,884**	**1,187**

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:

2012/13						2013/14				
Service Analysis	**Not Reported to Management**	**Not Included in Comp Inc & Exp Statement**	**Corporate Amounts**	**Total**		**Service Analysis**	**Not Reported to Management**	**Not Included in Comp Inc & Exp Statement**	**Corporate Amounts**	**Total**
£000	**£000**	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	**£000**
					Income:					
(32,595)	0	0	0	(32,595)	Fees, charges & other service income	(34,433)	0	0	0	(34,433)
(218)	0	0	(412)	(630)	Interest & investment income	(65)	0	0	(404)	(469)
0	0	0	(8,665)	(8,665)	Income from council tax	0	0	0	(7,959)	(7,959)
(50,593)	0	0	(1,152)	(51,745)	Government grants/contributions	(41,944)	0	0	(6,155)	(48,099)
0	0	0	(7,104)	(7,104)	NDR	0	0	0	(3,690)	(3,690)
0	0	0	(1,982)	(1,982)	Disposal of non-current assets	0	0	0	(1,431)	(1,431)
(83,406)	**0**	**0**	**(19,315)**	**(102,721)**	**Total Income**	**(76,442)**	**0**	**0**	**(19,639)**	**(96,081)**
					Expenditure:					
10,591	139	0	2,568	13,298	Employee expenses	10,708	0	0	2,565	13,273
2,503	6	0	0	2,509	Premises	2,714	52	0	0	2,766
182	0	0	0	182	Transport	174	0	0	0	174
5,351	44	(66)	0	5,329	Supplies & services	5,978	271	(1,125)	0	5,124
17,277	1	0	0	17,278	Third party payments	17,925	131	0	0	18,056
0	0	0	3,268	3,268	Interest payments	0	0	0	3,208	3,208
0	0	0	2,078	2,078	Precepts & levies	0	0	0	2,427	2,427
48,118	0	0	0	48,118	Housing & council tax benefits	39,802	0	0	0	39,802
(486)	0	0	0	(486)	Support service recharges	(456)	10	0	0	(446)
3,128	0	0	(19)	3,109	Depreciation, amortisation & impairments	3,189	0	0	(28)	3,161
0	8,284	0	0	8,284	Revaluation (gains)/losses	0	(1,808)	0	0	(1,808)
0	(51)	0	0	(51)	Investment Property Revaluations	0	68	0	0	68
0	0	0	207	207	Housing capital receipts pool	0	0	0	238	238
0	0	0	1,108	1,108	Disposal of non-current assets	0	0	0	1,553	1,553
86,664	8,423	(66)	9,210	104,231	**Total Expenditure**	80,034	(1,276)	(1,125)	9,963	87,596
3,258	**8,423**	**(66)**	**(10,105)**	**1,510**	**(Surplus) or Deficit on the Provision of Services**	**3,592**	**(1,276)**	**(1,125)**	**(9,676)**	**(8,485)**

4. **PROPERTY, PLANT AND EQUIPMENT**

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

Movement on Balances 2013/14	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 2013	149,902	64,491	3,882	13,300	575	495	1,794	234,439
Additions – expenditure in year	4,182	227	48	41			686	5,184
Additions – transfer from WIP							(161)	(161)
Revaluation increases or decreases recognised in the Revaluation reserve		491						491
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	447	(171)						276
De-recognition – other Disposals	(776)	(777)						(1,553)
At 31 March 2014	**153,755**	**64,261**	**3,930**	**13,341**	**575**	**495**	**2,318**	**238,675**
Accumulated Depreciation and Impairment								
At 1 April 2013		(3,337)	(2,728)	(5,914)	(382)			(12,361)
Depreciation charge	(1,374)	(1,325)	(99)	(278)	(6)			(3,082)
Disposals								
Other movements in depreciation and impairment	1,374	153						1,527
Subtotal	**0**	**(4,509)**	**(2,827)**	**(6,192)**	**(388)**			**(13,916)**
Net Book Value								
At 31 March 2014	153,755	59,752	1,103	7,150	186	495	2,318	224,759
At 31 March 2013	149,902	61,153	1,171	7,386	193	495	1,794	222,095

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:

	2012/13 £000	2013/14 £000
General Fund		1,591
Housing Revenue Account	1,483	1,491
Total	**3,063**	**3,082**

Intangible Non-Current Assets

	2012/13 £000	2013/14 £000
Opening Net Book Value	66	118
Additions – transferred from WIP	57	124
Additions – expenditure in year	29	15
Amortisation – General Fund	(34)	(90)
Closing Net Book Value	**118**	**167**

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. The 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 2013. Housing Revenue Account dwellings and garages were valued as at 31 March 14 and the valuation was valid for the 3 months.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. There are no significant general fund impairments in 13/14. Improvement in the housing market has resulting in a gain in the housing stock valuation for 13/14.

	2012/13 £000	2013/14 £000
General Fund		
General gain/(loss) on other land and buildings	(3,855)	(171)
Losses written out of revaluation reserve	1,247	158
Write back depreciation	11	0
Total charged to the General Fund	**(2,597)**	**(13)**
Housing Revenue Account		
General gain/(loss) on housing stock	(7,064)	447
Write back depreciation	1,384	1,374
Total charged to the HRA	**(5,681)**	**1,821**
Total charged to Property, Plant & Equipment	**(8,278)**	**(13)**
Impairments charged to Revaluation Reserve	0	0
Total charged to Income & Expenditure Account	**(8,278)**	**(13)**

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:

	2012/13 £000	2013/14 £000
Rental income from investment property	236	272
Direct operating expenses arising from investment property	(88)	(50)
Net gain or loss	**148**	**222**

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.

	2012/13 £000	2013/14 £000
Balance at start of the year	2,567	2,317
Revaluation gains from fair value adjustments	92	25
Revaluation losses from fair value adjustments	(41)	(93)
Disposals	(300)	0
Balance at end of year	**2,317**	**2,249**

6. ASSETS HELD FOR SALE

	2012/13 £000	2013/14 £000
Balance at start of year	987	0
Assets newly classified as held for sale	0	0
Assets sold	(492)	0
Transferred to Surplus Assets	(495)	0
Balance outstanding at year end	**0**	**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 2013 £000	At 31 March 2014 £000
Historic Buildings	210	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	**4,127**	**4,127**

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

	2012/13 £000	2013/14 £000
Net Book Value		
HRA right-to-buy	271	626
HRA other sales	537	153
General Fund sales	300	774
Total	**1,108**	**1,554**
Sales Proceeds		
HRA right-to-buy	(498)	(1,138)
HRA other sales	(753)	(305)
General Fund sales	(750)	(10)
Total	**(2,001)**	**(1,453)**
Less admin fees	19	22
Gain or Loss on Disposal	**(874)**	**123**

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2014 the Authority was contractually committed to capital expenditure amounting to £497k in respect of the following projects:

Project	Contractor	Total commitment £000	Estimated completion date
Demolition of William Muge House & Snelgrove House	Dover Demolition	30	April 2014
Demolition of Fanum House	Ling Demolition	21	May 2014
Replacement Glass at Deal Pier Cafe	Ramsgate Glass	6	May 2014
Kingsdown Timber Groyne Study	Canterbury City Council	20	Sept 2014
Contribution to construction of	Network Rail	100	March 2015

Project	Contractor	Total commitment £000	Estimated completion date
multi-storey car park at Dover Priory Rail Station			
	National Trust		
Construction of access path at Langdon Cliffs	Eurotunnel	93	June 2014
Construction of education hub at Samphire Hoe		227	June 2014
Total		**497**	

10. **CAPITAL EXPENDITURE AND FINANCING**

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

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement	**98,233**	**98,233**
Capital Investment:		
Plant, property and equipment	4,296	5,148
Intangible assets	29	15
Revenue expenditure funded by capital	641	764
Private sector housing loans	79	148
Sources of Finance:		
Capital receipts	(321)	(273)
Government grants	(675)	(1,319)
Dover Town Council/Dover Harbour Board	(75)	(25)
Heritage Lottery/Partnership Funding	0	(43)
Major repairs reserve	(3,034)	(2,987)
Direct revenue financing	(676)	(1,125)
Section 106 funding	(116)	0
Special projects reserve	(56)	0
Other reserves	(92)	(303)
Closing Capital Financing Requirement	**98,233**	**98,233**
Explanation of Movements	**0**	**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.

	2012/13		2013/14	
	£000	**£000**	**£000**	**£000**
Gross expenditure:				
Home improvement grants	69		0	
Disabled facilities grants	491		613	
White Cliffs Landscape Partnership	0		123	
Walmer to Kingsdown Study	0		11	
Property Level Flood Protection	60		0	
Electronic Booking System	19		0	
Grants/contributions to organisations	1		0	
Install Bollards – Menzies Rd	0		17	
		640		764
Grants & contributions received:				
Regional Housing Board Grant	(3)		0	
Disabled Facilities Grant subsidy	(491)		(613)	
Growth Point Grant	0		(97)	
Heritage Lottery/Partnership Funding	0		(43)	
Environment Agency	(60)		(11)	
		(554)		(764)
Total		**86**		**0**

12. INVESTMENTS

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

Short Term Investments

	2012/13	2013/14
	£000	**£000**
Investments managed by Investec	12,915	12,917
In-house managed investments	6,075	6,015
Icelandic impaired investment	75	0
Deposit held in Icelandic Krona	8	0
Total	**19,073**	**18,932**

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

	2012/13	2013/14
	£000	**£000**
Icelandic impaired investment	355	0
Stocks	7	6
Total	**362**	**6**

Investment Portfolio

The Council's investment portfolio as at 31 March 2014 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
Internal Investments:			
Lloyds	17.12.2014	3,000	UK 'AA+'
Lloyds	30.07.2014	2,000	UK 'AA+'
Bank of Scotland	07.11.2014	1,000	UK 'AA+'
Total Internal Investments		**6,000**	
External Investments:			
Certificates of Deposit			
Bank of Nova Scotia	04.06.2014	2,400	Canada 'AAA'
Deutsche Bank	14.05.2014	2,500	Germany 'AAA'
Commonwealth Bank	21.07.2014	1,200	Australia 'AAA'
National Australia Bank	19.05.2014	300	Australia 'AAA'
Nordea Group	09.04.2014	1,200	Sweden 'AAA'
Nationwide	20.05.2014	1,300	UK 'AA+'
Svenska Handelsbanken	30.05.2014	1,500	Sweden 'AAA'
Commercial Paper			
United Kingdom	27.05.2014	200	UK 'AA+'
United Kingdom	16.06.2014	300	UK 'AA+'
Fixed Interest Securities			
United Kingdom Gilts 1.25%	22.07.2018	1919	'AA+'
Deposits			
Rabobank		120	Netherlands 'AAA'
GBP Cash – Settled Balance		9	UK AA+'
Total External Investments		**12,948**	
Cash and Cash Equivalents:			
Cash at the Bank	Instant Access	1	UK 'AA+'
Nat West	Instant Access	1,726	UK 'AA+'
Santander UK	Instant Access	5,001	UK 'AA+'
Bank of Scotland	Instant Access	4,086	UK 'AA+'
Barclays	Instant Access	5,034	UK 'AA+'
Money Market Fund (RBS)	Instant Access	50	UK 'AA+'
Total Cash and Cash Equivalents		**15,898**	

Icelandic Investments

Early in October 2008, the Icelandic bank Landsbanki 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.

The Council participated in a joint action, co-ordinated by the Local Government Association, to recover the investment and associated interest. Prior to 30 January 2014 the Council had received £552k in partial payments from the Landsbanki Winding-up Board.

On the 30 January 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that the Council has recovered 97% of the £1m that was deposited with Landsbanki in 2008. The impairment charged to the General Fund in previous years was reduced by £28k in 2013/14 as a result of the sale.

13. **BORROWING**

	2012/13 £000	**2013/14 £000**
<u>Short term borrowing</u>		
Accrued Interest	157	157
PWLB	1,898	1,959
LTA loan	9	9
Salix loan	6	3
Total Short Term Borrowing	**2,070**	**2,128**
<u>Long term borrowing</u>		
PWLB	90,737	88,778
LOBO	3,101	3,101
Salix loan	3	0
LTA Loan	113	104
Total Long Term Borrowing	**93,954**	**91,983**

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 2014. 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 2013		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short term Assets				
Cash held by external fund manager	12,915	12,915	12,917	12,917
Deposits with banks and building societies	6,075	6,104	6,015	6,026
Landsbanki	83	83	0	0
Total Short Term Investments	19,073	19,103	18,932	18,943
Debtors	2406	2406	2,811	2,811
Cash and liquid assets	6,385	6,385	15,898	15,898
Total short term assets	27,864	27,893	37,641	37,652
Long term Assets				
Long Term Debtors	120	120	46	46
Stocks	7	7	6	6
Landsbanki	355	355	0	0
Soft Loans	2,748	2,748	2,850	2,850
Total long term assets	3,230	3,230	2,902	2,902
Total Financial Assets	**31,094**	**31,123**	**40,543**	**40,554**

Financial Liabilities

Balance as at:	31 March 2013		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Liabilities				
Accrued Interest	157	157	157	157
PWLB repayments due	1,898	1,898	1,959	1,959
Lawn Tennis Association Loan	9	9	9	9
Salix Loan	6	6	3	3
Total Short Term Borrowing	2,070	2,070	2,128	2,128
Creditors	8,282	8,282	7,313	7,313
Total Short Term Liabilities	10,352	10,352	9,441	9,441
Long Term Liabilities				
PWLB – maturity	4,001	6,110	4,001	5,852
PWLB – Annuity	86,736	83,950	84,777	79,517
LOBOs	3,101	3,373	3,101	3,227
Salix loan	3	3	0	0
Lawn Tennis Association Loan	113	113	104	104
Total Long Term Liabilities	93,954	93,549	91,983	88,700
Total Financial Liabilities	**104,306**	**103,901**	**101,423**	**98,141**

Maturity Analysis

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

	31 March 2013		31 March 2014	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,001	4,084	4,001	4,084
PWLB – HRA Self Financing	88,634	88,665	86,736	86,767
Salix Loan	9	9	3	3
Lawn Tennis Association Loan	122	122	113	113
LOBO	3,101	3,143	3,101	3,143
Creditors	8,282	8,282	7,313	7,313
Total	**104,149**	**104,306**	**101,267**	**101,423**
Less than 1 year	10,195	10,352	9,284	9,441
Between 1 and 2 years	2,978	2,978	3,070	3,070
Between 2 and 5 years	6,388	6,388	6,593	6,593
Between 5 and 10 years	12,081	12,081	12,467	12,467
More than 10 years	72,506	72,506	69,852	69,852
Total	**104,149**	**104,306**	**101,267**	**101,423**

15. **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

	2012/13		2013/14	
	£000	£000	£000	£000
Opening balance				
LOBO (Dresdner Bank)	100		100	
Soft loans	1,487		1,237	
		1,587	1,337	
Movement during the year				
Soft loans		(250)		(177)
Balance at 31 March		**1,337**		**1,160**

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.

	2012/13	2013/14
	£000	£000
Opening balance	2,608	2,748
Advances in year	79	148
Repayments in year	(164)	(223)
Financial instruments adjustments	250	177
Amounts Written off	(25)	0
Closing balance	**2,748**	**2,850**

17. **AVAILABLE FOR SALE RESERVE**

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

Available for sale reserve	**2012/13**	**2013/14**
	£000	**£000**
Opening balance	148	148
Unrealised profit/(loss):		
Certificate of deposits	2	(2)
Fixed securities	(2)	(42)
Closing balance	**148**	**104**

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:

	2012/13	2013/14
	£000	**£000**
Cash and cash equivalents	6,385	15,898
Less than 1 year	19,073	18,932
More than 1 year	362	6
Total	**25,820**	**34,836**

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 £224k on its investments of £34.8m achieving an average interest rate of 0.67%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £348k 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 actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

Transactions Relating to Retirement Benefits

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

	Restated 2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	1,706	2,002
Curtailments and past service costs	2	66
Administrative expense	56	60
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	2,568	2,565
Charge to the Surplus or Deficit on the Provision of Services	**4,332**	**4,693**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,332)	(4,693)
Actual amount charged to the General Fund for pensions in the year		
Employer's contributions payable to scheme	3,226	3,356
Contribution (From) or To Pensions Reserve	**(1,106)**	**(1,337)**

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

Actuarial Gain/Loss

In addition, an actuarial loss of £293k in 2013/14 and a loss of £5,673k (Restated) in 2012/13 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

Assets and Liabilities in Relation to Retirement Benefits

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

Liabilities	**Restated 2012/13 £000**	**2013/14 £000**
Opening balance at 1 April	121,854	136,170
Current service costs	1,706	2,002
Interest cost	5,495	5,480
Change in financial assumptions	11,472	(3,665)
Change in demographic assumptions	0	4,001
Experience loss/(gain) on defined benefit obligation	496	(1,346)
Benefits paid net of transfers in	(4,693)	(4,955)
Past service costs, including curtailments	2	66
Contributions by scheme participants	460	457
Unfunded pension payments	(622)	(628)
Closing balance at 31 March	**136,170**	**137,582**

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

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

Assets	**2012/13 £000**	**2013/14 £000**
Opening balance at 1 April	64,435	71,972
Interest on assets	2,927	2,915
Return on assets less interest	6,295	2,871
Other actuarial gains / (losses)	0	(4,174)
Administration expenses	(56)	(60)
Contributions by employer including unfunded	3,226	3,356
Contributions by scheme participants	460	457
Estimated benefits paid plus unfunded net of transfers in	(5,315)	(5,583)
Closing balance at 31 March	**71,972**	**71,754**

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

The actual return on scheme assets in the year was a gain of £5.786m (restated 2012/13 gain of £9.221m).

Net Pension Liability

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

	2012/13 £000	2013/14 £000
Present value of funded obligation	127,086	128,369
Fair value of scheme assets (bid price)	(71,972)	(71,754)
Net Liability	**55,114**	**56,615**
Present value of unfunded obligation	9,084	9,213
Net Liability in Balance Sheet	**64,198**	**65,828**

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

Reconciliation of Opening & Closing Surplus or Deficit

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

Surplus or Deficit	Restated 2012/13 £000	2013/14 £000
Opening balance at 1 April	(57,419)	(64,198)
Current service costs	(1,706)	(2,002)
Past service costs and curtailments	(2)	(66)
Employer's contributions	3,226	3,356
Administrative expenses	(56)	(60)
Actuarial gains or (losses)	(5,673)	(293)
Other finance income	(2,568)	(2,565)
Closing balance at 31 March	**(64,198)**	**(65,828)**

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 2013		31 March 2014	
Assets	Fund Value £000	Percentage of Fund %	Fund Value £000	Percentage of Fund %
Equities	51,100	71	50,945	71
Gilts	0	0	718	1
Bonds	9,356	13	7,893	11
Property	5,758	8	7,175	10
Cash	2,879	4	2,153	3
Target Return Portfolio	2,879	4	2,870	4
Total	**71,972**	**100**	**71,754**	**100**

Scheme History

	2009/10 £000	2010/2011 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of liabilities	(140,217)	(110,327)	(121,854)	(136,170)	(137,582)
Scheme assets	64,037	67,681	64,435	71,972	71,754
Surplus or (deficit) in the scheme	**(76,180)**	**(42,646)**	**(57,419)**	**(64,198)**	**(65,828)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £65m 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.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2013/14 are detailed below:

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Actuarial Gains / (Losses) recognised in the CIES	6,465	15,498	(21,152)	(5,673)	(293)
Cumulative actuarial gains / (losses)	**(40,566)**	**(25,068)**	**(46,220)**	**(51,893)**	**(52,186)**

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 2014.

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

	2012/13	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.1 years	22.7 years
Women	24.1 years	25.1 years
Longevity at 65 for future pensioners		
Men	22.1 years	24.9 years
Women	26.0 years	27.4 years
Rate of inflation – RPI	3.3%	3.5%
Rate of inflation – CPI	2.5%	2.7%
Rate of increase in salary	4.7%	4.5%
Rate of increase in pension	2.5%	2.7%
Rate for discounting scheme liabilities	4.1%	4.4%

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

Sensitivity Analysis

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

	£000	**£000**	**£000**
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	135,369	137,582	139,833
Projected service cost	1,718	1,758	1,798
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	137,810	137,582	137,356
Projected service cost	1,758	1,758	1,758
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	139,641	137,582	135.557
Projected service cost	1,798	1,758	1,718
Adjustment to mortality age rating assumption:	+1 year	None	-1 year
Present value of total obligation	132,725	137,582	142,483
Projected service cost	1,698	1,758	1,818

Projected Pension Expense for the Year to 31 March 2015

These projections are based on the Actuary's assumptions as at 31 March 2014.

	2014/15 Projection £000
Service cost	1,758
Net interest on the defined liability (asset)	2,835
Administration expenses	60
Total	**4,653**
Employer's contributions	2,821

Further Information

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

20. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income	**£000**	**2012/13 £000**	**£000**	**2013/14 £000**
District council's council tax		6,608		5,822
Parish councils' council tax		2,014		2,078
		8,622		7,900
Current year's actual Collection Fund surplus (Council Tax)	250		272	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	207		250	
Share of estimated prior year surplus distributed in year	-		(37)	
	207		213	
		43		59
Amount credited to the CIES from Council Tax		**8,665**		**7,959**

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

	£000	**2012/13 £000**	**£000**	**2013/14 £000**
District council's share of NNDR		7,104		11,630
S31 Grant for NNDR Reliefs given		-		426
Tariff to Central Government		-		(10,122)
Safety Net Receipt from Government		-		860
Current year's actual Collection Fund surplus (NNDR)		-		200
Income from NNDR		**7,104**		**2,994**
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government	-		30	
Enterprise Zone Relief due from Government	-		667	
Total Enterprise Zone Relief		**-**		**697**
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		**7,104**		**3,691**

Business Rates (NNDR)

The figure for 2012/13 is the share of redistributed business rates received from the national pool. On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2013/14 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General fund are taken to the Collection Fund and Enterprise Zone Relief Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way (for

2013/14 only) are the collection fund surplus (£200k) and the accrued Enterprise Zone Relief (£667k).
Further details of the new BRRS scheme and its impact on the Statement of Accounts can be found under Note 2 'Changes in Accounting and Presentation' within the Explanatory Forward on page 2.

22. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income	**2012/13 £000**	**2013/14 £000**
General government grants:		
Revenue Support Grant	138	4,699
Capitalisation Redistribution	0	26
New Burdens Grant	13	34
Council Tax Freeze Grant	0	0
New Homes Bonus	412	926
Total non-specific grant income	**563**	**5,685**

Capital Grants & Contributions	**2012/13 £000**	**2013/14 £000**
Homes & Communities Agency	230	145
Dover Town Council	75	0
Kent County Council	0	50
Section 106	116	0
Environment Agency	38	237
Disabled Facilities Grants & Repayments	129	0
Other	0	37
Total capital grant contributions	**588**	**469**

Credited to Services	**2012/13 £000**	**2013/14 £000**
Rent Allowance Subsidy	27,155	27,916
Council Tax Benefit Subsidy	9,558	(2)
Benefit Administration Grant	424	397
Council Tax Administration Grant	455	426
Non-HRA Rent Rebate Subsidy	124	112
HRA Rent Rebate Subsidy	11,616	11,803
Discretionary Housing Payment Contribution	114	246
Disabled Facilities Grant Subsidy	491	500
Concessionary Fares Special Grant	0	0
NNDR Cost of Collection Allowance	153	152
Council Tax Reform Grant	84	101
Local Benefits Scheme Subsidy	48	0
New Burdens – Council Tax Support	0	76
Neighbourhood Planning Grant	35	10
Homelessness Grant	167	162
Renovation Grants	3	0
Coast Protection Grant	65	27
Crime and Disorder Grant	36	0
Other	65	18
Total	**50,593**	**41,944**

51,744	**48,098**

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in note 35.

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	**Number of Employees**	
	2012/13	**2013/14**
£50,000-£54,999	12	11
£55,000-£59,999	10	7
£60,000-£64,999	1	3
£65,000-£69,999	2	3
£70,000-£74,999	1	2
£75,000-£79,999	1	1
£80,000-£84,999	0	0
£85,000-£89,999	5	3
£90,000-£94,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	1	1
	34	**32**

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.

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**

2013/14 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	£35,245	-
20-40	-	1	1	£0	£35,800
40-60	-	-	-	-	-

60-80	-	-	-	-	-
Total	**3**	**2**	**5**	**£35,245**	**£35,800**

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.

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 contrib-utions £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.

2013/14 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	123	3	0	126	16	142
Dir of Finance, Housing & Comm (S.151 Officer)	87	3	0	90	11	101
Dir of Governance (Monitoring Officer)	87	3	0	90	11	101
Dir of Environment & Corp Assets	83	0	5	88	11	99
Head of Inward Investment	65	0	5	70	10	80
	445	**9**	**10**	**464**	**59**	**523**

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 2013/14 this was estimated to be £93k (£98k in 2012/13).

24. **CAPITAL RECEIPTS**

Usable Capital Receipts

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

	2012/13 £000	2013/14 £000
Balance at 1 April	1,361	2,816
Usable capital receipts received	1,982	1,430
	3,343	4,246
Less: usable capital receipts applied		
Expenditure on non-current assets	(321)	(273)
Contribution to Affordable Housing	0	(150)
Pooled housing capital receipts	(207)	(238)
Balance at 31 March	**2,816**	**3,585**

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 2013/14 £238k has been paid to the DCLG in relation to capital pooling requirements (£207k in 2012/13).

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

25. **GENERAL FUND AND HRA BALANCES**

Council on 25th September 2013 resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance in the 2012/13 accounts. This has been transferred to earmarked reserves in 2013/14 as detailed in note 26 below.

26. **EARMARKED RESERVES**

General Fund Earmarked Reserves:	**Opening Balance £000**	**Receipts in year £000**	**Applied in year £000**	**Closing Balance £000**
Special Projects & Events	1,005	217	(273)	949
Periodic Operations	1,055	447	(144)	1,358
Urgent Works	1,113	363	(9)	1,467
Regeneration	476	576	(36)	1,016
ICT Equipment & Servers	508	166	(317)	357
Business Rates & Council Tax	612	0	(32)	579
HRA Transfer Reserve	0	12,500	(0)	12,500

Total	**4,769**	**14,269**	**(813)**	**18,226**

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

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

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

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.

HRA Transfer – Council on 25th September 2013 resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This has been transferred into an earmarked reserve in 2013/14. No plans have yet been made for the application of the funds and any such plan will form the basis of future reports.

Housing Revenue Account Earmarked Reserves:	**Opening Balance £000**	**Receipts in year £000**	**Applied in year £000**	**Closing Balance £000**
Major Repairs Reserve	0			0
Tenant's Compact Reserve	253	0	(242)	11
Housing Initiatives	0	2,000	0	2,000
Total	**253**	**2,000**	**(242)**	**2,011**

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 special initiatives arising in respect of affordable housing.

27. **DEBTORS**

Long Term Debtors	**31 March 2013 £000**	**31 March 2014 £000**
Loans to:		
Leaseholders [1]	91	19
Local organisations	29	27
Other:		
Housing benefit debtors [2]	610	463
Total	**730**	**509**

[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 2014 which is expected to be recovered after one year.

Short Term Debtors	**31 March 2013 £000**	**31 March 2014 £000**
General Fund		
Housing rents and other charges	429	437
Central Government	1,043	1,284
Local Authorities	1,288	1,637
Payments in Advance	383	353
Other debtors	3,008	3,482
	6,151	7,193
Collection Fund		
Local tax payers (district council's share)	514	1,648
Central Government	836	833
	1,350	2,481
Total	**7,501**	**9,674**

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

The increase in debtors includes: an increase in sums due from Local Authorities relating to Waste Services (£210k) and East Kent Services Management Fees (£69k); an increase in Collection Fund sums due from Local Tax Payers relating to NDR under the business rates retention scheme (£1,037k) and Council Tax (£96k); an increase in Other Debtors mainly due to an increase in benefit overpayment debtors (£289k) and sums owed in respect of White Cliffs Countryside Project and White Cliffs Landscape Partnership (£74k); and an increase in Central Government debts (General Fund) relating to VAT owed by H.M. Revenue & Customs.

Provision for Bad Debts	**Council Tax £000**	**NDR £000**	**General Debtors £000**	**Housing Benefits £000**	**HRA £000**	**Total £000**
Balance at 1 April 2012	**222**	**0**	**168**	**1,298**	**437**	**2,125**
Write-offs	(26)	0	0	(200)	(64)	(290)
Contribution to provision	80	0	15	208	64	367
Balance at 31 March 2013	**276**	**0**	**183**	**1,306**	**437**	**2,202**
Transfer in NDR balance[4]	0	739	0	0	0	739
Write-offs	(7)	(144)	0	(42)	(66)	(259)

[4] Transfer of DDC's share of opening balance on NDR bad debts provision under Business Rates Retention scheme (new regulations applying from 1st April 2013).

Contribution to provision	74	142	76	184	50	526
Balance at 31 March 2014	**343**	**737**	**259**	**1,448**	**421**	**3,208**

The provisions for bad debts in respect of council tax and NNDR represent the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 77.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

	At 31 March 2013			**At 31 March 2014**		
Age of debt	**General Debtors £000**	**HRA £000**	**Total £000**	**General Debtors £000**	**HRA £000**	**Total £000**
< 1 month	554	221	775	387	316	703
1 – 3 months	48	118	166	102	108	210
3 – 6 months	20	67	87	73	63	136
6 – 12 months	88	56	144	33	73	106
1 year +	113	354	467	210	344	554
Total	**823**	**816**	**1,639**	**805**	**904**	**1,709**

Collectability of Debt

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

28. **CASH & CASH EQUIVALENTS**

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

	2012/13 £000	**2013/14 £000**
Cash held by Authority	3	1
Bank call accounts	6,382	15,583
Total Cash and Cash Equivalents	**6,385**	**15,584**

29. **SHORT TERM CREDITORS**

As at 31 March	2012/13 £000	2013/14 £000
General Fund		
Government departments	(3,794)	(4,490)
Other local authorities	(416)	(273)
Housing tenants	(177)	(136)
Other creditors – revenue	(3,453)	(2,183)
Other creditors – capital	(510)	(796)
	(8,350)	(7,878)
Collection Fund		
Government Departments	0	(2,232)
Local Authorities	(833)	(1,410)
Local tax payers (DDC's share)	(137)	(481)
	(970)	(4,123)
Total	**(9,320)**	**(12,001)**

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

The net increase in creditors is mainly due to an increase in Collection Fund creditors where amounts are owed to Central Government and Local Authorities (Kent County Council and Kent & Medway Fire & Rescue Service) under new legislation in 2013/14 for localisation of business rates.

30. PROVISIONS

Localisation of Business Rates

Under new legislation in 2013/14 for the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes both an estimate based on appeals currently lodged and a further smaller provision for appeals that might yet be lodged against 2013/14 and prior years. The Council includes only its share (40%) of the total appeals provision calculated.

Municipal Mutual Insurance

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

As at 31 March	2012/13 £000	2013/14 £000
DDC Share of NNDR Appeals Provision	0	(1,175)
Municipal Mutual Insurance provision	(33)	(13)
Total	**(33)**	**(1,188)**

31. RECEIPTS IN ADVANCE

As at 31 March	2012/13 £000	2013/14 £000
Government departments	(156)	(134)
Other local authorities	(406)	(222)
Other	(713)	(1,249)
Total	**(1,275)**	**(1,605)**

32. CAPITAL GRANTS UNAPPLIED

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

	2012/13 £000	2013/14 £000
Balance at 1 April	**625**	**980**
Contributions received	849	501
Applied to projects	(494)	(770)
Balance at 31 March	**980**	**711**

33. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2012/13 £000	2013/14 £000
Balance at 1 April	**604**	**825**
Contributions received	497	583
Applied to capital projects	(266)	(640)
Deposit moved to Capital Receipts	(10)	0
Balance at 31 March	**825**	**768**

34. CAPITAL ADJUSTMENT ACCOUNT

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

	2012/13 £000	2013/14 £000

	2012/13 £000	2013/14 £000
Balance at 1 April	**(113,779)**	**(107,907)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	3,063	3,082
Amortisation of intangible assets	34	86
Revaluation losses on property, plant and equipment	8,278	13
Revaluation gains on property, plant and equipment	(7)	(1,875)
Revenue expenditure funded from capital under statute	86	776
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1,108	1,352
Adjusting amounts written out of the Revaluation Reserve	(389)	(374)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(321)	(273)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,034)	(2,987)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(113)	(471)
Application of grants to capital financing from the Capital Grants Unapplied Account	(120)	(715)
Capital expenditure charged against the General Fund and HRA balances	(676)	(1,125)
Capital expenditure charged against Earmarked Reserves	(148)	(302)
Movements in the market value of Investment Properties debited or credited to the CIES	(51)	68
Loan Repayments Made	(1,863)	(1,913)
Loan Raised Transferred to Long Term Borrowing	25	0
Balance at 31 March	**(107,907)**	**(112,566)**

35. DEVELOPMENT CONTRIBUTIONS

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

	2012/13 £000	2013/14 £000
Balance at 1 April	**599**	**431**
Contributions received	185	182
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(353)	(52)
Balance at 31 March	**431**	**561**

36. REVALUATION RESERVE

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

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

	2012/13 £000		**2013/14 £000**	
Balance at 1 April		17,554		24,836
Revaluation gains	8,919		573	
Revaluation losses	(1,247)		(158)	
Surplus on revaluation of fixed assets		7,672		415
Revaluations relating to disposals written out		(1)		(202)
Historic cost deprecation written out to the capital adjustments account		(389)		(373)
Balance at 31 March		**24,836**		**24,676**

37. RELATED PARTY TRANSACTIONS

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

Returns were received from all Members and Chief Officers and there were no transactions of material significance to Dover District Council to warrant separate disclosure in the accounts, however the following 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	£23,463	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.
Dover Town Team	£5,553	One Member is a member of the Town Team
Deal Town Team	£4,611	Two Members are members of the Town Team
Dover District Volunteering Centre	£4,500	One Member is a trustee of the Volunteering Centre
Dover Fairtrade Steering Group	£250	One member is the Chairman of the Steering Group

Sandwich Town Cricket Club	£10,000	One Chief Officer is parent of junior member of 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 22 on reporting for resources allocation decision. Grant receipts outstanding at 31 March 2014 are included in note 27.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2013/14 was the third year of operation.

In 2013/14 £2.1m was paid to East Kent Housing in respect of management fees. A further £6k was paid in respect of sundry costs. Charges from DDC to East Kent Housing in respect of services supplied totalled £360k. The balance due from East Kent Housing at 31 March 2014 was £67k.

38. MEMBERS' ALLOWANCES

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

	2012/13 £000	2013/14 £000
Basic Allowance	175	179
Special Responsibility Allowance	88	86
Members' National Insurance Contributions	4	4
Total	**267**	**269**

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

39. EXTERNAL AUDIT FEES

The Council's auditors Grant Thornton is responsible for ensuring that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2013/14:

	2012/13 £000	2013/14 £000
External audit services	63	61
Certification of grant claims and returns	36	30
Total	**99**	**91**

40. CONTINGENT LIABILITIES

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 2014 was considered remote.

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. The Council has been informed that the value of those claims at present is £118k plus interest and costs. The 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 2014 the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £183k less £50k. A provision of 25% of the claim was been made in the balance sheet in 2012/13 from which a payment of £20k was made in 2013/14. 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 increased from £4.4m to £5.1m at 31 March 2014, of which Dover District Council’s share would be £1.3m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liabilty.

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

Rent Deposit Scheme

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £210k.

41. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2014.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

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

The financial (unaudited) results of EKH for 2013/14 and the Council's share are as follows:

East Kent Housing Ltd 2012/13 (Restated)	**DDC share 25% 2012/13**		**East Kent Housing Ltd 2013/14**	**DDC share 25% 2013/14**
£000	**£000**		**£000**	**£000**
(8,173)	(2,043)	Turnover	(8,158)	(2,039)
8,491	2,123	Expenses	8,465	2,116
318	80	Operational (profit)/loss	307	77
530	133	(Profit)/loss after taxation	490	123
(1,327)	(332)	Other comprehensive (income) and expenditure	170	42
(797)	(199)	Total comprehensive (income)/loss for the year	660	165
25	6	Non-current assets	54	14
920	230	Current assets	1,026	256
(402)	(100)	Current liabilities	(463)	(116)
(4,373)	(1,093)	Non-current liabilities	(5,053)	(1,263)
543	136	Profit and loss reserve	563	141

(4,373)	(1,093)	Pensions reserve	(5,053)	(1,263)

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2013/14. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted. The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 adopts the following standards from 1 April 2014:

- IFRS10 Consolidated Financial Statements;
- IFRS11 Joint Arrangements;
- IFRS12 Disclosure of Interests in Other Entities;
- IAS27 Separate Financial Statements;
- IAS28 Investments in Associates and Joint Ventures;
- IAS32 Financial Instruments:Presentation;
- Annual Improvements to IFRS 2009-2011Cycle;

With the council currently holding no material Group interests, the adopted standards will not have a material impact on the council's 2014/15 financial statements. IFRS12 however will require the council to review its disclosures of the non-material interest it has in East Kent Housing Ltd.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The billing authority's share of the Collection Fund is consolidated with the other accounts of the billing authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Business Rates £000	2012/13 Council Tax £000	2012/13 Total £000		2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000
			Income			
			Council tax:			
-	(50,227)	(50,227)	Billed to Council Tax payers	-	(52,523)	(52,523)
-	(9,484)	(9,484)	Council tax benefits	-	-	
			National Non-domestic rates:			
(33,033)	-	(33,033)	Billed to NNDR payers	(33,705)	-	(33,705)
-	-		Enterprise Zone relief from Government	(871)	-	(871)
(33,033)	**(59,711)**	**(92,744)**	**Total Income**	**(34,576)**	**(52,523)**	**(87,099)**
			Expenditure			
			Precepts, Demands & Shares:			
32,883	-	32,883	Central Government[5]	14,537	-	14,537
-	42,109	42,109	Kent County Council	2,617	36,600	39,217
-	5,573	5,573	Police & Crime Commissioner for Kent	-	4,941	4,941
-	2,731	2,731	Kent & Medway Fire & Rescue Authority	291	2,374	2,665
-	6,608	6,608	Dover District Council	11,630	5,859	17,489
-	2,014	2,014	Town and Parish Councils	-	2,078	2,078
32,883	59,035	91,918		29,075	51,852	80,927
			Enterprise Zone Relief Payable:			
-	-	-	Dover District Council	697	-	697
-	-	-	Kent County Council	157	-	157
-	-	-	Kent & Medway Fire & Rescue Authority	17	-	17
-	-	-		871	-	871
			Charges to the Collection Fund:			
-	173	173	Write-offs of Uncollectable Amounts	360	48	408
-	277	277	Increase/(decrease) in Bad Debt provis'n	(6)	471	465
-	-	-	Increase/(decrease) in Appeals provision	2,938	-	2,938
150	-	150	Cost of Collection Allowance	151	-	151
150	450	600		3,443	519	3,962
-	-	-	**Transitional Protection Payments**	686	-	686
33,033	**59,485**	**92,518**	**Total Expenditure**	**34,075**	**52,371**	**86,446**
-	**(226)**	**(226)**	**(Surplus) or Deficit for the Year**	**(501)**	**(152)**	**(653)**
-	(1,419)	(1,419)	Balance brought forward at 1 April	-	(1,645)	(1,645)
-	**(1,645)**	**(1,645)**	**Balance Carried Forward at 31 March**	**(501)**	**(1,797)**	**(2,298)**

[5] In 2012/13 all NNDR income formed part of a Central Government pool from which DDC (and other preceptors) were separately reimbursed. Therefore in 2012/13 NNDR income is fully attributed to Government above and is stated after recognition of bad debt provisions, enterprise zone relief and transitional protection.

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at their 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council (KCC), The Police and Crime Commissioner for Kent (PCCK), Kent and Medway Fire and Rescue Authority (KMFRA) and the District Council (DDC), and dividing this by the council tax base.

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

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

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

- A reduction in ‘benefit’ to claimants of circa 6% (DDC figure). That means that claimants who weren’t paying Council Tax are now required to pay 6% of the bill;
- Empty homes discounts were reduced to 0% for Class C empty properties from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding;
- Second home discounts were removed from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding.

This also has implications for the tax base, as any discounts awarded reduce the tax base and therefore the level of council tax income from which precepts are calculated and paid. This can be seen in the reduction in precepts and tax base for 2013/14 in the sections below. The billing authority and major preceptors are separately awarded Council Tax Support grant for 2013/14 by Government to make up their income accordingly so that, along with changes to the level of discounts awarded under the LCTS, overall income collected and distributed from Council Tax (incl. grant) is broadly the same as before the abolition of CTB.

Precepts

Authorities who made a precept on the Collection Fund for Council Tax are as follows, including their share of the surplus paid in 2013/14 (£Nil surplus for 2012/13):

	2012/13 Precept £000	2013/14 Precept £000	2013/14 Surplus £000	2013/14 Total £000
Kent County Council	**42,109**	36,419	181	**36,600**
Police and Crime Commissioner for Kent	**5,573**	4,917	24	**4,941**
Kent and Medway Fire & Rescue Authority	**2,731**	2,362	12	**2,374**
Dover District Council	**6,608**	5,822	37	**5,859**
	57,021	49,520	254	**49,774**
Parish councils	**2,014**	2,078	0	**2,078**
Total Demand on the Collection Fund	**59,035**	**51,598**	**254**	**51,852**

The reduction in precepts for 2013/14 is due to the lower council tax base (see below) arising from the introduction of the Council Tax Reduction Scheme (CTRS).

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:

	2012/13			2013/14		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	13.75	5/9ths	7.63	8.75	5/9ths	4.86
A	5,450.50	6/9ths	3,633.67	3,491.76	6/9ths	2,327.84
B	14,046.55	7/9ths	10,925.09	11,082.95	7/9ths	8,620.07
C	11,825.54	8/9ths	10,511.59	10,405.11	8/9ths	9,248.99
D	6,037.22	9/9ths	6,037.22	5,727.69	9/9ths	5,727.69
E	3,717.10	11/9ths	4,543.12	3,681.76	11/9ths	4,499.93
F	2,055.15	13/9ths	2,968.55	2,051.12	13/9ths	2,962.73
G	1,263.54	15/9ths	2,105.90	1,271.98	15/9ths	2,119.97
H	60.80	18/9ths	121.60	48.41	18/9ths	96.82
	44,470.15		40,854.37	37,769.53		35,608.90
Estimated Collection Rate			**98.37%**			**97.61%**
Council Tax Base			**40,188.44**			**34,757.85**

The council tax base has reduced due to the implementation of the Council Tax Reduction Scheme (CTRS) in 2013/14. The reduction relating to discounts given to prior claimants of Council Tax Benefit is 6,245.34 Band D Equivalents in 2013/14 (i.e. before removal of empty and 2nd home discounts and application of the collection rate). This equates to 6,096.07 Band D Equivalents after applying the collection rate, and approximates to a reduction in Council Tax income of £9.05m.

Band D Council Tax

	2012/13 £000	2013/14 £000
Kent County Council	1,047.78	1,047.78
Police and Crime Commissioner for Kent	138.68	141.47
Kent and Medway Fire & Rescue Authority	67.95	67.95
Dover District Council	164.43	167.49
	1,418.84	1,424.69
Parish councils (average)	50.11	59.80
Total	**1,468.95**	**1,484.49**

This basic amount of council tax for a Band D property of £1,484.49 for 2013/14 (£1,468.95 for 2012/13) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of 'rate poundage' of 47.1p (45.8p) for large businesses or 46.2p (45.0p) for small businesses in 2013/14 (2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government 'pool' and the amount not yet paid to the government at the balance sheet date was included as a creditor; similarly, if cash paid to the government exceeded the cash collected from NNDR payers (net of the billing authority's cost of collection allowance), the excess was included in the Balance Sheet as a debtor. Central Government separately redistributed 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.

On 1 April 2013 the Business Rates Retention Scheme (BRRS) was introduced. Under the BRRS, cash collected by the billing authority from NNDR debtors belongs proportionately to the government (50%), the billing authority (40%) and the major precepting authorities, being Kent County Council (9%) and Kent & Medway Fire and Rescue Authority (1%). There will be a debtor or creditor position between the billing authority, the government and the major preceptors to be recognised at the end of each year as the net cash paid to the government and the major preceptors during the year will not exactly match its share of the cash collected from NNDR payers.

However, from April 2013 the Department of Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline funding level for the billing authority that will broadly keep its income in line with its share of the pool on the old basis. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline) result in safety net payments from Government or levy payments to it. Dover is in the safety net for 2013/14 and receives safety net funding. Similar arrangements exist for the other major preceptors. Tariff and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself. Further details can be found under Changes in Accounting and Presentation within the Explanatory Forward on page 2.

The NNDR income, after reliefs, of £33.705m for 2013/14 (£33.033m for 2012/13), was based on the total rateable value for the Council's area, which at the year-end was £89.944m (£92.929m in 2012/13).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2012/13			2013/14		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	1,520	1,752	3,272	1,797	1,849	3,646
Write-Offs	(173)	(265)	(438)	(48)	(360)	(408)
Contribution to Provision	450	362	812	520	354	874
Balance at 31 March	**1,797**	**1,849**	**3,646**	**2,269**	**1,843**	**4,112**

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 15 January 2014 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 £254,000 for 2012/13, so there was an additional payment to major preceptors of this amount in 2013/14. The distributable surplus for 2013/14 was estimated as £128k and will be distributed to major preceptors during 2014/15. The actual surplus of £1.797m at 31 March 2014 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2014/15 (N.B. “Council Tax Cash” in note 5 shows cash surpluses at 31 March 2013 and 2014, but these surpluses are mainly due to prepayments on account of the following years’ debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2012 £000	Movement in Year £000	Surplus at 31 March 2013 £000	Movement in Year £000	Surplus at 31 March 2014 £000
Kent County Council	(1,012)	(151)	(1,163)	(109)	(1,272)
Police and Crime Commissioner for Kent	(134)	(23)	(157)	(14)	(171)
Kent & Medway Fire & Rescue Authority	(66)	(9)	(75)	(7)	(82)
Dover District Council	(207)	(43)	(250)	(22)	(272)
Total	**(1,419)**	**(226)**	**(1,645)**	**(152)**	**(1,797)**

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2014 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County

Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rate income. The District Council estimated that the fund would have an accumulated deficit of £88k for 2013/14 and this will be collected from major preceptors during 2014/15. The actual surplus of £501k is an improved position at 31 March 2014. Therefore the amount recovered during 2014/15 will be £589k overstated (i.e. DDC should be distributing a surplus of £501k rather than recovering a deficit of £88k). This will be adjusted against the 2015/16 proportionate shares of non-domestic rates income. The proportionate shares (prescribed by legislation) of the actual collection fund surplus for non-domestic rates are shown below:

	Proportionate Shares	Surplus at 31 March 2014 £000
Central Government	50%	(251)
Kent County Council	9%	(45)
Kent & Medway Fire & Rescue Authority	1%	(5)
Dover District Council	40%	(200)
Total	**100%**	**(501)**

5. **ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES**

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

At 31 March 2013

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
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 overpayments & prepayments	(633)	(85)	(42)	(137)	-	(897)
Council tax cash	695	93	45	148	-	981
Collection Fund surplus or deficit (Council tax)	(1,163)	(157)	(75)	(250)	-	(1,645)
Business Rates (NNDR):						
NNDR pool	-	-	-	-	8	8
NNDR arrears	-	-	-	-	3,456	3,456
NNDR provision for bad debts	-	-	-	-	(1,849)	(1,849)
NNDR overpayments & prepayments	-	-	-	-	(779)	(779)
NNDR cash	-	-	-	-	(836)	(836)
Total	**0**	**0**	**0**	**0**	**0**	**0**

At 31 March 2014

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	2,859	386	185	610	-	4,040
Council tax provision for bad debts	(1,605)	(217)	(104)	(343)	-	(2,269)
Council tax overpayments & prepayments	(726)	(98)	(47)	(154)	-	(1,025)
Council tax cash	744	100	48	159	-	1,051
Collection Fund surplus	(1,272)	(171)	(82)	(272)	-	(1,797)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	233	-	26	1,037	1,297	2,593
NNDR provision for bad debts	(166)	-	(18)	(737)	(922)	(1,843)
NNDR provision for appeals	(264)	-	(30)	(1,175)	(1,469)	(2,938)
NNDR overpayments & prepayments	(73)	-	(8)	(327)	(408)	(816)
NNDR cash	315	-	35	1,402	1,753	3,505
Collection Fund surplus	(45)	-	(5)	(200)	(251)	(501)
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2012/13 £000		Note	2013/14 £000
	Income		
(18,139)	Dwellings rents	10	(18,691)
(437)	Non-dwelling rents		(470)
(277)	Tenant charges for services and facilities		(302)
(292)	Leaseholder charges for services and facilities		(335)
(179)	Contributions towards expenditure		(180)
(19,324)	**Total Income**		**(19,978)**
	Expenditure		
3,495	Repairs and maintenance		3,213
3,248	Supervision and management		3,647
66	Rent, rates, taxes and other charges		86
21	Rent rebate subsidy limitation	0	12
1,483	Depreciation and impairment of fixed assets	5	1,496
5,686	Revaluation loss on HRA stock		0
0	Exceptional Item – revaluation gain, reversal of prior year loss	9	(1,821)
37	Debt management expenses		26
64	Increase in impairment of debtors	13	114
14,100	**Total Income**		**6,773**
(5,224)	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		(13,205)
388	HRA share of corporate and democratic core		407
10	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		23
(4,826)	**Net Cost of HRA Services**		**(12,775)**
(443)	(Gain) or loss on sales of HRA non-current assets		(663)
3,032	Interest payable and similar charges		2,972
(214)	Interest and investment income		(63)
462	Net Interest on Defined Benefit Liability	14	462
(1,989)	**(Surplus) or Deficit for the year on HRA Services**		**(10,067)**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2012/13			2013/14	
£000		**£000**	**£000**	**£000**
(7,365)	Balance on the HRA at the end of the previous year			**(658)**
(1,989)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(10,067)	
	Adjustments between Accounting Basis and Funding under Statute:			
(5,681)	Impairment of non-current assets	1,821		
3,390	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,394		
443	Gain on disposal of non-current assets	663		
(66)	Net charges made for retirement benefits	(64)		
610	Capital expenditure funded by the HRA	1,125	6,939	
(3,293)			**(3,128)**	
0	Transfers to earmarked reserves (note 4)		2,000	
10,000	Transfer to General Fund balance		0	
6,707	(Increase) or decrease in year on the HRA Balance			**(1,128)**
(658)	**Balance on the HRA at the End of the Current Year**			**(1,786)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2013/14

	Stock at 1 April 2013	Sales	Stock at 31 March 2014
Houses/bungalows	2,836	17	2,819
Flats	1,606	3	1,603
Total	**4,442**	**20**	**4,422**

Total Value of Assets

	1 April 2013 £000	31 March 2014 £000
Dwellings	149,902	153,755
Garages	3,191	3,392
Other land and buildings	60	60
Equipment	0	47
Investment properties	370	356
Surplus assets	495	495
	154,018	**158,105**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2014 was £480m (£468m as at 31 March 2013). 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.

	2012/13 £000	2013/14 £000
Balance as at 1 April	**0**	**0**
Major Repairs Allowance:		
Depreciation	(1,483)	(1,491)
Voluntary Excess Depreciation charge to HRA	(3,390)	(3,394)
Transfer from reserve for capital expenditure	3,034	2,987
Repayment of principal on loan	1,839	1,898
Balance at 31 March	**0**	**0**

4. OTHER EARMARKED RESERVES

<u>Tenants Compact</u>

This reserve is earmarked for estate improvement works and had a balance of £12k at 31 March 2014 (£253k 31 March 2013).

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including "Affordable Housing" and has a balance of £2m at 31 March 2014 (£nil at 31 March 2013).

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,496k (2012/13 £1,483k) as detailed below.

	2012/13 £000	2013/14 £000
Council dwellings	1,384	1,374
Garages	99	117
Intangible assets	0	5
Total	**1,483**	**1,496**

6. SUMMARY OF CAPITAL EXPENDITURE

	2012/13 £000	2013/14 £000
Capital expenditure:		
Dwellings	3,716	4,182
Other Land & Buildings	20	171
Total	**3,736**	**4,353**
Financed by:		
Funded by HRA	(610)	(1,124)
Transfer from Major Repairs Reserve	(3,034)	(2,987)
Transfer from Tenants Compact Reserve	(92)	(242)
	(3,736)	**(4,353)**

7. SUMMARY OF CAPITAL RECEIPTS

	2012/13 £000	2013/14 £000
Receipts from sales during the year:		
Dwelling sales	(498)	(1,138)
Other HRA sales	(753)	(305)
Sub total	(1,251)	(1,443)
Amount pooled to Government	207	238
	(1,044)	**(1,205)**

8. CAPITAL EXPENDITURE FUNDED BY THE HRA

£1,124k (£610k in 2012/13) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in note 6.

9. **REVALUATION GAIN ON HRA STOCK**

The gain of £1,821k is due to the reversal of prior year losses. The housing market has started to make a recovery resulting in an increase in value this year. In previous years substantial losses were made (£5,686k loss in 2012/13).

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 2014 was £81.30, compared with £78.67 at 31 March 2013.

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 2013/14 average rent exceeded limit rent; this resulted in Rent Rebate Subsidy Limitation of £12k (£21k in 2012/13) that required reimbursement from the Housing Revenue Account.

12. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2013				**31 March 2014**			
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
104	319	423	222	100	309	409	221

13. **IMPAIRMENT OF DEBTORS**

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

	2012/13	**2013/14**
	£000	**£000**
Balance brought forward as at 1 April	438	438
Provision made in the year	64	114
Less amounts written off	(64)	(131)
Balance carried forward at 31 March	**438**	**421**

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

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

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

The following IAS19 adjustments have been made:

	Restated 2012/13 £000	**2013/14 £000**
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	0	12
Administrative expense	10	11
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	462	462
Charge to the Surplus or Deficit on the Provision of Services	**472**	**485**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(472)	(485)
Actual amount charged to the HRA for pensions in the year		
Employers' contributions payable to scheme	405	421
Contribution (From) or To Pensions Reserve	**(67)**	**(64)**

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:

	2012/13	**2013/14**
	£	**£**
Income	513	355
Expenditure	(124)	(21)
Surplus or (deficit) for year	389	334
Fund balance at 1 April	68,109	68,498
Fund balance at 31 March	**68,498**	**68,832**
Represented by:		
Investments	68,498	68,832
	68,498	**68,832**

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:

	2012/13	**2013/14**
	£	**£**
Income	1,241	933
Expenditure	(83)	0
Surplus or (deficit) for year	1,158	933
Fund balance at 1 April	344,286	345,444
Fund balance at 31 March	**345,444**	**346,377**
Represented by:		
Land and other buildings	174,273	174,273
Investment	181,085	181,085
Creditor	(9,913)	(8,981)
	345,444	**346,377**

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:

	2012/13	2013/14
	£	£
Income	652	490
Expenditure	(70)	0
Surplus or (deficit) for year	582	490
Fund balance at 1 April	269,446	270,028
Revaluation	0	0
Fund balance at 31 March	**270,028**	**270,518**
Represented by:		
Collection	180,000	180,000
Investment	90,028	90,518
	270,028	**270,518**

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 2014 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 2013/14.

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 the Director of Finance, Housing and Community 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2014 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 2013/14 and applicable law.

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 October 2013, 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 2014.

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 October 2013, 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 2014.

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

26 September 2014

GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCOUNTS

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

ASSETS

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

BALANCE SHEET

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

BALANCES

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RECEIPTS

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

CAPITAL RESERVE

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

CASH EQUIVALENTS

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT ASSETS

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

CONTINGENT LIABILITIES

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

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABLITIES

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.

APPENDIX 2

Finance, Housing and Community
White Cliffs Business Park
Dover
Kent CT16 3PJ

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e-mail: mikedavis@dover.gov.uk
Our ref: MD/
Your ref:
Date: 9 September 2014

Dear Sirs

Dover District Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Dover District Council for the year ended 31 March 2014 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 Standards.

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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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

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.

cont'd/...

vi Except as stated in the financial statements:

a there are no unrecorded liabilities, actual or contingent

b none of the assets of the Council has been assigned, pledged or mortgaged

c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme 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.

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

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

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

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

xii 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

xiii 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.

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

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

xvi 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.

xvii 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.

xviii 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.

xix 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.

xx 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.

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

Annual Governance Statement

xxii 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 Governance Committee at its meeting on 25 September 2014.

Signed on behalf of the Committee

Name:	Mike Davis	Name:	Councillor T J Bartlett
Position:	Director of Finance, Housing and Community	Position:	Chairman Governance Committee
Date	25 September 2014	Date:	25 September 2014

Subject:	**TREASURY MANAGEMENT YEAR END REPORT**
Meeting and Date:	**Cabinet – 8 September 2014** **Governance – 25 September 2014**
Report of:	**Mike Davis, Director of Finance, Housing & Community**
Portfolio Holder:	**Councillor M. D. Connolly – Portfolio Holder for Corporate Resources and Performance**
Decision Type:	**Non-Key Decision**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the Council's treasury management for the year ended 31 March 2014 (Q4) and an update of activity to date.
Recommendation:	That the report is received

1. **Summary**

As at 31 March 2014, the Council's in-house investments (approximately £6m or 32% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 68% of total investments) outperformed their benchmark[1]. The total interest received for the year was £245k, which means that income for the year was £10k approx. better than budget.

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

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, Capita.

Council adopted the 2013/14 Treasury Management Strategy on 6 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 March is attached at Appendix 2. Since the end of the year, the Investec deposits with various banks have all matured

[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.

(exceeding £10m) which have mostly been reinvested with the same institutions for periods of three or six months, although Toronto Dominion Bank and Standard Chartered Bank have also been used. An in-house deposit with Lloyds also matured (£2m) and has been reinvested with Lloyds for 6 months. A further £3m has been invested with the Nationwide for 6 months.

A further update is attached at Appendix 4, which includes the changes above. There is an increase in cashflow funds from 31st March 2014 (£15.3m – see Appendix 2) to 31th July 2014 (£20.6m – see Appendix 4).

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 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 March 2014; since then we have received the following update from Capita (please note that their reference to Q2 is based on *calendar* years):

UK GDP

UK GDP kept up its strong growth over the second quarter with the fastest annual pace in over 6 years, expanding by 3.2% compared with last year. This mainly seems to be due to the strong performance of the dominant services sector which in June alone expanded by 0.3% from May and 3.6% compared with June last year, the fastest annual growth rate since 2008. Household spending has also had an impact, as rapid job growth and falling prices continues to fuel a recovery in consumer spending. The manufacturing PMI rose to 57.2 in July, although the Bank of England had expected a decrease in pace recovery.

In addition, the slowdown across the Eurozone this quarter is likely to put a drag on our economy in the very near future, as export-led growth becomes improbable for the UK, showing that the recovery is still struggling to rebalance towards exports. The timing of the first rate hike is still under speculation but growth, unemployment and inflation are all showing clear progress.

UK Retail Sales & Public Finances

Retail sales in the UK rose at the fastest pace for a quarter in ten years, even with disappointing figures in June, showing that the economy is still recovering at a swift rate. Consumers continue to be the driving force behind the economic recovery despite wage growth being weak and a recent surge in inflation. Retail sales grew just 0.1% in June from May, most likely down to a fall in clothing sales as a result of the delayed sales.

Public finances showed a bigger than expected deficit in June, further contributing to a weak start for the 2014/15 tax year. The Government have also failed to reduce public borrowing for this quarter showing a deficit of £11.368bn, excluding financial sector interventions, well above the forecasted amount of £10.65bn. This will leave Chancellor George Osborne with the hard task of trying to fulfil his fiscal targets before next year's general election.

UK Labour data/MPC minutes

In June, unemployment fell to the lowest level since 2008 at 6.4% from 6.5% a month earlier, another sign that the economy is recovering and interest rates could rise in the near future. This change in the labour market, some believe, could fuel a long-awaited recovery in the productivity of British workers and help ease inflation risks. However, wage growth continuing to lag inflation is becoming an on-going concern for the British government, suggesting that this indicator could be crucial in determining when rates will rise.

The MPC minutes revealed that the Bank of England would continue to set interest rates at their record low level of 0.5% and the program of asset purchases at £375bn as was expected. There were expressions of concern on raising the interest rate too soon and derailing the on-going recovery especially when wage growth is still struggling. The inflation outlook has improved and unemployment has fallen suggesting that the economy is potentially reaching a state that calls for a tightening in monetary policy.

UK CPI

Inflation in May fell to the lowest rate since 2009, at 1.5% and a number of factors such as weak wage growth and sterling appreciation could cause inflation to fall to as low as 1% later this year. June's inflation data rose by more than anticipated at the fastest rate since January to 1.9%, from 1.5% in May, close to the Government's 2% target. The increase largely came from footwear and clothing prices which, unusually, did not fall during the month of June when summer sales often begin. Yet, with no increase in wages, the inflation level isn't likely to spark a rate hike before early 2015.

5. **Interest Rates**

Following the release of the latest Bank of England inflation report (July) Capita has updated its interest rate forecast and now expects the base rate to increase in the first quarter of 2015 rather than the fourth quarter of 2015, which is different to the table in Appendix 1 which is stated based on the previous inflation report.

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 Capita.

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. **Corporate Implications**

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

9.2 Comment from the Solicitor to the Council: The Senior Solicitor has been consulted in the preparation of the report and has no further comment to make.

9.3 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

Appendices

Appendix 1 – Capita treasury management report for quarter four

Appendix 2 – Investment portfolio as at 31 March 2014

Appendix 3 – Borrowing portfolio as at 31 March 2014

Appendix 4 – Investment portfolio as at 31 July 2014 (Investec) and 31 July 2014 (In-House)

10. **Background Papers**

Medium Term Financial Plan 2013/14 – 2015/16

Contact Officer: Stuart Groom, extension 2072

Treasury Management Update

Quarter Ended 31st March 2014

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. (Please note that the references to Q1, Q2, Q3 and Q4 in Appendix 1 are based on the *calendar* year, whereas the covering report is based on the financial year so that Q4 is the period ended 31st March 2014).

1. Economic Background

- After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, it appears that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster towards the threshold of 7%, set by the MPC last August, before it said it would consider any increases in Bank Rate. In the February 2014 Inflation Report, the MPC therefore broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of indicators. Accordingly, markets are expecting a first increase around the end of 2014, though recent comments from MPC members have emphasised they would want to see strong growth well established, and an increase in labour productivity / real incomes, before they would consider raising Bank Rate.
- Also encouraging has been the sharp fall in inflation (CPI), reaching 1.7% in February: forward indications are that inflation will continue to be subdued. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19.
- The Federal Reserve has continued with its monthly $10bn reductions in asset purchases which started in December; asset purchases have now fallen from $85bn to $55bn and are expected to stop by the end of 2014, providing strong economic growth continues this year.

2. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.25%	1.50%	1.75%
5yr PWLB rate	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.70%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.50%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.90%	5.00%	5.00%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%

Capita Asset Services undertook a review of its interest rate forecasts in February, after the Bank of England's latest quarterly Inflation Report. This latest forecast now includes a first increase in Bank Rate in quarter 4 of 2015 (previously quarter 2 of 2016), and reflects greater caution as to the speed with which the MPC will start increasing Bank Rate than the current expectations of financial markets.

SUMMARY OUTLOOK

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy was that wage inflation had been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, the recent fall in inflation has narrowed the gap between wage increases and inflation and this gap could narrow even more during this year, especially if there is also a recovery in growth in labour productivity (leading to significant increases in pay rates). With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

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 **06/03/13**. 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 cashflow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information.

Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the Funding for Lending Scheme. Additional funds were available on a temporary basis, 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 holds £19m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 31st March 2014

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.34%	0.67%	£245k

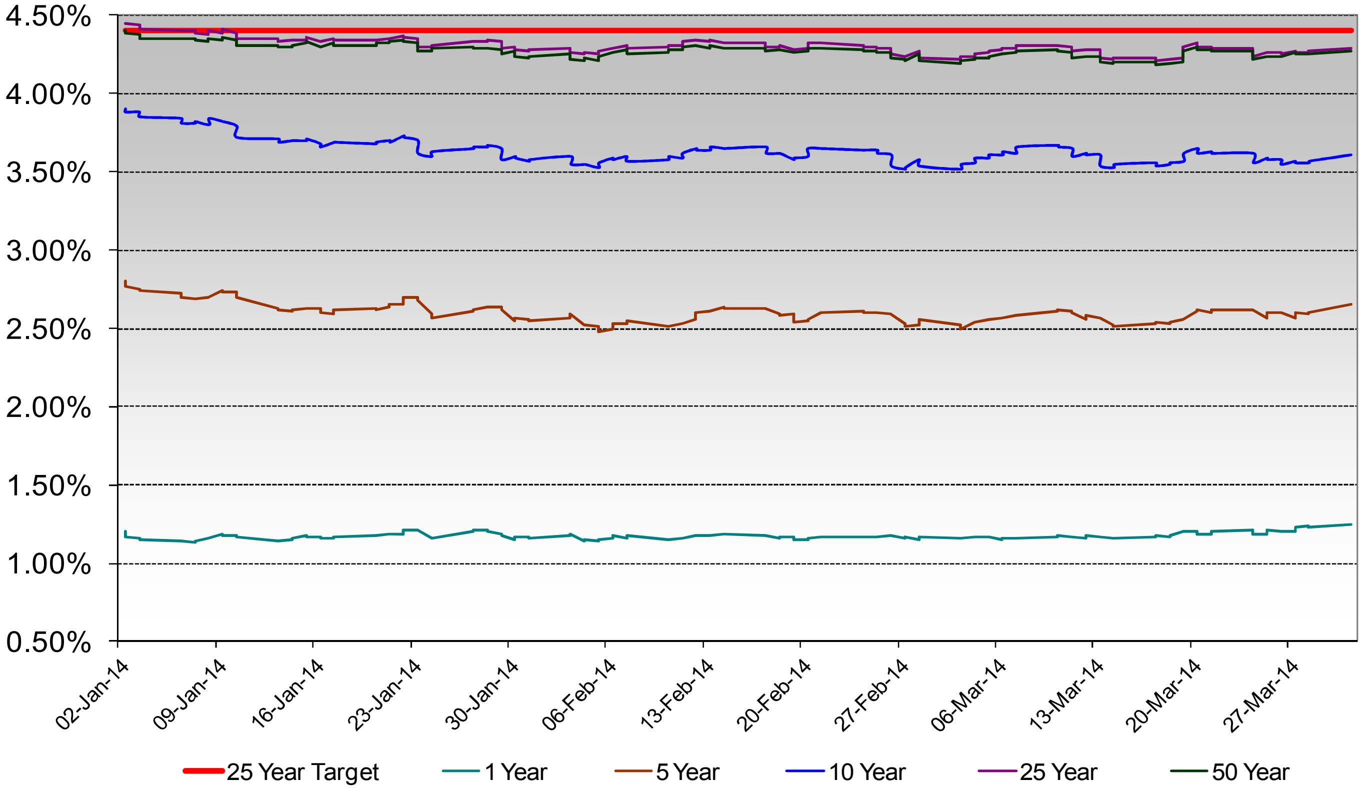
As illustrated, the Council outperformed the benchmark by 33 bps. The Council's budgeted investment return for 2013/14 was £235k, and performance achieved for the year was therefore £10k above budget.

4. New Borrowing

The 25 year PWLB target (certainty) rate for new long term borrowing for the quarter remained at 4.40%. No borrowing was undertaken during the quarter.

PWLB certainty rates, quarter ended 31st March 2014

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.13%	2.48%	3.52%	4.21%	4.18%
Date	07/01/2014	05/02/2014	27/02/2014	17/03/2014	17/03/2014
High	1.26%	2.80%	3.90%	4.45%	4.40%
Date	31/03/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Average	1.18%	2.60%	3.64%	4.31%	4.27%



Borrowing in advance of need.

This Council has not borrowed in advance of need during the quarter ended 31st March 2014 and has not borrowed in advance during the whole of 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. No debt rescheduling was undertaken in the quarter.

6. Other

The Council sold the remaining balance of its Icelandic deposit in January 2014. It received 97% of the original deposit back.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year the Council 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 31st March 2014

Treasury Indicators	2013/14 Budget £'000	Quarter 4 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	2,100	2,100
12 months to 2 years	3,022	3,022
2 years to 5 years	6,489	6,489
5 years to 10 years	12,272	12,272
10 years and above	71,190	71,190

Prudential Indicators	2013/14 Budget £'000	Quarter 4 Actual £'000
Capital expenditure *	10,035	6,075
Capital Financing Requirement (CFR) *	98,223	98,223

Investec Funds as at 31/3/14 - In-house as at 31/3/14

APPENDIX 2

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
National Australia Bank	Certificate of deposit	AA-/F1+/1	19/05/14	0.430	300,000	Australia - Gov 'AAA'	
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	30/05/14	0.450	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	09/04/14	0.380	1,200,000	Sweden - Gov 'AAA'	
Nova Scotia	Certificate of deposit	A/F1/1	04/06/14	0.460	2,400,000	Canada - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	14/05/14	0.480	2,500,000	Germany - Gov 'AAA'	
Commonwealth Bank	Certificate of deposit	AA/F1+/1	14/05/14	0.490	1,200,000	Australia - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	20/05/14	0.430	1,300,000	UK - Gov 'AA+'	
					10,400,000		
United Kingdom	Commercial Paper		16/06/14	0.400	299,462		
United Kingdom	Gilt		22/07/18	1.670	1,919,321		
United Kingdom	Commercial Paper		27/05/14	0.400	199,650		
Rabobank	Deposit		03/02/14	0.300	120,056		
GBP cash - settled balance					**9,609**		
GBP cash - outstanding settlements					**0**		
					12,948,097		
In-house Investments - Portfolio							Duration
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/07/14	0.700	2,000,000	UK - Gov 'AA+'	182 days
					6,000,000		
				Total Portfolio	**18,948,097**		

Cashflow

Call Accounts/MMF (as at 31/3/14)		**Rate**
DMA	0	
Global Treasury Fund	50,106	0.31%
SIBA	974,408	0.40%
SIBA SEEDA	55,709	0.40%
SIBA HCA	47,449	0.40%
SIBA ASDA	11,031	0.40%
Santander	5,000,932	0.80%
BoS	4,085,411	0.40%
Barclays	5,034,219	0.62%
Abbey	1	
Total Cash flow	**15,259,266**	
Total Portfolio and Cashflow	**34,207,364**	

Dover District Council Borrowing - 2013/14 **APPENDIX 3**

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	602	2.50	44.64	15	PWLB	Equal installment of principal
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	113	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
					95,765,665		**1,913,182**	**3,208,598**		

Investec Funds as at 31/7/14 - In-house as at 31/7/14

APPENDIX 4

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	29/08/14	0.410	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	14/10/14	0.390	1,200,000	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	A/F1/1	04/09/14	0.400	2,400,000	UK - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	21/08/14	0.400	2,500,000	Germany - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA/F1+/1	24/11/14	0.400	1,200,000	Canada - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	21/08/14	0.410	1,700,000	UK - Gov 'AA+'	
					10,500,000		
United Kingdom	Commercial Paper		15/09/14	0.450	299,798		
United Kingdom	Gilt		22/07/18	1.730	1,877,360		
United Kingdom	Commercial Paper		27/11/14	0.480	199,653		
GBP cash - settled balance					**52,318**		
GBP cash - outstanding settlements					**0**		
					12,929,130		
In-house Investments - Portfolio							Duration
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/15	0.700	2,000,000	UK - Gov 'AA+'	182 days
Nationwide	Fixed term deposit	A/F1/1	22/08/14	0.480	3,000,000	UK - Gov 'AA+'	99 days reinvested for 185 days to 23/2/15
					9,000,000		
				Total Portfolio	**21,929,130**		

Cashflow

Call Accounts/MMF (as at 31/7/14)		Rate
DMA	0	
Global Treasury Fund	4,550,106	0.39%
SIBA	858,884	0.25%
SIBA SEEDA	55,751	0.10%
SIBA HCA	47,785	0.10%
SIBA ASDA	11,039	0.10%
Santander	5,010,913	0.80%
BoS	5,088,112	0.40%
Barclays	5,037,362	0.62%
Abbey	1	
Total Cash flow	**20,659,953**	
Total Portfolio and Cashflow	**42,589,083**	

Subject:	**TREASURY MANAGEMENT QUARTER ONE REPORT**
Meeting and Date:	**Governance – 25 September 2014**
Report of:	**Mike Davis, Director of Finance, Housing & Community**
Portfolio Holder:	**Councillor Mike Connolly – Portfolio Holder for Corporate Resources and Performance**
Decision Type:	**Non-Key Decision**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the Council's treasury management for the quarter ended 30 June 2014 (Q1) and an update of activity to date.
Recommendation:	That the report is received

1. **Summary**

As at 30 June 2014, the Council's in-house investments (approximately £6m or 32% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 68% of total investments) outperformed their benchmark[1]. The total interest received for the quarter was £74k, which means that income for the period was £32k approx. better than 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, Capita.

Council adopted the 2014/15 Treasury Management Strategy on 5 March 2014 as part of the 2014/15 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 the quarter, the Investec deposits with various banks have all matured (exceeding £10m) which have mostly been reinvested with the same institutions for periods of three or six months, although Toronto Dominion Bank and Standard

[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.

Chartered Bank have also been used. An in-house deposit with Lloyds also matured (£2m) and has been reinvested with Lloyds for 6 months. A further £3m has been invested with the Nationwide for 6 months.

A further update is attached at Appendix 4, which includes the changes above. There is an increase in cashflow funds from 30 June 2014 (£20.7m – see Appendix 2) to 31st August 2014 (£21.2m – see Appendix 4).

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 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 2014; since then we have received the following update from Capita (please note that their reference to Q2 is based on *calendar* years):

UK GDP

UK GDP kept up its strong growth over the second quarter with the fastest annual pace in over 6 years, expanding by 3.2% compared with last year. This mainly seems to be due to the strong performance of the dominant services sector which in June alone expanded by 0.3% from May and 3.6% compared with June last year, the fastest annual growth rate since 2008. Household spending has also had an impact, as rapid job growth and falling prices continues to fuel a recovery in consumer spending. The manufacturing PMI rose to 57.2 in July, although the Bank of England had expected a decrease in pace recovery.

In addition, the slowdown across the Eurozone this quarter is likely to put a drag on our economy in the very near future, as export-led growth becomes improbable for the UK, showing that the recovery is still struggling to rebalance towards exports. The timing of the first rate hike is still under speculation but growth, unemployment and inflation are all showing clear progress.

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Retail sales in the UK rose at the fastest pace for a quarter in ten years, even with disappointing figures in June, showing that the economy is still recovering at a swift rate. Consumers continue to be the driving force behind the economic recovery despite wage growth being weak and a recent surge in inflation. Retail sales grew just 0.1% in June from May, most likely down to a fall in clothing sales as a result of the delayed sales.

Public finances showed a bigger than expected deficit in June, further contributing to a weak start for the 2014/15 tax year. The Government have also failed to reduce public borrowing for this quarter showing a deficit of £11.368bn, excluding financial sector interventions, well above the forecasted amount of £10.65bn. This will leave Chancellor George Osborne with the hard task of trying to fulfil his fiscal targets before next year's general election.

UK Labour data/MPC minutes

In June, unemployment fell to the lowest level since 2008 at 6.4% from 6.5% a month earlier, another sign that the economy is recovering and interest rates could rise in the near future. This change in the labour market, some believe, could fuel a long-awaited recovery in the productivity of British workers and help ease inflation risks. However, wage growth continuing to lag inflation is becoming an on-going concern for the British government, suggesting that this indicator could be crucial in determining when rates will rise.

The MPC minutes revealed that the Bank of England would continue to set interest rates at their record low level of 0.5% and the program of asset purchases at £375bn as was expected. There were expressions of concern on raising the interest rate too soon and derailing the on-going recovery especially when wage growth is still struggling. The inflation outlook has improved and unemployment has fallen suggesting that the economy is potentially reaching a state that calls for a tightening in monetary policy.

UK CPI

Inflation in May fell to the lowest rate since 2009, at 1.5% and a number of factors such as weak wage growth and sterling appreciation could cause inflation to fall to as low as 1% later this year. June's inflation data rose by more than anticipated at the fastest rate since January to 1.9%, from 1.5% in May, close to the Government's 2% target. The increase largely came from footwear and clothing prices which, unusually, did not fall during the month of June when summer sales often begin. Yet, with no increase in wages, the inflation level isn't likely to spark a rate hike before early 2015.

5. **Interest Rates**

Following the release of the latest Bank of England inflation report (July) Capita has updated its interest rate forecast and now expects the base rate to increase in the first quarter of 2015 rather than the fourth quarter of 2015, which is different to the table in Appendix 1 which is stated based on the previous inflation report.

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 Capita.

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.

Appendices

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Appendix 2 – Investment portfolio as at 30 June 2014

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Appendix 4 – Investment portfolio as at 31 August 2014 (Investec) and 31 August 2014 (In-House)

Background Papers

Medium Term Financial Plan 2014/15 – 2016/17

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Appendix 1

Treasury Management Update

Quarter Ended 30th June 2014

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

- After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Accordingly, markets are expecting a first increase around the end of 2014.
- Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.
- In June, the Federal Reserve continued with its monthly $10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from $85bn to $35bn and are expected to stop by Q3 201, providing strong economic growth continues this year. First quarter GDP figures were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.
- The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June to loosen monetary policy in order to promote growth.

2. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
50yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

Capita Asset Services undertook a review of its interest rate forecasts in May, after the Bank of England's Inflation Report. However, more recent developments to the Bank of England's forward guidance have necessitated a second updating in this quarter carried out on 30 June. This latest forecast now includes a first increase in Bank Rate in quarter 1 of 2015 (previously quarter 4 of 2015).

SUMMARY OUTLOOK

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and the first quarter of 2014 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy has been that wage inflation has been significantly below CPI inflation, so disposable income and living standards were being eroded, (although income tax cuts had ameliorated this to some extent). However, recent falls in inflation have created the potential for the narrowing of this gap and it could narrow further during this year, especially if there is also a recovery in growth in labour productivity (leading to increases in pay rates). With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

As for the Eurozone, concerns subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment Strategy, was approved by the Council on **5/3/2014**. 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 periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information.

Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme Additional funds were available on a temporary basis, 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 holds **£19m** core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30th June 2014

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.34%	0.68%	£74K

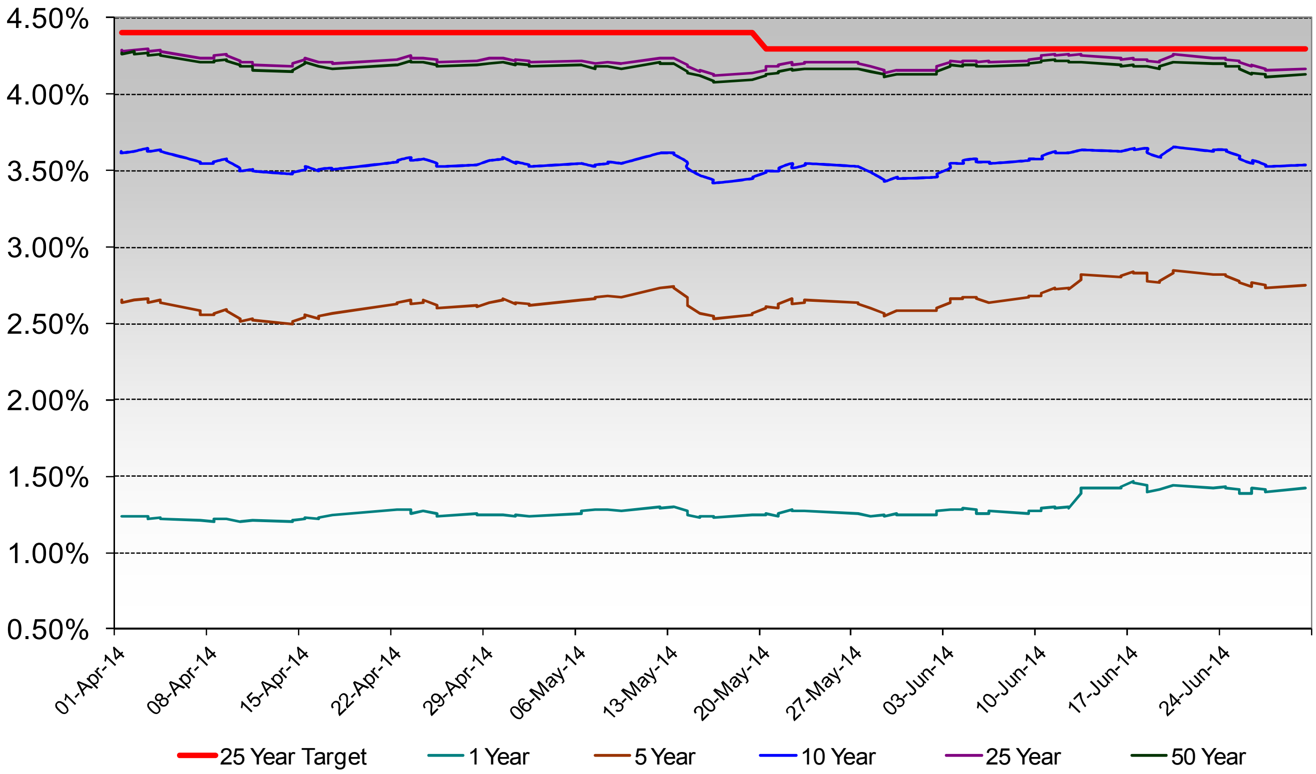
As illustrated, the Council outperformed the benchmark by **34 bps**. The Council's budgeted investment return for 2014/15 is **£264k**, and performance for the year to date is the **£32k** above budget.

4. New Borrowing

The 25 year PWLB target (certainty) rate for new long term borrowing for the quarter remained at 4.40% until 19 May when it fell to 4.30%. No borrowing was undertaken during the quarter.

PWLB certainty rates, quarter ended 30th June 2014

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.20%	2.50%	3.42%	4.12%	4.08%
Date	08/04/2014	14/04/2014	16/05/2014	16/05/2014	16/05/2014
High	1.47%	2.85%	3.66%	4.30%	4.28%
Date	17/06/2014	20/06/2014	20/06/2014	03/04/2014	02/04/2014
Average	1.29%	2.66%	3.56%	4.22%	4.18%



Borrowing in advance of need

This Council has not borrowed in advance of need during the quarter ended 30th June 2014 and has not borrowed in advance in all of 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. 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 in Annex 1.

ANNEX 1: Prudential and Treasury Indicators as at 30th June 2014

Treasury Indicators	2014/15 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	1,971	1,971
12 months to 2 years	3,070	3,070
2 years to 5 years	6,592	6,592
5 years to 10 years	12,467	12,467
10 years and above	69,753	69,753

Prudential Indicators	2014/15 Budget £000	Quarter 1 Actual £000
Capital expenditure *	15,758	697
Capital Financing Requirement (CFR) *	98,233	94,062

Investec Funds as at 30/6/14 - In-house as at 30/6/14

APPENDIX 2

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	
Investec Investments							
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	09/08/14	0.450	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	14/07/14	0.390	1,199,907	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	A/F1/1	04/09/14	0.470	2,400,000	Canada - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	14/08/14	0.430	2,500,000	Germany - Gov 'AAA'	
Commonwealth Bank	Certificate of deposit	AA/F1+/1	21/07/14	0.400	1,199,935	Australia - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	21/08/14	0.430	1,700,000	UK - Gov 'AA+'	
					10,499,842		
United Kingdom	Commercial Paper		15/09/14	0.400	299,798		
United Kingdom	Gilt		22/07/18	1.670	1,877,360		
United Kingdom	Commercial Paper		27/11/14	0.480	199,653		
Rabobank	Deposit		01/07/14	0.300	30,252		
GBP cash - settled balance					**6,828**		
GBP cash - outstanding settlements					**0**		
					12,913,734		
In-house Investments - Portfolio							**Duration**
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/07/14	0.700	2,000,000	UK - Gov 'AA+'	182 days
Nationwide	Fixed term deposit	A/F1/1	22/08/14	0.480	3,000,000	UK - Gov 'AA+'	99 days
					9,000,000		
				Total Portfolio	**21,913,734**		

Cashflow

Call Accounts/MMF (as at 30/6/14)		Rate
DMA	0	
Global Treasury Fund	4,550,106	0.31%
SIBA	974,408	0.40%
SIBA SEEDA	55,709	0.40%
SIBA HCA	47,449	0.40%
SIBA ASDA	11,031	0.40%
Santander	5,007,621	0.80%
BoS	5,088,112	0.40%
Barclays	5,034,219	0.62%
Abbey	1	
Total Cash flow	**20,768,656**	
Total Portfolio and Cashflow	**42,682,390**	

Dover District Council Borrowing - 2014/15 **APPENDIX 3**

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-14	Interest Rate %	Principal To Be Repaid 2014/15	Annual Interest 2014/15	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	602	2.50	22.32	15	PWLB	Equal installment of principal
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	113	2.50	4.20	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	86,735,500	3.18	1,959,070.53	2,742,737	PWLB	Annuity
Fixed	01/05/12	01/11/27	MAY-NOV		113,225	0.00	8,709.60	0	Lawn Tennis Association	Interest free
Fixed	01/03/11	31/12/14	MAR-SEP		3,096	0.00	3,096.25	0	Salix	Interest free
					93,852,536		**1,970,903**	**3,147,755**		

Investec Funds as at 31/7/14 - In-house as at 31/8/14

APPENDIX 4

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Duration
Investec Investments							
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	01/12/14	0.480	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	14/10/14	0.410	1,200,000	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	04/09/14	0.430	2,400,000	UK - Gov 'AA+'	
Rabobank	Certificate of deposit	AA-/F1+/1	24/11/14	0.580	2,500,000	Netherlands - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA/F1+/1	24/11/14	0.590	1,200,000	Canada - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	24/11/14	0.590	900,000	UK - Gov 'AA+'	
					9,700,000		
United Kingdom	Commercial Paper		15/09/14	0.340	299,798		
United Kingdom	Gilt		22/07/18	1.490	1,877,360		
United Kingdom	Commercial Paper		24/11/14	0.350	998,865		
Australia	Deposit		01/09/14	0.250	1,550,042		
GBP cash - settled balance					**10,253**		
GBP cash - outstanding settlements					**(1,500,000)**		
					12,936,319		
In-house Investments - Portfolio							**Duration**
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/15	0.700	2,000,000	UK - Gov 'AA+'	182 days
Nationwide	Fixed term deposit	A/F1/1	22/08/14	0.480	3,000,000	UK - Gov 'AA+'	99 days
					9,000,000		
				Total Portfolio	**21,936,319**		

Cashflow

Call Accounts/MMF (as at 31/8/14)		**Rate**
DMA	0	
Global Treasury Fund	4,550,106	0.39%
SIBA	1,781,884	0.25%
SIBA SEEDA	55,751	0.10%
SIBA HCA	47,785	0.10%
SIBA ASDA	11,039	0.10%
Santander	5,014,318	0.80%
BoS	5,091,560	0.40%
Barclays	5,037,362	0.62%
Abbey	1	
Total Cash flow	**21,589,805**	
Total Portfolio and Cashflow	**43,526,124**	