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:

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.

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 £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.

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	31 March 2014 £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.

Soft Loans

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

Financial Liabilities

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

(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.

- <u>Vehicles, Plant and Equipment</u>

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.

- <u>Infrastructure Assets</u>

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.

- <u>Community Assets</u>

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.

- <u>Surplus Assets</u>

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.

- <u>Assets under Construction</u>

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**

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 Service Analysis	2012/13 Not Reported to Management	2012/13 Not Included in Comp Inc & Exp Statement	2012/13 Corporate Amounts	2012/13 Total		2013/14 Service Analysis	2013/14 Not Reported to Management	2013/14 Not Included in Comp Inc & Exp Statement	2013/14 Corporate Amounts	2013/14 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			
Construction of access path at Langdon Cliffs	National Trust	93	June 2014
Construction of education hub at Samphire Hoe	Eurotunnel	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
Short term borrowing		
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**
Long term borrowing		
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 £000	2013/14 £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		**2012/13**		**2013/14**
	£000	**£000**	**£000**	**£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)**

		2012/13		**2013/14**
	£000	**£000**	**£000**	**£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	**Counci l 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

Tenants Compact

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.