Subject:	**FINANCIAL OUTTURN 2018/19**
Meeting and Date:	**Cabinet – 2 September 2019** **Governance – 26 September 2019**
Report of:	**Helen Lamb, Head of Finance and Housing**
Portfolio Holder:	**Councillor Steve Manion, Portfolio Holder for Finance and Governance**
Decision Type:	**Non-Key**
Classification:	**Unrestricted**
Purpose of the report:	To provide details of the financial outturn for 2018/19.
Recommendation:	Members receive and note the report.

1. **Summary**

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

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

1.2 The report should be considered in conjunction with both the Statement of Accounts and the Audit Findings Report (to be included in full on the 26th September Governance agenda). Due to a peak period of work during June and July 2019, when all local government accounts are audited, our auditor, Grant Thornton, has been unable to conclude the audit. Grant Thornton has confirmed that it takes full responsibility for this, and is aiming to conclude its work by 30 September 2019, using specialists in local government audit. This means that this update is being presented to Cabinet prior to the completion of the audit process and hence based on the draft, unaudited Statement of Accounts. Some changes may be required to the Governance version of the report following the completion of the audit process.

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

- The General Fund outturn was broadly balanced for the year, showing a surplus of £12k after the following transfers to reserves;
  - £820k to the Special Projects reserve from the additional income retained as part of the one-off NNDR Kent Pilot scheme. This has been part allocated to fund the Town Centre Business Grant Scheme.
  - £700k to the Special Projects Reserve and £175k to the ICT reserve from in-year savings including:
    - Reduced interest payable flowing the redemption of the LOBO loan;
    - Increased interest received from further investment in pooled funds;
    - Additional retained NNDR income;
    - Additional Council Tax prior year income recovery;
    - Savings over budgeted target from reduction in use of temporary accommodation for Homelessness;
    - Savings from staff turnover and vacancies;
    - See table at paragraph 4.3 for further details.
- This leaves the year-end General Fund balance at £2.5m;
- In 2018/19 the Housing Revenue Account (HRA) outturn was a surplus £21k resulting in a HRA of balance of £1.03m;

- The Council invested £29.7m in major projects in 2018/19, the most significant of which were: £11m on Housing Revenue Account projects, £15.86m on the construction of the new Dover District Leisure Centre. Overall, the capital programme is within budget;
- The total interest received for the year was approximately £1.2m. This was due to the Council investing a total of £48m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits;
- No new long term borrowing was undertaken. Short term borrowing was undertaken for strategic treasury management purposes.
- The Council has remained within its Treasury Management guidelines, and has complied with the Prudential Code during the year.
- When considering this report and the Statement of Accounts, Members are reminded that the final accounts, budget and Medium Term Financial Plan (MTFP) should not be considered in isolation. Together they form a continuous process of financial management, and so the outturn will feed into budget monitoring and the next MTFP.

2. **Purpose of the Accounts**

2.1 The accounts are a statutory requirement and have a role in providing information to stakeholders and interested parties on the stewardship and management of public monies.

2.2 However, the accounts are a long and complex document which may not be easily accessible to Members, the public and other stakeholders. Therefore, in order to further promote accountability, this outturn report is also produced.

3. **Changes to the Accounts**

3.1 The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The Code is based on a hierarchy of approved accounting standards. There have been no very few changes to the presentation of the accounts for 2018/19, with only IFRS 9 Financial Instruments affecting this Council.

4. **General Fund Revenue Outturn**

4.1 The starting point for considering the financial outturn is the 2018/19 Original budget which is shown, together with the 2018/19 Projected Outturn and the 2018/19 Outturn, at Appendix 1.

4.2 In March 2018 the Council approved the 2018/19 budget, forecasting a surplus of £99k. During the year the forecast budget surplus was increased to £236k. Overall the year-end position resulted in a £12k surplus for the year, which is £224k less than the forecast position.

4.3 The main variances during the year are as follows:

	£000
Original Budget Surplus	**(99)**
NNDR Pilot Scheme one-off income - Financial Sustainability Fund element	(820)
Transfer one-off NNDR Income to Special Projects Reserve	820
Recharges - Reduction in recharges to HRA and Projects, resulting in higher charges to General Fund, partly offset by salary vacancy provision below	424
NNDR Income – additional income from Enterprise Zone Relief grant (prior year element) and S31 Grant for other reliefs, incl. extra grant for small business rates relief ‘threshold changes’	(258)
Transfer to ICT Reserve for future ICT improvements and digitisation	175

	£000
Homelessness - Temporary accommodation costs - reduction above target (£369k), less transfer to Periodic Ops Reserve (£150k) for future projects	(219)
Investment income - increase due to further investments and better returns from pooled funds, less cost of additional treasury advice and short term borrowing	(201)
Off-Street Parking income - Reduction mainly due to partial implementation of Sunday charging & free parking at St. James' development until Dec 2018	199
Grounds Maintenance – additional income from works rechargeable to third parties	(100)
Salary Vacancy Provision - Savings in excess of vacancy provision budgeted, due to maternity savings, vacant posts, etc. less restructure costs	(91)
Licensing - Higher income from cabs/private hire vehicles, premises, gambling, etc.	(71)
Port Health - Improved income, mainly from Endorsement of Organic Certificates	(54)
Increased cost of waste recycling contract mainly due to higher property numbers	50
Other net variances – adverse	9
Revised Budget Surplus	**(236)**
NNDR Pilot Scheme one-off income - £1,003k Growth Fund and further £160k Financial Sustainability Fund elements	(1,163)
Transfer one-off NNDR Income to Dover Regeneration Reserve (£1,003k) and Special Projects Reserve (£160k)	1,163
Transfer to Special Projects Reserve – extra transfer from in-year savings	700
Interest Payable - reduced cost following redemption of LOBO loan	(127)
Investment income - reduced income, net of treasury management fee savings	71
Costs Recovery - Additional Council Tax recovery work by Civica on old debts, resulting in additional recovery of costs, after allowance for potential bad debts	(92)
Staff vacancy savings - further savings at year-end due to vacant posts, etc.	(63)
Waste - mainly reduced contract inflation for refuse and recycling, reduced special collection charges, increased contributions for bins at developments, and further County street cleansing contribution for weed spraying	(50)
Internal Recharge variances - additional net favourable variance	(45)
The Dover Gateway (Castle Street) - contribution towards operating costs from KCC (first year's revenue contribution)	(39)
Non-Service Specific Grants - £30k New Burdens; £8k Other	(38)
Contingency not used after 'Carry Forward' requests	(34)
NNDR/Business Rates income – other net increase in income	(24)
Bad Debts - reduced provision on corporate debts (excl. NNDR and Council tax)	(22)
Beaches & Foreshores – reduced income due to beach huts at St. Margaret's awaiting repair and additional beach hut purchases not progressed	20
Homelessness – further reduction in net emergency accommodation spend	(18)
Licensing - Hackney Car & Private Hire vehicles, Premises, Gambling, Animal Establishments, etc. - increased licence income	(18)
Miscellaneous other variances (net)	3
Actual Budget Surplus	**(12)**

5. General Fund Reserves and Balances

5.1 The Council maintains both general and earmarked reserves. General reserves are to meet general future expenditure and earmarked reserves are for identified purposes.

5.2 General Balances are held at a prudent level in order that the Council can cope with unanticipated variations in spend. Earmarked General Reserves are funds set aside for planned purposes. The protocols for the application of these reserves is set out in the MTFP, and their anticipated use is generally included in the revenue or capital budgets.

5.3 As reported above, the 2018/19 Outturn was a surplus of £12k. This was after transfers made to earmarked reserves and the use of those reserves for agreed purposes.

Movement in General Fund Balances	
	£000
Balance at start of the year	**(2,527)**
Surplus for 2018/19	(12)
Balance at the end of the year	**(2,539)**

5.4 The Opening Balance of £2,527k and the year-end balance of £2,539k can be found in Appendix 1 to this report and also within the Statement of Accounts (in the "Movement in Reserves Statement").

5.5 Note 26 to the Core Financial Statements in the draft Statement of Accounts provides a complete breakdown of the Earmarked Reserves, also shown at Appendix 2 to this report. Contributions to and from the Earmarked Reserves have been managed in order to ensure there are sufficient reserves to meet anticipated commitments. The reserves held are:

- Special Projects & Events Reserve – This reserve is set aside to continue to fund one-off General Fund projects as they arise and to support major events in the district. It is used for both revenue and capital projects.
- Periodic Operations Reserve - This reserve is to cover costs of cyclical / periodic events such as elections, "carry forward requests" and to hold grants or other income streams for specific purposes, such as the Homelessness grant and On-Street parking surpluses.
- Urgent Works Reserve - This reserve is set aside to fund urgent works on corporate assets and for other urgent business requirements, for example for future restructures to meet likely on-going grant reductions. The need for this reserve is greater than ever due to the ageing nature of our assets and the reduced levels of investment in them as reflected in the reduced revenue budget.
- Regeneration Reserve - In order to support the Local Development Framework process and associated regeneration projects a Dover Regeneration Reserve has been established.
- ICT Equipment & Servers Reserve – The current ICT Equipment & Servers reserve is held in order to support the requirements of the current and future ICT Strategies.
- Business Rates & Council Tax Support Reserve – This reserve has been 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.
- District Regeneration & Economic Development Reserve - This reserve is to be applied to support the Council's regeneration plans. An element of the reserve has been allocated to fund new Leisure Centre provision and improvements to Dover Town Hall.

5.6 In considering the earmarked reserves and general balances, Members are reminded that there is an "opportunity cost" of maintaining these reserves and balances when the resources could be applied to meet service or capital investment requirements. At the same time, maintaining cash backed reserves generates additional income from interest on cash balances, which is used as an additional income stream. However, the key judgement is to ensure that the reserves are set at levels that facilitate the prudent financial management of the authority, provide sufficient resources to meet anticipated future demands, and to provide for a margin for unanticipated variation.

5.7 It is the view of the Strategic Director (Corporate Resources) (Section 151 officer) that the estimated General Fund balances and reserves are adequate for the Council's current spending plans. However, these remain under regular review due to the ongoing changes to Local Government finance and the uncertain economic climate.

6. Housing Revenue Account Outturn

6.1 In 2018/19 the HRA outturn was a surplus balance of £1,033k compared to the original budget forecast of a surplus of £1,016k, a favourable variance of £16k. The main reasons for the variance are as follows:

- Funding of affordable housing projects from Housing Initiatives Reserve – (£5,077k)
- Increased contribution to Housing Initiatives Reserve – £4,100k
- Reduction in internal recharges - (£531k)
- Reduction in spend on revenue maintenance budgets - (£654k)
- Direct revenue financing - adjustment to capital financing – £2,562k

6.2 The HRA working balance was maintained at £1m.

6.3 In 2018/19 £727k was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district.

6.4 With effect from 1 April 2012 Housing Finance Reform brought the housing 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 (PWLB) on a 30 year repayment basis at a fixed interest rate. £2,223k was paid off the PWLB loan principle sum during 2018/19.

7. Collection Fund Outturn

7.1 This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. These are explained in more detail in the Collection Fund section of the Statement of Accounts. The surpluses and deficits on the collection account are shared between the major preceptors (KCC, Police, Fire and DDC for Council Tax; KCC, Fire, DDC and Central Govt. for NDR) in their respective proportions, and so are not borne totally by DDC and do not have a direct or immediate impact on DDC's finances.

7.2 The Collection Fund shows a total surplus of £964k at 31 March 2019. This is split between Council Tax (a surplus of £1,928k) and NDR (a deficit of £964k). Any surplus balance on the fund is distributed to the precepting authorities in proportion to their respective precept amounts (for Council Tax) and statutorily defined shares (for NDR). However surpluses are on an accruals basis and are not fully cash backed and calculations for distribution of any surpluses form part of the following year's budget, initially based on an earlier estimate of the distributable balance expected at 31 March 2019. Separately, deficits have to be contributed back to the fund by preceptors, also based on an earlier estimate of the expected deficit at 31 March 2019.

7.3 The Council Tax surplus of £1.93m will be distributed to preceptors during future years, of which £0.79m will be distributed in 2019/20 based on the amount estimated in January 2019, as required under legislation (DDC's share £112k or 14.2%). The remaining undistributed amount of £1.14m, which was not represented fully by available cash at that time, will form part of the surplus estimate to be calculated in January 2020 for distribution in 2020/21 and subsequent years.

7.4 The calculation and forecasting of NDR income, and the accounting treatment for it, have to reflect the legislative and other government requirements, which are complex.

7.5 The changes between the budget for NDR for 2018/19 (based on the NNDR1 form) and final outturn are shown in the table below:

Business Rates Collection Fund	**Budget per NNDR1 2018/19**	**Changes during 2018/19**	**Actual Outturn 2018/19**
	£000	**£000**	**£000**
Estimated / Final Rateable Value	**108,388**	**(262)**	**108,126**
Gross Rates Yield	**(52,026)**	**28**	**(51,998)**
Enterprise Zone Relief given	1,522	1,141	2,663
Net Transitional Supplement received	(867)	286	(581)
Small Business Rates Relief given	3,750	383	4,133
Small Business Rates Supplement	(1,050)	23	(1,027)
Other Reliefs	4,453	22	4,475
Net Rates billed to NDR Payers	**(44,218)**	**1,883**	**(42,335)**
Enterprise Zone Relief from Govt.	(1,522)	(1,202)	(2,724)
Transitional Protection from Govt.	0	0	0
Total Income	**(45,740)**	**681**	**(45,059)**
Precepts Payable	40,106	0	40,106
Prior year est. deficit contributed	(1,513)	0	(1,513)
Total Precepts & Shares	**38,593**	**0**	**38,593**
Enterprise Zone Relief Payable	1,522	1,202	2,724
Transitional Supplement to Govt.	867	(286)	581
Other Payments & Provisions	3,245	(1,053)	2,192
Total Other Payments & Provisions	**5,634**	**(137)**	**5,497**
Total Expenditure	**44,227**	**(137)**	**44,090**
(Surplus)/Deficit for the year	**(1,513)**	**544**	**(969)**
Balance Brought Forward at 1st April	1,513	420	1,933
Balance Carried Forward 31st March	**0**	**964**	**964**

7.6 The increase in Enterprise Zone Relief compensation arises from new tenancies at the designated Enterprise Zone in Feb/Mar 2018, which has led to fresh claims for the relief before the 31/03/2018 deadline for making claims expired. This was not anticipated at the time the NNDR1 return for Business Rates was prepared and on which the income for 2018/19 was estimated. Under statutory regulations, Dover's share of additional compensation grant (£962k incl. S31 'inflation cap' grant) is reversed through the MIRS and will not be formally recognised until 2019/20.

7.7 Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of 'rate poundage' of 49.3p (47.9p) for large businesses or 48.0p (46.6p) for small businesses in 2018/19 (2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

7.8 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%).

7.9 However, from April 2013 the Ministry of Housing, 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 (18/19 tariff £11.8m). Nevertheless, Dover would have been in a levy position for 2018/19 and, under normal circumstances, would have needed to pay a levy of £839k on growth above its baseline need level determined by Government. Similar arrangements exist for the other major preceptors.

7.10 As an exception for 2018/19, the Kent Authorities were permitted to form a 'Pilot Scheme' for one year only, under which business rates growth is retained 100% by the Pilot Scheme members, meaning that no levy is payable by any of the Kent authorities to Government for 2018/19. Separate governance arrangements exist for the Pilot Scheme with complex arrangements for apportioning the additional county-wide business rates growth between the authorities for the year. Tariffs are still payable to Government as normal, as it is only the growth above aggregate baseline need that is permitted to be fully retained for the year.

7.11 Under the Pilot Scheme, the Government's proportional share decreased from 50% in 2017/18 to 0% for 2018/19, KCC's share increased from 9% to 59%, while district shares remained at 40% for both years and the Kent & Medway Fire and Rescue Authority share remained at 1% for both years.

7.12 Under the agreed Pilot Scheme arrangements, the first 50% of growth was treated in accordance with existing local pooling arrangements, with Dover as 'shadow' pool members enjoying the same effective reward from levy savings as other pool members for 2018/19 (although Dover was not a pool member in 2017/18). The remaining 50% of growth under the pilot scheme was distributed by way of a Financial Sustainability Fund element (70%) and a Growth Fund element (30%). The total favourable impact of being in a Pilot Scheme during 2018/19 for Dover District Council, based on its retained shares, was £2.45m, as shown below:

		2017/18		2018/19
	£000	**£000**	**£000**	**£000**
Levy:				
Levy Payable to Pool (50% x Growth)	0		(839)	
Direct share of levy saving from pooling	0		232	
Growth Fund share of levy saving	0		232	
Pool Admin Fee	0		(1)	
Effective net levy under pooling		**0**		**(376)**
Levy Payable to Govt. (50% x Growth) - 2018/19 is balance re 2017/18		(237)		(22)
Total Levy to Govt./Pool		**(237)**		**(398)**
Additional Growth from Pooling/Pilot:				
Levy due without pooling	(237)		(839)	
Effective net levy payable	(237)		(376)	
Extra growth retained (pooling element)		0		463
Pilot Scheme – Financial Sustainability Fund		0		980
Pilot Scheme – Growth Fund		0		1,003
Additional Growth from Pooling/Pilot		**0**		**2,446**

7.13 The additional growth from the Pilot Scheme has been transferred to earmarked reserves, being £980k to the Special Projects & Events reserve and £1,235k to the Dover Regeneration reserve, to provide funding for future projects and initiatives, of which £1/2m is earmarked for the Town Centre Business Grants Scheme (25% of this has been awarded to applicants and a new green energy grant will shortly be added to the scheme).

7.14 The Pilot Scheme is not permitted to continue in 2019/20, but Dover will remain a 'shadow' member of the Kent-wide Business Rates pool instead, meaning it can make levy savings while there is net growth, and thereby retain more locally than when acting alone.

7.15 The total NNDR income after reliefs (and before sharing between preceptors) was £42.335m for 2018/19 (£37.620m for 2017/18). This was based on the total rateable value for the Council's area, which at the year-end was £108.126m (£104.991m in 2017/18).

7.16 Under the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2018/19 and prior years.

7.17 The increase in the appeals provision is mainly due to the revaluation at 1st April 2017, whereby the rateable values of businesses have been recalculated by the Valuation Office Agency (VOA) and therefore requires a specific additional provision to be made relating to both the 2017/18 and 2018/19 years, on top of the provision for those appeals already lodged under the prior 2010 valuation.

Summary of Appeals Provision:	**2017/18 £000**	**2018/19 £000**
Provided against 2010 valuation appeals	2,771	2,639
Provision for 2017 valuation appeals	2,205	3,591
Total	**4,976**	**6,230**

7.18 The likely reduction in business rates income arising from appeals is difficult to estimate accurately, as decisions by both the Valuation Office Agency (VOA) and Valuation Tribunal Service are difficult to predict. The current provision includes an estimate for the Council's largest ratepayer that remains the subject of negotiation between VOA and the ratepayer (and its agent), with no decision yet made in relation to its 2010 valuation still under dispute, but for which the impact could be significant.

7.19 The lack of appeals lodged so far against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents (who pursue appeals on behalf of businesses for a fee) increases, which is expected further down the line when backdating of appeals to 1st April 2017 is likely to increase the fees they can charge on amounts refunded to businesses.

7.20 However, for 2018/19, alongside the other Kent Authorities, we have taken into account changes to reliefs, such as those arising from increased thresholds for Small Business Rates reliefs, beneath which more businesses are exempt from paying business rates from 1 April 2017, as well as those significant charitable and other reliefs granted to businesses which we think are likely to discourage appeals.

8. Capital Investment

8.1 The Council invested £29.7m in major projects in 2018/19, the most significant of which were:

- £11m on Housing Revenue Account projects including £2.26m on Housing Stock projects; £4.34m on the purchase of property for social housing; £114k on the refurbishment of Folkestone Rd properties for social housing; £728k on

the Norman Tailyour sheltered upgrade; and £962k on the redevelopment of William Muge and Snelgrove site;
- £15.86m on the construction of the new Dover District Leisure Centre;
- £1,135k on disabled facility grants;
- £746k on Deal Pier refurbishment works;
- £569k on Tides Leisure Centre refurbishment works;
- £145k on coast protection works in Deal;
- £119k on DTIZ enhancement works;
- The remainder has been spent on a number of smaller projects.

The main sources of capital financing applied in the year were:
- £15.47m internal borrowing;
- £2.12m in grants from external bodies including KCC Better Care Fund, Sport England, and the Environment Agency;
- £2.4m from the Major Repairs Reserve;
- £610k from earmarked reserves;
- £5.08m from the Housing Revenue Account (revenue financing);
- £3.39m from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

8.2 Right-to-buy sales also continued at high levels, in 2018/19 27 sales were completed.

8.3 Overall, the capital programme is within budget.

9. Special Projects Outturn

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

9.2 The expenditure on Special Projects in the year was £799k. The major projects were:
- £154k on Corporate property maintenance;
- £134k on resurfacing DDC car parks and access roads;
- £95k on ICT infrastructure projects;
- £82k on Dover Regeneration enabling costs; and
- £78k on the Local Development Framework plan.

9.3 The Special Projects programme is dynamic, and is adjusted as new projects are approved. These changes are reported to Members during the year, however, “in year” variations in spend against approved budget for individual projects are mainly due to timing changes. There are no material variations to individual projects’ total budget, and the whole programme is fully financed.

9.4 The main sources of financing for the programme in the year were as follows:
- £406k – Special Project Reserve;
- £84k – ICT Reserve;
- £309k – other reserves and contributions;

10. Treasury Management

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

10.2 At 31 March 2019 the Council had investment balances and day-to-day cash balances managed in-house of approximately £51.4m.

10.3 The Council’s in-house investments outperformed their benchmark (LIBID) and achieved an average return of 2.04% for the year.

10.4 The total interest received for the year was approximately £1,159k. This was higher than the original budget of £999k, which is a favourable variance of £160k. This is due to the Council investing a total of £48m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years.

10.5 The Council has just under £80.3m of borrowing from the Public Works Loans Board.

10.6 In December 2018 the Council repurchased the £3m LOBO (Lender Option Borrower Option) loan from KA Finanz as they sold their loan portfolio. The cost was £3.6m.

10.7 During 18/19 the Council employed the services of Arlingclose Limited as treasury management advisers.

11. Assets and Liabilities

11.1 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	**2018 £000**	**2019 £000**
Value of land, property and other assets	328,209	342,896
Investments held and cash at bank	46,452	51,487
Money owed to DDC for goods and services	10,955	12,408
Loans owed to DDC (short and long term)	2,101	2,196
Money owed by DDC for goods and services	(22,155)	(19,241)
Loans owed by DDC (short and long term)	(85,738)	(103,988)
Grants for assets received but not yet used	(727)	(929)
Share of pension scheme liabilities owed by DDC	(81,053)	(76,157)
Total Assets less Total Liabilities	**198,044**	**208,672**
Financed by:		
Usable reserves[1]	66,899	69,798
Unusable reserves[2]	131,145	138,874
Net Worth of Council	**198,044**	**208,672**

[1] Usable reserves are made up of:

Capital receipts and grants	22,762	21,644
Revenue balances	3,539	3,572
Earmarked reserves	40,598	44,582
	66,899	**69,798**

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

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

- Value of land, property and other assets
  The main changes in the values are due to:
  - Disposals – council house and other sales.
  - Revaluations –
    - Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies. From 1 April 2014 assets valued at over £1m will be revalued on an annual basis.
    - 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.

- Impairments – events and changes in circumstances 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.

There were no significant impairments in the year.

- Investments held and cash at bank
  - The increase in investments and cash at bank reflects a net increase in cash, mainly due a decrease on property purchases made as part of the property investment strategy and use of short term borrowing to fund capital expenditure.

- Money Owed to DDC for Goods and Services
  - The net increase in debtors incorporates:
    - A decrease in payments in advance due to precept payments to the parish councils (£2.3m);
    - An increase in rent arrears due to Universal Credit (£352k);
    - The decrease in the Central Government debts (General Fund) is due to a decrease in the Business Rates Tariff Adjustment (£1.1m);
    - The increase in local authority debtors is made up of:
      - £1.9m increase due to the Business Rates Pilot Scheme
      - £861k increase in debtors relating to the waste contract
      - £333k increase in other Local Authority debtors.
    - The increase also incorporates a £1.1m increase in the collection fund debtors due to higher NNDR debts and other pilot scheme related debtors.
  - See Note 27 of the Statement of Accounts for an analysis of this total.

- Money owed by DDC for Goods and Services
  - The net decrease in creditors is due to changes in both General Fund and Collection Fund creditors. The changes in General Fund Creditors include:
    - £1.08m decrease in the amount owed to DWP for Housing Benefit subsidy,
    - £341k increase in Local Authority creditors,
    - £141k increase in Housing Rents creditors,
    - £215K reduction in revenue creditors,
    - £141k increase in HRA sundry creditors,
    - £278 decrease in sundry capital creditors.
  - Additionally, there are Collection Fund decreases due to:
    - The discontinuation of pilot Government NDR pooling scheme (£5.1m),
    - A £2.6m increase in the Collection Fund cash owed to Government
      - £3m increase for additional share of collection fund cash owed to KCC based on their increased share under the NNDR pilot scheme of 59% verses only 9% for 2017/18
      - £340K decrease in DDC share of NDR collection fund.
  - See Note 29 of the Statement of Accounts for an analysis of this total.

- Loans owed by DDC (short and long term)
  - The net increase relates to the principal repaid on the PWLB loan for "HRA self-financing" (£2.2m) and the repurchase of the LOBO (£3m), offset by temporary short term borrowing for strategic treasury management purposes (£23.5m).

- Pension Scheme Liabilities
  - The Pension 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 2016. The Council's

annual contribution to the scheme is in line with the levels recommended by the actuaries.

  - The net liability at 31 March 2019 was £76m (£81m at 31 March 2018).
  - The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits.
  - The total liability 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.

- Usable Reserves
  - The main reason for the increase in usable reserves in 2018/19 relates to the increase in General Fund Earmarked Reserves. The main reasons for this increase are:
    - Additional NNDR Pilot scheme income allocated to Special Projects and Regeneration Reserves;
    - Surplus Property Investment income allocated to Periodic Operations Reserve;
    - Grants received in year for future projects allocated to Periodic Operations Reserve;
    - Additional allocations made to the Special Revenue and ICT Equipment & Servers reserves to support future projects.
    - See Appendix 2 for further details of General Fund Earmarked Reserves.

12. **Production of the Accounts**

12.1 Governance Committee requires assurance that the accounts are robust and that they can place reliance upon them. The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. In addition, a summary of the controls operated by the Director of Finance, Housing and Community is provided at Appendix 3.

13. **The Future**

13.1 The Council, in common with others, will need to continue to make progress on, or give consideration to the on-going impacts of :

- The economic climate and the impact of the EU Referendum outcome;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants;
- The sustainability of the NHB scheme;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the implementation of 75% business rates retention; and
- Developing partnership arrangements with others in order to achieve cost efficiencies.

14. **Corporate Implications**

14.1 Comment from the Section 151 Officer: Finance have produced this report and have no further comments to make.

14.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

14.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 http://www.legislation.gov.uk/ukpga/2010/15.

15. **Appendices**

Appendix 1 – General Fund Budget Summary

Appendix 2 – General Fund Earmarked Reserves Summary

Appendix 3 - Summary of the Main Controls Applied in Production of the Accounts

16. **Background Papers**

The draft version of the Statement of Accounts is available at: https://www.dover.gov.uk/Corporate-Information/PDF/Dover-Statement-18-19-310519.pdf. This version remains subject to audit, the final version will be published for the Governance 26th September 2019 agenda.

Contact Officer: Helen Lamb, extension 2063

APPENDIX 1

General Fund Summary – 2018/19 Outturn

2017/18 Actual £000		2018/19 Original Budget £000	2018/19 Revised Budget £000	2018/19 Actual £000
	Directorate			
1,411	Chief Executive	1,916	1,751	797
2,479	Governance	2,775	2,530	2,056
7,495	Finance, Housing & Community	8,336	8,129	8,014
3,434	Environment & Corporate Assets	3,492	3,379	3,129
172	Non-distributed costs	(356)	187	159
516	Special Revenue Projects	1,324	1,138	729
15,507	**Directorate Service Costs**	**17,487**	**17,114**	**14,884**
70	River Stour Drainage Board	71	71	71
39	Council Tax Support Funding to Towns & Parishes	0	0	0
(1,424)	Recharge Income from HRA & Capital Projects	(2,029)	(1,263)	(1,203)
0	Contingency	227	136	0
	Contribution to/(from) Reserves:			
(353)	- Special Projects & Events Reserve	(629)	432	2,523
1,467	- Periodic Operations Reserve	334	16	1,830
130	- Dover Regeneration Reserve	160	187	1,382
55	- IT Equipment Reserve	115	268	182
466	- Business Rates & Council Tax Reserve	(605)	(609)	(598)
15,957	**Net Service Expenditure**	**15,131**	**16,352**	**19,071**
	Financing Adjustments			
(507)	Interest Receivable	(979)	(1,230)	(1,138)
236	Interest Payable	238	263	136
9	Borrowing / Minimum Revenue Provision	949	949	560
(665)	Revenue Expenditure Funded by Capital Under Statute	(950)	(950)	(1,180)
15,030	**Total Budget Requirement**	**14,389**	**15,384**	**17,449**
	Financed by:			
4,013	Non-Domestic Rates	4,394	5,419	6,614
1,153	Business Rates - Enterprise Zone Relief Retained	618	724	1,332
84	Business Rates - Renewable Energy Retained	330	331	331
1,027	Revenue Support Grant	568	568	568
6,600	Council Tax	6,922	6,922	6,922
236	Council Tax - Collection Fund Surplus	141	141	141
1,874	New Homes Bonus	1,515	1,515	1,515
37	New Burdens & Other Grants	0	0	38
15,024	**Total Financing**	**14,488**	**15,620**	**17,461**
6	**General Fund Deficit/(Surplus) for the Year**	**(99)**	**(236)**	**(12)**
(2,533)	**General Fund Balance at Start of Year**	**(2,412)**	**(2,527)**	**(2,527)**
(2,527)	**Leaving Year End Balances of**	**(2,511)**	**(2,763)**	**(2,539)**

APPENDIX 2

Earmarked General Reserves (2018/19 Year End Position)

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special Projects & Events	2,262	2,959	(406)	4,815
Periodic Operations	5,373	4,057	(2,212)	7,218
Urgent Works	1,080	138	(68)	1,150
Regeneration	2,121	1,771	(624)	3,268
ICT Equipment & Servers	756	292	(131)	917
Business Rates & Council Tax	1,804	42	(640)	1,206
District Regeneration & Economic Development	12,507	0	(468)	12,039
Total	25,903	9,259	(4,549)	30,613

APPENDIX 3

Summary of the Main Controls Applied in Production of the Accounts

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

These include:

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