



**Statement
Of
Accounts**

2018/19

CONTENTS

	Page
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	16
CORE FINANCIAL STATEMENTS	
Comprehensive Income and Expenditure Statement	17
Movement in Reserves Statement	18
Balance Sheet	20
Cash Flow Statement	21
Notes to the Core Financial Statements	22
SUPPLEMENTARY STATEMENTS	
Collection Fund	82
Housing Revenue Account	92
Charities Administered by Dover District Council	98
Independent Auditor's Report	100

NARRATIVE REPORT

1. INTRODUCTION

This Narrative Report provides an overview of the Council, its year-end position at 31 March 2019, a review of the financial year 2018/19 and possible issues for the future.

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.

2. CORPORATE PLAN

The Council's published Corporate Plan sets out our vision:

"Secure a prosperous future for the Dover district, which will be a place where people want to live, work, invest and visit."

The following strategic priorities have been identified to achieve our vision:

1. Thriving Economy
2. Clean, Green and Safe Environment
3. Healthier People and Communities
4. Smarter Council.

Under each priority area are actions that we will be focussing on over the term of the Corporate Plan. Underpinning all of our activities will be the wish to improve health and wellbeing, and quality of life, for our residents.

3. OVERVIEW OF DOVER DISTRICT

The Dover District has a population of 114,000 and covers an area of 31,484 hectares (123 square miles), with a coastline of around 20 miles. The district contains two urban areas, Dover a market town and a large rural area made up of dozens of villages and smaller settlements.

About 6,900 hectares (22%) of the district is designated as part of the Kent Downs Area of Outstanding Natural Beauty (AoNB) and, of this, 876 hectares (3%) is designated as Heritage Coast, centred on the famous white cliffs either side of Dover.

The Dover District is connected to the main highways network by the M20/A20 and M2/A2 corridors, which provide a direct link to London. High-speed rail links also connect Dover, Martin Mill, Walmer, Deal and Sandwich to London and the wider rail network.

The Dover District is steeped in history and has a tradition of strategic, commercial and symbolic importance, attracting visitors from across the world. Sandwich and Dover are both Cinque Ports and Deal is a member of the Confederation. The district contains the spectacular Norman Castle at Dover, the Tudor castles of Deal and Walmer, the Roman castle at Richborough and extensive Napoleonic era fortifications at Dover's Western

Heights. Sandwich is the most complete medieval town in Britain and Deal is noted for its Georgian seafront.

The Dover District is a great place to live with a wide range of sports and leisure facilities on offer including leisure centres, swimming pools, country parks and gardens, play areas, cinemas, theatres and museums. The Dover District is also famous for its golf courses including the Royal St. George's in Sandwich, which has hosted the Open Championship.

Regeneration is progressing across the district, with new housing, retail and leisure developments adding to the district's relocation appeal for both businesses and families. For example, the new St. James' development in the heart of Dover, with a new cinema, hotel, restaurants and shops; Aylesham Garden Village has established itself as a key development site, with 1,200 new homes being built and sold; the newly built Dover District Leisure Centre in Whitfield, leading a diverse range of sport facilities and a feature venue for competitive swimming, with the first county standard swimming pool in Kent; and additionally we are delivering the major heritage restoration of Kearsney Abbey and Russell Gardens.

The economy of the Dover District is closely linked with the Port of Dover, which is Europe's busiest ferry port and a vital international gateway for the movement of passengers and trade. Additionally, Eurotunnel comes ashore in the district, supporting the links to France and the rest of Europe.

4. THE COUNCIL

The Dover District is part of a "two-tier" system of local government with responsibility for services divided between the district and county council. However, this term is misleading, as the district also has a "third-tier" – the Town and Parish Councils. These also have elected representatives and between them cover the entire district – there are 32 parish councils and three town councils in the Dover District.

Seven Kent County Council (KCC) councillors serve the Dover District over five county divisions. KCC is elected every four years and the most recent elections took place in May 2017.

Local councils are run by democratically-elected councillors. They are responsible for making decisions on behalf of the local community about local services, such as planning, housing, refuse collection and leisure facilities.

An electoral ward is a subdivision of a local authority, used to elect local councillors. Following an agreed electoral boundary change of the number of elected members by the Local Government Boundary Commission for England (LGBCE), there are currently 17 electoral wards in the Dover District. The District council elections are held every four years and the most recent election in May 2019 compounded the new electoral arrangements to shift from 45 to 32 serving councillors. The current elected councillors now represent the 17 wards in the district, with each ward electing one, two or three councillors depending on the size of its electorate.

5. HOW WE WORK

Our Constitution is a set of rules for how we work, how we make decisions and the procedures that we follow to ensure these are efficient, transparent and accountable to local people.

The Executive (the Leader and the rest of Cabinet) takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet meetings or individual decision-making processes. Key Decisions to be taken by the Cabinet are set out in our Forward Plan. Where Cabinet decisions fall outside the agreed policy and budget strategy, these must be referred to the Council for consideration as a whole. All meetings of our Cabinet are open to the public.

The Council also has two Overview and Scrutiny Committees to hold the Cabinet to account, contribute an alternative view in the development of policy, and monitor the corporate health of the organisation.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the paid staff of the Council. The role of Chief Executive is a full time appointment and is appointed by the whole Council. The Management Team is responsible for managing the activities of our staff and for advising councillors on the potential implications of political decisions.

Further information on the Council can be found at www.dover.gov.uk.

6. OVERVIEW OF STATEMENT OF ACCOUNTS

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 very few changes to the presentation of the accounts for 2018/19, with only IFRS 9 Financial Instruments affecting this Council.

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

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

(a) **Statement of Responsibilities for the Statement of Accounts (page 16)**

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

(b) **Core Financial Statements (page 17 to 21)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 17)**

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.

- **Movement in Reserves Statement - MIRS (pages 18 to 19)**

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.

- **Balance Sheet (page 20)**

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 21)**

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 22 to 81)**

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.

(c) **Supplementary Financial Statements (pages 82 to 99)**

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

- **Collection Fund (pages 82 to 91)**

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 (pages 92 to 97)**

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 revenue balance in the year is shown in the Movement on the HRA Statement.

- **Charities Administered by Dover District Council (pages 98 to 99)**

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

(d) **Independent Auditors' Report (page 100)**

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.

SUMMARY OF THE 2018/19 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. 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. 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.

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 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.

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. The major variations between the original budget, forecast position and year-end outturn are also detailed.

<u>2017/18</u> <u>Actual</u> £000		<u>2018/19</u> <u>Original</u> <u>Budget</u> £000	<u>2018/19</u> <u>Revised</u> <u>Budget</u> £000	<u>2018/19</u> <u>Actual</u> £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
	<u>Contribution to/(from) Reserves:</u>			
(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
	<u>Financing Adjustments</u>			
(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)

Major Variations

The table below provides a summary of the main variations between the original budget and the actual for the year.

	£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
Homelessness - Temporary accommodation costs - reduction above target (£369k), less transfer to Periodic Ops Reserve (£150k) for future projects	(219)
Investment income - additional income due to further investments and better returns from pooled funds, less additional cost of 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 loans	(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)
Grants - non-service specific (£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)

Financing

The financing of the budget of £17.46m came from:

	£000	%
Council tax ¹	6,922	39.6
Revenue Support Grant ²	568	3.3
Non-domestic rates ³	6,614	37.9
Enterprise Zone & Renewable Energy Relief Retained ⁴	1,663	9.5
New Homes Bonus ⁵	1,515	8.7
New Burdens & other grants ⁶	38	0.2
Collection Fund Surplus – Council Tax ⁷	141	0.8
Total	17,461	100.0

- (1) Council tax is paid by the residents of the district to the Council, of which 10.6% is for DDC's own use and 3.6% was to meet the precepts of the various town and parish councils, 71.6% was paid to Kent County Council with 9.8% paid to The Police & Crime Commissioner for Kent and 4.4% to the Kent and Medway Fire & Rescue Authority.
- (2) Revenue Support Grant is received directly from Central Government based on their assessment of local authorities' requirements.
- (3) National non-domestic rates are set by Government but collected by the Council from businesses in the district. Under the current rates retention scheme the amounts collected are usually split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). However, for 2018/19 Dover District Council was part of a Kent-wide business rates 'pilot scheme', which enabled 100% of growth above the aggregate baseline need of all the participating authorities to be retained locally, by adjusting KCC's share to 59% and reducing the Government's share to 0%, but with separate sharing arrangements for distribution of the extra growth retained, i.e. it didn't just go to KCC. Nor did this mean that Central Government took no money from business rates collected. In 2018/19 £42.3m of NNDR was billed to ratepayers in the district. However, as usual, Dover's 40% share was reduced significantly by a tariff payable to Central Government of £11.8m, and tariffs will also have been applied to the other pilot scheme members' shares in a similar way. For 2018/19, Dover's tariff reduced its retained funding (after provisions, for example for Business Rates appeals) to £5,242k, which is £1,678k above the baseline level that the Government had calculated that it needs (of £3,564k). Ordinarily, as a result, Dover would have paid a 50% levy of £839k to Government on this sum (i.e. on the "growth" of £1,678k). However, while in the pilot scheme, this sum is paid instead into the Kent-wide 'pool', and both the levy saved and the additional growth retained locally is distributed back to the pilot scheme partners under separate sharing arrangements. As a result, Dover District Council receives an additional £980k ('Financial Sustainability Fund' element, transferred to Special Projects Reserve) and a further £1,003k ('Growth Fund' element, transferred to the 'Dover Regeneration Reserve') for 2018/19. See the Collection Fund section for more information (pages 82 to 91), and Note 21. These are one-off gains for 2018/19 only, as Central Government did not permit the Kent-wide pilot scheme to continue, despite the partners applying to continue with their pilot scheme status.
- (4) Enterprise Zone Relief is granted by DDC 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 2018/19 is £2,179k, which is above the sum expected of £1,217k and therefore the extra £962k has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's EZ relief of £115k. The net Enterprise Zone Relief Grant recognised in the year is therefore £1,332k. Additionally, income from renewable energy businesses is retained locally, but can be fully retained by Dover where it has granted planning permission (i.e. 100%). Dover's business rates income from renewable energy businesses for 2018/19 is £303k, which is slightly below the sum budgeted of £309k and therefore the £6k shortfall has to be carried forward and recognised in the following year under statutory requirements. However, in addition, we are required to recognise an adjustment relating to the prior year's renewable energy retained of £22k. The net Renewable Energy Retained in the year is £331k.

- (5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2018/19 was £1,515k.
- (6) The Government has provided £30k New Burdens Grants for "DCLG custom build LA payments" and a further £8k for other S31 grants.
- (7) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2018) as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2018 relating to Council Tax, which has been distributed in 2018/19. Its estimated share was £141k.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,298 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 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 on a 30 year repayment basis at a fixed interest rate. £2,223k was paid off the PWLB loan principle sum during 2018/19.

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 £17k. 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

In 2018/19 £727k was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of £1m.

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

CAPITAL INVESTMENT

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

- £111m 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 borrowing¹;
- £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.

Overall, the capital programme is within budget.

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

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

¹ Internal borrowing is the use of cash balances to avoid the immediate requirement to borrow, thus postponing borrowing costs.

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.

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

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

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

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

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	2018	2019
	£000	£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.

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 2019 was £76.0m (£81.0m at 31 March 2018).

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 2016. The actuarial valuation of the Fund carried out as at 31 March 2016 sets 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 2019/20 and Medium Term Financial Plan (MTFP) 2019/20 – 2022/23 were approved in March 2019. 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 2019/20;
- Prudent General Fund balances maintained in 2019/20;
- Overall net expenditure levels increased slightly, in line with inflation;
- Council Tax increase of £4.95, rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- The forecasts for future years show a requirement to identify savings or income generation of circa £700k in 2020/21 followed by further savings or income of £1m in 2021/22 and an additional £700k in 2022/23;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- The current capital programme is funded, subject to the borrowing arrangements for Dover Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are;
 - Property Investment Strategy;
 - Affordable Housing projects;
 - Refurbishment of Dover Town Hall.
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2019/20 and the Medium Term Financial Plan can be found on the Council's website at:

THE FUTURE

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

- 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.

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director (Corporate Resources);
- 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 Strategic Director (Corporate Resources)'s Responsibilities

The Strategic Director (Corporate Resources) 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 (the Code of Practice)*.

In preparing this Statement of Accounts, the Strategic Director (Corporate Resources) has:

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

The Strategic Director (Corporate Resources) 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 Strategic Director (Corporate Resources) 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 2019.

This Statement of Accounts is authorised for issue following its approval by the Strategic Director (Corporate Resources) and the Chairman of the Governance Committee at the date given below.

Signed:

Signed:

Mike Davis CPFA
Strategic Director (Corporate Resources)

Councillor David Hannent
Chairman, Governance Committee

Dated:

Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2017/18 Gross Income £000	Net Expenditure £000		Note No	Gross Expenditure £000	2018/19 Gross Income £000	Net Expenditure £000
			Continuing Operations				
5,210	(2,286)	2,924	Chief Executive		6,888	(4,783)	2,105
39,988	(35,780)	4,208	Director of Finance, Housing & Community		35,580	(31,191)	4,389
21,374	(11,711)	9,663	Director of Environment & Corporate Assets		21,760	(13,005)	8,755
2,789	(602)	2,187	Director of Governance		3,099	(993)	2,106
1,139	(624)	515	Special Projects		806	(77)	729
8,689	(19,901)	(11,212)	Local Authority Housing (HRA)		13,904	(19,564)	(5,660)
79,189	(70,904)	8,285	Net Cost of Services		82,037	(69,613)	12,424
			Other Operating Expenditure:				
			Amounts due to precepting authorities:				
		2,366	– Town and Parish Councils				2,384
		70	– River Stour Drainage Board Levy				71
		294	Contribution of Housing Capital Receipts to Central Government Pool	24			294
		(1,228)	(Gain) or loss on disposal of fixed assets	8			(1,063)
		0	Other income				(44)
			Financing and Investment Income & Expenditure:				
		2,942	Interest payable and similar charges				3,371
		(752)	Interest and investment income				(1,217)
		120	Changes in the value of Investment Properties	6			338
		2,181	Net Interest on Defined Benefit Liability	19			2,016
			Taxation & Non-specific Grant Income:				
		(9,035)	Demand on the Collection Fund – Council Tax	20			(9,437)
		(4,995)	Income from National Non-Domestic Rates	21			(9,483)
		(2,930)	Government grants (not attributable to specific services)	22			(2,114)
		(1,973)	Capital Grants and Contributions	22			(2,420)
		(4,655)	(Surplus) or Deficit on Provision of Services				(4,880)
			<u>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
		(10,280)	(Surplus) or deficit arising on revaluation of fixed assets	36			566
		(6,481)	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	19			(6,315)
			<u>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</u>				
		574	Deficit on revaluation of available-for-sale financial assets	17			0
		(16,187)	Other Comprehensive Income & Expenditure				(5,749)
		(20,842)	Total Comprehensive Income & Expenditure				(10,629)

MOVEMENT IN RESERVES STATEMENT

2017/18

	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		2,533	1,047	24,274	12,499	17,312	3,168	60,833	116,369	177,202
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(4,753)	9,408	0	0	0	0	4,655	0	4,655
Other comprehensive income & expenditure		0	0	0	0	0	0	0	16,187	16,187
Total Comprehensive Income & Expenditure		(4,753)	9,408	0	0	0	0	4,655	16,187	20,842
Depreciation and amortisation of non-current assets	5	5,205	0	0	1,973	0	0	7,178	(7,178)	0
Non-current asset revaluation loss	5	276	0	0	0	0	0	276	(276)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(2,689)	0	2,689	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(4,662)	0	0	(4,662)	4,662	0
Capital grants and contributions		(1,985)	0	0	0	280	335	(1,369)	1,369	0
Movement in the market value of Investment Properties	6	120	0	0	0	0	0	120	(120)	0
Revenue expenditure funded from capital under statute	11	678	0	0	0	0	0	678	(678)	0
(Gain) or loss on disposal of non-current assets	8	47	(1,275)	0	0	2,838	0	1,610	(1,610)	0
Non-current asset revaluation gain	34	(43)	(1,052)	0	0	0	0	(1,095)	1,095	0
Adjustments under statutory provisions relating to soft loans	16	(156)	0	0	0	0	0	(156)	156	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
Net charges made for retirement benefits	19	1,763	(52)	0	0	0	0	1,711	(1,711)	0
Council tax income regulatory adjustment	20	135	0	0	0	0	0	135	(135)	0
NNDR income regulatory adjustments	21	254	0	0	0	0	0	254	(254)	0
Enterprise Zone Relief regulatory adjustment	21	(23)	0	0	0	0	0	(23)	23	0
Renewable Energy regulatory adjustment	21	23	0	0	0	0	0	23	(23)	0
Capital expenditure charged to revenue	10	(203)	(2,179)	0	0	0	0	(2,382)	2,382	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(878)	0	(878)	878	0
Net increase / decrease before transfers to/from Earmarked Reserves		1,623	2,161	0	0	1,946	336	6,066	14,776	20,842
Transfers to or (from) earmarked reserves	26	(1,629)	(2,196)	1,629	2,196	0	0	0	0	0
Increase or (Decrease) in Year		(6)	(35)	1,629	2,196	1,946	336	6,066	14,776	20,842
Balance at 31 March		2,527	1,012	25,903	14,695	19,258	3,504	66,899	131,145	198,044

MOVEMENT IN RESERVES STATEMENT

2018/19

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	2,527	1,012	25,903	14,695	19,258	3,504	66,899	131,145	198,044	
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services	1,038	3,843	0	0	0	0	4,881	0	4,881	
Other comprehensive income & expenditure	0	0	0	0	0	0	0	5,748	5,748	
Total Comprehensive Income & Expenditure	1,038	3,843	0	0	0	0	4,881	5,748	10,629	
Depreciation and amortisation of non-current assets	5	4,861	0	0	2,054	0	0	6,915	(6,915)	0
Non-current asset revaluation loss	5	19	0	0	0	0	0	19	(19)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(2,587)	0	2,587	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(4,640)	0	0	(4,640)	4,640	0
Capital grants and contributions		(2,463)	0	0	0	156	(6)	(2,313)	2,313	0
Movement in market value of Investment Properties	6	338	0	0	0	0	0	338	(338)	0
Revenue expenditure funded from capital under statute	11	1,180	0	0	0	0	0	1,180	(1,180)	0
(Gain) or loss on disposal of non-current assets	8	99	(1,162)	0	0	2,417	0	1,354	(1,354)	0
Non-current asset revaluation gain	34	(55)	4,368	0	0	0	0	4,313	(4,313)	0
Adjustments under statutory provisions relating to soft loans	16	(124)	0	0	0	0	0	(124)	124	0
Loan Principal Repayments	14	(9)	0	0	0	0	0	(9)	9	0
LOBO Premium Amortised Costs	15	(124)	0	0	0	0	0	(124)	124	0
Financial Instruments transferred to/from the Pooled Investment Funds Adjustment Reserve	17	117	0	0	0	0	0	678	(678)	0
Minimum Revenue Provision	10	(544)	0	0	0	0	0	(544)	544	0
Net charges made for retirement benefits	19	1,510	(91)	0	0	0	0	1,419	(1,419)	0
Council tax income regulatory adjustment	20	17	0	0	0	0	0	17	(17)	0
NNDR income regulatory adjustments	21	(388)	0	0	0	0	0	(388)	388	0
Enterprise Zone Relief regulatory adjustment	21	(847)	0	0	0	0	0	(847)	847	0
Renewable Energy regulatory adjustment	21	28	0	0	0	0	0	28	(28)	0
Capital expenditure charged to revenue	10	(941)	(5,077)	0	0	0	0	(6,018)	6,018	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(3,391)	0	(3,391)	3,391	0
Net increase / decrease before transfers to/from Earmarked Reserves	4,722	(706)	0	1	(1,112)	(6)	2,899	7,730	10,629	
Transfers to or (from) earmarked reserves	26	(4,710)	727	4,710	(727)	0	0	0	0	0
Increase or (Decrease) in Year	12	21	4,710	(726)	(1,112)	(6)	2,899	7,730	10,629	
Balance at 31 March	2,539	1,033	30,613	13,969	18,146	3,498	69,798	138,876	208,674	

BALANCE SHEET

31 March 2018		Notes	31 March 2019
£000			£000
197,246	Council dwellings		197,410
82,039	Land and buildings		101,509
2,066	Vehicles, plant and equipment		1,902
8,320	Infrastructure assets		7,993
172	Community assets		170
10,014	Assets under construction		5,680
299,857	Property, Plant and Equipment	5	314,664
4,127	Heritage assets	7	4,127
23,977	Investment property	6	23,867
98	Intangible assets	5	70
25,571	Long term investments	12	47,502
2,101	Soft loans	0	2,196
937	Long term debtors	27	919
56,811	Long Term Assets		78,681
17,464	Short term investments	12	4
150	Stocks in hand		168
14,400	Short term debtors	27	16,012
(4,382)	Less provision for bad debts	27	(4,523)
3,417	Cash and cash equivalents	28	3,981
31,049	Current Assets		15,642
(2,376)	Short term borrowing	13	(25,929)
(17,685)	Short term creditors	29	(13,887)
(2,010)	Provisions	30	(2,512)
(2,460)	Receipts in advance	31	(2,842)
(24,531)	Current Liabilities		(45,170)
(83,362)	Long term borrowing	13	(78,059)
(727)	Capital grants received in advance	33	(929)
(81,053)	Pensions liability	19	(76,157)
(165,142)	Long Term Liabilities		(155,145)
198,044	Net Assets		208,672
2,527	General Fund balance	25	2,539
1,012	Housing Revenue Account balance	25	1,033
25,903	Earmarked reserves	26	30,613
14,695	Housing Revenue Account reserves	26	13,969
19,258	Usable capital receipts reserve	24	18,146
3,504	Capital grants unapplied	32	3,498
66,899	Reserves Available to Fund Services		69,798
53,035	Revaluation reserve	36	49,019
161,378	Capital adjustments account	34	167,625
(561)	Financial instruments revaluation reserve	17	0
0	Pooled investment fund adjustments reserve	17	(678)
(1,304)	Financial adjustments account	15	(1,773)
(773)	Collection Fund adjustment account- NNDR	21	(386)
287	Collection Fund adjustment account- Council tax	20	270
115	Enterprise Zone relief adjustment account	21	962
21	Renewable Energy adjustment account	21	(6)
(81,053)	Pensions reserve	19	(76,157)
131,145	Reserves Unavailable to Fund Services		138,874
198,044	Total Reserves		208,672

CASH FLOW STATEMENT

2017/18		2018/19	
£000	£000	£000	£000
	10,545	Cash & cash equivalents – at 1 April	3,417
	3,417	Cash & cash equivalents – at 31 March	3,981
	7,128	Net (increase) or decrease in Cash & Cash Equivalents	(564)
£000	£000	£000	£000
	(4,655)	Net surplus on Income & Expenditure	(4,882)
		<u>Non-cash transactions:</u>	
(5,208)		Depreciation and amortisation	(4,864)
699		Revaluation gains / losses	(4,670)
1,231		Gains / losses on disposal of fixed assets	1,066
(1,711)		Pension adjustments	(1,419)
731		Financial instruments adjustments	124
(1,028)		Provisions	(502)
(1,971)		Transfer to/from earmarked reserves	(2,053)
	(7,259)		(12,318)
		<u>Items on an accruals basis:</u>	
24		Increase or (decrease) in stock and work in progress	18
4,744		Increase or (decrease) in debtors	670
(74)		Increase or (decrease) in long term debtors	(18)
(197)		Movement in provision for bad debts	(140)
(4,510)		(Increase) or decrease in creditors	(207)
190		(Increase) or decrease in receipts in advance	(382)
(389)		Collection Fund adjustment accounts	1,190
	(212)		1,131
		<u>Adjustments re investing and financing activities:</u>	
(678)		Revenue expenditure funded from capital	(1,180)
1,985		Capital grant contributions and capital receipts	2,464
	1,307		1,284
	(10,819)	Net Cash Flows from Operating Activities	(14,785)
		<u>Investing activities:</u>	
33,370		Purchase of property, plant, equipment, etc.	28,453
(129)		Other payments for investing activities	(29)
(53,322)		Proceeds from long and short term investments	(150,391)
40,400		Purchase of long and short term investments	154,706
(2,884)		Proceeds from the sale of non-current assets	(2,573)
(234)		Other capital receipts	0
(1,376)		Movement in capital grants	(1,330)
	15,825	Net Cash Flows from Investing Activities	28,836
		<u>Financing activities:</u>	
0		Cash receipts of short & long term borrowing	(32,123)
6,175		Payments of short & long term borrowing	13,873
(4,052)		Net movement in Collection Fund cash position	3,634
	2,123	Net Cash Flows from Financing Activities	(14,616)
	7,128		(564)

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 2018/19. 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.
- Understandability – although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- Materiality – an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the 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 is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.
- Supplies are recorded as expenditure when they are consumed, where supplies remain unconsumed as at the balance sheet date they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles periodic payments, such as utility bills, which are charged at the date of invoice rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

(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 100 days or less from the date of acquisition of the investment.

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

Revenue relating to council tax and NNDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

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 Fire and Rescue Authority (KFR) 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

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise. Provisions are recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

(h) Contingent Assets and Liabilities

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, detailing the nature of the contingency, a brief description and an estimate of its financial effect.

(i) **Debt Write-Off**

The Director of Finance, Housing and Community approves the processes and reporting for the write-off of debt and reviews the actual write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical. 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:

Benefits Payable during Employment

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

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, which 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 defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued

salary and length of service on retirement, 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. A formal valuation of the Kent County Council Pension Fund for funding purposes was undertaken as at 31 March 2016. Changes to contribution rates as a result of the 31 March 2016 valuation take effect from 1 April 2017.

(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.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 31 July.

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.

Financial instruments are valued at fair value. The fair value of financial instruments can be attributed in three ways.

- Level 1 – Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Financial Assets

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as amortised cost (e.g. bank deposits), fair value through other comprehensive income (e.g. strategic pooled funds) or fair value through profit and loss (e.g. money market funds).

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

Assets classed as fair value through other comprehensive income or fair value through profit or loss 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.

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 Financial Instruments Revaluation 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 recognised 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. Additionally, assets with a value in excess of £1m are revalued on an annual basis.

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

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

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

- Vehicles, Plant and Equipment

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

- Infrastructure Assets

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 – Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation or componentisation.

(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.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

(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 majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on services, or other appropriate basis, and costs of buildings are apportioned on a floor area basis.

(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:

- The Council continues to face a significant financial challenge brought about by, in the main, the Government's budget deficit reduction programme and the economic climate, as well as some specific government led-initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets;
- The result of the EU referendum was a vote to leave the European Union. This decision could have an impact on the Council's future financial position but at this stage it is not possible to assess what that impact might be however it is not considered necessary to require any change in the financial position reported;
- It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Folkestone & Hythe, 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 is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock. The company has been treated as a related party and transactions of the ALMO recorded as a service provider.
- In line with advice from the Council's treasury management advisors, Arlingclose Limited, the fair value of PWLB loans has been estimated following an alternative market approach based on borrowing rates in the inter-local authority borrowing market, on the basis that the Council considers this to be the principal market for local authority borrowing.

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 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 £1.97m change in the balance sheet values, equating to approximately £450 per dwelling. There would also be an impact of approximately £20k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.7m.
Bad Debts Provisions	The Council has bad debt provisions of £4.52m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 33.5% 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. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is designed to demonstrate how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services. This is in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Chief Executive	1,411	1,140	2,552	372	2,924
Director of Finance, Housing & Community	7,495	(1,791)	5,704	(1,496)	4,208
Director of Environment & Corporate Assets	3,434	201	3,635	6,029	9,664
Director of Governance	2,479	(869)	1,609	577	2,187
Special Projects	516	0	516	0	516
Local Authority Housing (HRA)	(11,212)	6,384	(4,827)	(6,384)	(11,212)
Non-distributed Costs	172	(172)	0	0	0
Net Cost of Service	4,295	4,893	9,188	(902)	8,286
Other Income & Expenditure	(12,131)	(841)	(12,973)	31	(12,940)
(Surplus) or deficit			(3,784)	(870)	(4,654)
Opening General Fund and Housing Revenue Account Balance 1 April 2017			(40,353)		
Closing General Fund and Housing Revenue Account Balance 31 March 2018			(44,137)		
<u>Made up of:</u>					
General Fund Balance			(2,527)		
Housing Revenue Account Balance			(1,012)		
General Fund Earmarked Reserves			(25,903)		
Housing Revenue Account Earmarked Reserves			(14,695)		
			(44,137)		

2018/19	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Chief Executive	797	914	1,710	395	2,105
Director of Finance, Housing & Community	8,014	(2,057)	5,957	(1,568)	4,389
Director of Environment & Corporate Assets	3,129	226	3,355	5,400	8,755
Director of Governance	2,057	(457)	1,599	506	2,106
Special Projects	729	0	729	0	729
Local Authority Housing (HRA)	(5,660)	3,749	(1,911)	(3,749)	(5,660)
Non-distributed Costs	160	(160)	0	0	0
Net Cost of Service	9,225	2,215	11,440	984	12,424
Other Income & Expenditure	(14,152)	(1,304)	(15,456)	(1,849)	(17,304)
(Surplus) or deficit			(4,016)	(864)	(4,881)
Opening General Fund and Housing Revenue Account Balance 1 April 2018			(44,137)		
Closing General Fund and Housing Revenue Account Balance 31 March 2019			(48,154)		
<u>Made up of:</u>					
General Fund Balance			(2,539)		
Housing Revenue Account Balance			(1,033)		
General Fund Earmarked Reserves			(30,613)		
Housing Revenue Account Earmarked Reserves			(13,969)		
			(48,154)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18	Depreciation / Impairment	Soft Loan Adjustments	Charge for Pension Adjustment	Other Capital Adjustments	Other Adjustments	Total Adjustment Between Funding & Accounting Basis
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£000	£000	£000	£000	£000	£000
Chief Executive	27	0	345	0	0	372
Director of Finance, Housing & Community	47	70	(1,613)	0	0	(1,496)
Director of Environment & Corporate Assets	5,361	0	668	0	0	6,029
Director of Governance	3	0	575	0	0	577
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	(1,052)	0	(444)	(4,888)	0	(6,384)
Non-distributed Costs	0	0	0	0	0	0
Net Cost of Service	4,385	70	(470)	(4,888)	0	(902)
Other Income & Expenditure	(1,228)	(226)	2,181	(1,092)	396	31
Total	3,157	(156)	1,711	(5,979)	396	(871)

2018/19	Depreciation / Impairment	Soft Loan Adjustments	Charge for Pension Adjustment	Other Capital Adjustments	Other Adjustments	Total Adjustment Between Funding & Accounting Basis
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£000	£000	£000	£000	£000	£000
Chief Executive	27	0	368	0	0	395
Director of Finance, Housing & Community	67	52	(1,686)	0	0	(1,568)
Director of Environment & Corporate Assets	4,731	0	669	0	0	5,400
Director of Governance	0	0	506	0	0	506
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	0	0	(454)	(3,295)	0	(3,749)
Non-distributed Costs	0	0	0	0	0	0
Net Cost of Service	4,824	52	(597)	(3,295)	0	984
Other Income & Expenditure	(1,063)	(176)	2,016	(1,553)	(1,073)	(1,849)
Total	3,762	(124)	1,419	(4,849)	(1,073)	(865)

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

2017/18				2018/19		
Totals per Resources Allocations (Restated)	Adjustments per Accounting Code	Totals per CIES (Restated)		Totals per Resources Allocations	Adjustments per Accounting Code	Totals per CIES
£000	£000	£000		£000	£000	£000
(17,231)	0	(17,231)	Fees, charges and other service income	(17,961)	0	(17,961)
(36,127)	0	(36,127)	Grants	(33,726)	0	(33,726)
0	(14,872)	(14,872)	Recharges to other accounts	0	(15,361)	(15,361)
(53,358)	(14,872)	(68,231)	Total General Fund Income	(51,687)	(15,361)	(67,048)
14,366	4,147	18,513	Employees	14,957	4,394	19,351
1,215	0	1,215	Premises	1,504	0	1,504
207	0	207	Transport	234	0	234
8,831	0	8,831	Supplies and services	9,496	0	9,496
11,848	0	11,848	Third Parties	12,346	0	12,346
32,841	0	32,841	Transfer Payments	28,456	0	28,456
0	8,765	8,765	Recharges from other accounts	0	8,868	8,868
0	70	70	Financial Instrument Adjustments	0	52	52
0	5,437	5,437	Capital charges	0	4,824	4,824
69,308	18,421	87,729	Total General Fund Expenditure	66,993	18,139	85,131
(4,827)	(6,384)	(11,212)	Housing Revenue Account	(1,911)	(3,749)	(5,660)
11,122	(2,836)	8,286	Total Cost of Services	13,395	(972)	12,423

5. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2017	196,030	79,828	5,223	15,724	575	0	2,189	299,568
Additions – Expenditure in year	4,352	0	146	0	0	0	7,952	12,450
Additions–transfer from WIP*	0	0	67	0	0	0	(127)	(60)
Revaluations recognised in the Revaluation Reserve	0	10,732	0	0	0	0	0	7,217
Revaluations recognised in the Provision of Services	1,052	(486)	0	0	0	0	0	(1,384)
Depreciation written out	(1,950)	(3,515)	0	0	0	0	0	0
Transfers	(628)	628	0	0	0	0	0	0
Disposals	(1,610)	0	0	0	0	0	0	(1,610)
At 31 March 2018	197,246	87,188	5,436	15,724	575	0	10,014	316,182
Accumulated Depreciation and Impairment								
At 1 April 2017		(3,868)	(3,101)	(7,078)	(406)	0	0	(14,454)
Depreciation charge	(1,950)	(4,589)	(270)	(326)	(2)	0		(7,137)
Deprecation written out to CIES	1,950	0	0	0	0	0	0	1,950
Deprecation written out to Revaluation Reserve	0	3,315	0	0	0	0	0	3,315
Other Movements in Depreciation and Impairment	0	(6)	0	0	6	0	0	0
Subtotal	0	(5,148)	(3,371)	(7,405)	(402)	0	0	(16,326)
Net Book Value								
At 31 March 2018	197,246	82,039	2,066	8,319	173	0	10,014	299,856
At 31 March 2017	196,030	75,954	2,122	8,646	175	0	2,189	285,115

Movement on Balances 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Eqpt	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction (WIP)	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation	197,246	87,188	5,436	15,724	575	0	10,014	316,182
At 1 April 2018								
Additions – Expenditure in year	6,763	16,937	31	0	0	0	4,219	27,950
Additions–transfer from WIP	689	7,733	99	0	0	0	(8,553)	(33)
Revaluations recognised in the Revaluation Reserve	0	152	0	0	0	0	0	(4,293)
Revaluations recognised in the Provision of Services	(4,368)	(679)	0	0	0	0	0	(7,077)
Depreciation written out	(2,030)	(4,445)	0	0	0	0	0	0
Transfers	401	(401)	0	0	0	0	0	0
Disposals	(1,290)	(67)	0	0	0	0	0	(1,357)
At 31 March 2019	197,410	106,416	5,566	15,724	575	0	5,680	331,371
Accumulated Depreciation and Impairment								
At 1 April 2018	(9)	(5,133)	(3,371)	(7,405)	(408)	0	0	(16,326)
Depreciation charge	(2,021)	(4,212)	(295)	(326)	(2)	0	0	(6,856)
Deprecation written out to CIES	2,030	5	0	0	0	0	0	2,035
Deprecation written out to Revaluation Reserve	0	4,440	0	0	0	0	0	4,440
Other Movements in Depreciation and Impairment	0	(6)	0	0	6	0	0	0
Subtotal	0	(4,906)	(3,664)	(7,731)	(405)	0	0	(16,706)
Net Book Value								
At 31 March 2019	197,410	101,509	1,902	7,993	170	0	5,680	314,664
At 31 March 2018	197,246	82,039	2,066	8,319	173	0	10,014	299,856

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:

	2017/18 £000	2018/19 £000
General Fund	5,164	4,804
Housing Revenue Account	1,973	2,052
Total	7,137	6,856

Intangible Non-Current Assets

	2017/18 £000	2018/19 £000
Opening Net Book Value	37	98
Additions – transferred from	61	22
Additions – expenditure in year	41	8
Amortisation	(41)	(58)
Closing Net Book Value	98	70

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. From 1 April 2014 assets valued at over £1m will be revalued on an annual basis.

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2018. Housing Revenue Account dwellings were valued as at 31 March 19 and the valuation is valid for the 3 months from that date.

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. During 2018/19 Dover Town Hall was revalued resulting in a revaluation loss. A small gain in the housing stock valuation for 2018/19 has been offset by capital expenditure.

	2017/18	2018/19
	£000	£000
General Fund		
General gain/(loss) on Other Land and Buildings	(690)	(6,399)
Losses written out of Revaluation Reserve	161	5,664
Prior year losses written out	43	101
Write back Depreciation	253	615
Total charged to the General Fund	(233)	(19)
Housing Revenue Account		
General gain/(loss) on Housing Stock	(898)	(6,398)
Write back Depreciation	1,950	2,030
Total charged to the HRA	1,052	4,368
Total charged to Property, Plant & Equipment	819	4,349

6. 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:

	2017/18	2018/19
	£000	£000
Rental income from investment property	1,048	1,597
Direct operating expenses arising from investment property	(61)	(76)
Net gain or loss	987	1,521

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.

	2017/18	2018/19
	£000	£000
Balance at start of the year	2,355	23,976
Revaluation gains from fair value adjustments	5	57
Revaluation losses from fair value adjustments	(126)	(395)
Capital Expenditure	0	229
Acquisitions	21,742	0
Balance at end of year	23,976	23,867

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 2018 £000	At 31 March 2019 £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

	2017/18 £000	2018/19 £000
Net Book Value		
HRA right-to-buy	1,610	1,290
HRA other sales	0	0
General Fund sales	0	64
Total	1,610	1,354
Sales Proceeds		
HRA right-to-buy	(2,885)	(2,440)
HRA other sales	0	(11)
General Fund sales	0	0
Total	(2,885)	(2,452)
Less admin fees	47	35
(Gain) or Loss on Disposal	(1,228)	(1,063)

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2019 the Authority was contractually committed to capital expenditure amounting to £17,829k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Redevelopment of William Muge & Snelgrove site	Airey Miller	126	Dec 2020
Redevelopment of William Muge & Snelgrove site	Jenner Contractors Ltd	12,475	Dec 2020
Sheltered upgrade of Norman Tailyour	Walker Construction	1,833	Oct 2019
CCTV upgrade & town centre wi-fi	Eurovia	270	July 2019
Dover Leisure Centre – new facility (retention)	BAM Construction Ltd	307	Feb 2020

Project	Contractor	Total Commitment £000	Estimated Completion Date
Deal Pier – capital works	Teignmouth Maritime Services	65	May 2019
Parks for People – Kearsney	Coombes (Canterbury) Ltd	867	Nov 2019
Parks for People – Kearsney	Idverde Ltd	1,470	May 2020
Maison Dieu restoration (Dover Town Hall)	Haverstock	239	March 2020
Maison Dieu restoration (Dover Town Hall)	Downland Partnership Ltd	85	March 2020
Maison Dieu restoration (Dover Town Hall)	Others	92	March 2020
Total		17,829	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	91,575	117,057
Capital Investment:		
Plant, property and equipment	12,428	27,950
Investment Property	21,742	218
Intangible assets	63	8
Revenue expenditure under statute funded by capital	678	1,177
Private sector housing loans	112	386
Total Capital Investment	35,024	29,738
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(878)	(3,391)
Capital grants and contributions	(1,575)	(2,118)
Major repairs reserve	(2,508)	(2,417)
Direct revenue financing/Reserves	(2,382)	(6,018)
Section 106 funding	(35)	(308)
Total Financing	(7,379)	(14,252)
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,154)	(2,223)
Minimum Revenue Provision (MRP)	0	(544)
Under Borrowing	27,636	15,486
Closing Capital Financing Requirement	117,057	129,777

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.

	2017/18		2018/19	
	£000	£000	£000	£000
Gross expenditure:				
Renovation Grants	0		4	
Disabled Facilities Grants	620		1,135	
Winter Warmth Grants	45		41	
Renovation Loans	112		83	
Empty Homes Loans	0		300	
St Margarets Bay Beach Study	13		0	
		790		1,563
Grants & contributions received:				
Disabled Facilities Grant (KCC BCF)	(665)		(1,177)	
Environment Agency	(13)		0	
		(678)		(1,177)
Total deferred charges		112		386
Written off to revenue in year		(112)		(386)
Total		<u>0</u>		<u>0</u>

12. INVESTMENTS

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

Short Term Investments

	2017/18	2018/19
	£000	£000
Investments managed by Fund Managers	1,914	0
In-house managed investments	15,550	0
Cash flow short term investment	0	4
Total	<u>17,464</u>	<u>4</u>

Long Term Investments

	2017/18	2018/19
	£000	£000
Stocks	6	6
Pooled Investment Funds	25,565	47,496
Total	<u>25,571</u>	<u>47,502</u>

Investment Portfolio

The Council's investment portfolio as at 31 March 2019 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2018
<u>Internal Investments:</u>			
Amortised cost			
Santander UK Notice Account		4	UK 'AA'
Total Internal Investments		4	
<u>External Investments:</u>			
Fair value through profit and loss			
Pooled Investment Funds			
CCLA Property Fund		6,000	'AA'
Investec Multi Asset Fund		10,000	'AA'
Columbia Threadneedle Strategic Bond Fund		8,000	'AA'
Payden and Rygel Sterling Reserve Fund		8,000	'AA'
CCLA Diversified Income Fund		8,000	'AA'
KAMES Monthly Diversified Fund		8,000	'AA'
Total External Investments		48,000	
<u>Cash and Cash Equivalents:</u>			
Amortised cost			
Cash at bank	n/a	252	
Nat West	Instant Access	51	UK 'BBB+'
HSBC	Instant Access	0	UK 'AA-'
Santander UK	Instant Access	1	UK 'A+'
Bank of Scotland	Instant Access	5	UK 'A+'
Barclays	Instant Access	34	UK 'A+'
Fair value through profit or loss			
Goldman Sachs MMF	Instant Access	1,479	UK 'AAA'
Aberdeen MMF	Instant Access	2,159	UK 'AAA'
Total Cash and Cash Equivalents		3,981	

13. BORROWING

	2017/18 £000	2018/19 £000
<u>Short term borrowing</u>		
Accrued Interest	145	126
PWLB	2,223	2,294
Temporary loan	0	23,500
LTA loan	9	9
Total Short Term Borrowing	2,377	25,929
<u>Long term borrowing</u>		
PWLB	80,293	77,999
LOBO	3,000	0
LTA Loan	69	61
Total Long Term Borrowing	83,362	78,060

14. FINANCIAL INSTRUMENTS

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets and the re-measurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements.

Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received,

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash at bank,
- bank current and deposit accounts with Natwest bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- soft loans made for service purposes,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- pooled bond, equity and property funds managed by fund managers held as strategic investments

Fair value through profit and loss (all other financial assets) comprising:

- money market funds,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The balances of the financial instruments are shown in the table below:

Financial Assets

Balance as at:

	Fair Value Level	31 March 2018 Carrying Amount £000	Fair Value £000	31 March 2019 Carrying Amount £000	Fair Value £000
Short term Assets					
Amortised cost:					
Notice accounts with Bank and building societies		0	0	4	4
Local Authorities		15,550	15,550	0	0
Fair value through profit and loss:					
Cash held by external fund manager	1	1,914	1,914	0	0
Total Short Term Investments		17,464	17,464	4	4
Amortised cost:					
Debtors		3,783	3,783	5,455	5,455
Cash and liquid assets		382	382	343	343
Fair value through profit and loss:					
Money Market funds	1	3,034	3,034	3,638	3,638
Total short term assets		24,664	24,664	9,440	9,440
Long term Assets					
Amortised cost:					
Long Term Debtors		203	203	597	597
Stocks		6	6	6	6
Soft Loans		2,101	2,101	2,196	2,196
Fair value through profit and loss:					
Long Term Investments	1	25,565	25,565	47,496	47,496
Total long term assets		27,875	27,875	50,295	50,295
Total Financial Assets		52,539	52,539	59,735	59,735

Financial Liabilities

Balance as at:

	Fair Value Level	31 March 2018 Carrying Amount £000	Fair Value £000	31 March 2019 Carrying Amount £000	Fair Value £000
Short Term Liabilities					
Amortised cost:					
Accrued Interest		145	145	126	126
PWLB repayments due		2,223	2,223	2,294	2,294

Balance as at:	Fair Value Level	31 March 2018		31 March 2019	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Temporary Loan		0	0	23,500	23,500
Lawn Tennis Association Loan		9	9	9	9
Total Short Term Borrowing		2,377	2,377	25,929	25,929
Creditors		6,887	6,887	5,970	5,970
Total Short Term Liabilities		9,264	9,264	31,899	31,899
Long Term Liabilities					
Amortised cost:					
PWLB – maturity	2	4,001	9,517	4,001	7,960
PWLB – Annuity	2	76,292	86,370	73,998	86,530
LOBOs ²	2	3,000	4,524	0	0
Lawn Tennis Association Loan	2	69	69	61	61
Total Long Term Liabilities		83,362	100,480	78,060	96,845
Total Financial Liabilities		92,626	109,744	109,959	126,450

Financial instruments elected to fair value through profit and loss

As a result of the implementation of IFRS9, the annual fair value movement in investments now has to be recognised in year, unless they are elected to be treated through other comprehensive income.

The table below identifies the Council's investments that were previously treated under available for sale financial assets and are now classified as fair value through profit and loss.

	31 March 2018	Sales and purchases in year	Change in fair value recognised in FVPL	31 March 2019
	£000	£000	£000	£000
CCLA Property Fund	5,745	0	89	5,834
Investec Multi Asset Fund	5,921	4,000	(76)	9,845
Columbia Threadneedle Strategic Bond Fund	5,900	2,000	8	7,908
Payden and Rygel	8,000	0	(19)	7,981
Sterling Reserve Fund				
CCLA Diversified Income Fund	0	8,000	(84)	7,916
KAMES Monthly Diversified Fund	0	8,000	12	8,012
Total	25,566	22,000	(70)	47,496

² The LOBO was repurchased in December 2018 for £3.6m. No further long term borrowing has been taken out to replace this at this time.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets [and the remeasurement of modified loan liabilities].

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below

	IAS 39 31/03/2018 £000	Reclassification £000	IFRS 9 01/04/2018 £000
Financial Assets			
Investments			
Loans & Receivables/Amortised cost	15,550	0	15,550
Available for sale/ FVPL	27,479	0	27,479
FVOCI	0	0	0
Total Investments	43,029	0	43,029
Debtors			
Loans & Receivables/Amortised cost	6,093	0	6,093
Total Debtors	6,093	0	6,093
Cash & Cash Equivalents			
Loans & Receivables/ Amortised cost	3,417	(3,043)	374
FVPL		3,043	3,043
Total Cash & Cash Equivalents	3,417	0	3,417
Total Financial Assets	52,539	0	52,539
Financial Liabilities			
Borrowing			
Amortised Cost	(85,739)	0	(85,739)
Creditors			
Amortised Cost	(6,887)	0	(6,887)
Total Financial Liabilities	(92,626)	0	(92,626)
Net Financial Assets	(40,087)	0	(40,087)

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2017/18		2018/19	
	£000	£000	£000	£000
Opening balance				
Soft loans	1,461		1,305	
Movement during the year				
LOBO premium amortised cost		0		592
Soft loans		(156)		(124)
Balance at 31 March		1,305		1,773

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.

	2017/18 £000	2018/19 £000
Opening balance	2,073	2,101
Advances in year	113	83
Repayments in year	(241)	(112)
Financial instruments adjustments	156	124
Closing balance	2,101	2,196

17. POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The amount shown on the Pooled Investment Funds Adjustment Account represents unrealised gains/losses in respect of the Council's strategic pool fund investments that have been classified as fair value profit and loss.

Pooled Investment Funds Adjustment Account	2017/18 £000	2018/19 £000
Opening balance	0	0
Balance transferred from the available for sale reserve	0	(561)
Unrealised profit/(loss) on pooled investments and fixed securities	0	(117)
Closing balance	0	(678)

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £10m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The Council also sets limits on investments in certain sectors.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A [two-year] delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, there were no loss allowances related to treasury investments.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

	2017/18	2018/19
	£000	£000
Cash and cash equivalents	3,416	3,981
Less than 1 year	17,464	4
More than 1 year	25,571	47,502
Total	46,451	51,487

The Council has taken into account that all trade and other payable creditors are due to be paid in less than one year, and treasury management procedures allow for sufficient cash flow funds to be maintained to settle these as they become due.

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 no Financial Instruments denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

Interest Rate Risk

The Council received interest of £1,159k on its investments of £51.4m achieving an average interest rate of 2.11%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £514k in the interest received.

The Council paid interest on its borrowings of £2.8m based on an average rate of 3.39%. 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 2014, as amended. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The last actuarial valuation of the Fund was carried out as at 31 March 2016 and has 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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	3,356	3,404
Curtailments and past service costs	11	4
Administrative expense	45	47
Net Operating Expenditure		
Net Interest on the Defined Liability	2,181	2,016
Charge to the Surplus or Deficit on the Provision of Services	5,593	5,471
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	766	4,869
Actuarial gains and losses arising on changes in demographic assumptions	0	9,681
Actuarial gains and losses arising on changes in financial assumptions	5,715	(8,235)
Experience loss/(gain) on defined benefit obligation	0	0
Other	0	0
Re-measurement of the net defined benefit liability	6,481	6,315
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,593)	(5,471)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,882	4,052
Contribution (From) or To Pensions Reserve	(1,711)	(1,419)

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.

Pension Assets and liabilities recognised in the Balance Sheet

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

Liabilities	2017/18 £000	2018/19 £000
-------------	-----------------	-----------------

	2017/18	2018/19
	£000	£000
Liabilities		
Opening balance at 1 April	177,664	174,667
Current service costs	3,356	3,404
Interest cost	4,552	4,383
Change in financial assumptions	(5,715)	8,235
Change in demographic assumptions	0	(9,681)
Experience loss/(gain) on defined benefit obligation	0	0
Benefits paid net of transfers in	(5,214)	(5,684)
Past service costs, including curtailments	11	4
Contributions by scheme participants	620	637
Unfunded pension payments	(607)	(609)
Closing balance at 31 March	174,667	175,356

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:

	2017/18	2018/19
	£000	£000
Assets		
Opening balance at 1 April	91,841	93,614
Interest on assets	2,371	2,367
Return on assets less interest	766	4,869
Other actuarial gains / (losses)	0	0
Administration expenses	(45)	(47)
Contributions by employer including unfunded	3,882	4,052
Contributions by scheme participants	620	637
Estimated benefits paid plus unfunded net of transfers in	(5,821)	(6,293)
Closing balance at 31 March	93,614	99,199

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.

Net Pension Liability

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

	2017/18	2018/19
	£000	£000
Present value of funded obligation	165,430	166,690
Fair value of scheme assets (bid price)	(93,614)	(99,199)
Net Liability	71,816	67,491
Present value of unfunded obligation	9,237	8,666
Net Liability in Balance Sheet	81,053	76,157

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:

	2017/18	2018/19
	£000	£000
Surplus or Deficit		
Opening balance at 1 April	(85,823)	(81,053)
Current service costs	(3,356)	(3,404)
Past service costs and curtailments	(11)	(4)
Employer's contributions	3,882	4,052
Administrative expenses	(45)	(47)
Remeasurement of net defined benefit liability	6,481	6,315
Interest on net defined benefit liability	(2,181)	(2,016)
Closing balance at 31 March	(81,053)	(76,157)

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 2018		31 March 2019	
	Fund Value	Percentage of Fund	Fund Value	Percentage of Fund
	£000	%	£000	%
Assets				
Equities	62,470	66	68,021	68
Gilts	716	1	652	1
Bonds	8,950	10	9,033	9
Property	11,770	13	11,915	12
Cash	3,102	3	1,731	2
Target Return Portfolio	6,606	7	7,847	8
Total	93,614	100	99,199	100

Percentage of the total Fund held in each asset class split by those that have a quoted market price in an active market and those that do not

	31 March 2018		31 March 2019	
	Percentage of Fund	Fund Value	Percentage of Fund	Fund Value
	£000	%	£000	%
Quoted Market Price	76,764	82	83,030	83.7
Unquoted Market Price	16,850	18	16,169	16.3
Total	93,614	100	99,199	100

Scheme History

2014/2015	2015/16	2016/17	2017/18	2018/19
-----------	---------	---------	---------	---------

	£000	£000	£000	£000	£000
Present value of liabilities	(159,683)	(154,510)	(177,664)	(174,667)	(175,356)
Scheme assets	78,227	77,552	91,841	93,614	99,199
Surplus or (deficit) in the scheme	(81,456)	(76,958)	(85,823)	(81,053)	(76,157)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £76m 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.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2018/19 and are detailed below:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Remeasurement of the net defined liability recognised in the CIES	(14,059)	5,924	(7,589)	6,481	6,315
Cumulative remeasurement of the net defined benefit liability	(66,245)	(60,321)	(67,910)	(61,429)	(55,114)

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 2016.

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

	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1 years	22.0 years
Women	25.2 years	24.0 years
Longevity at 65 for future pensioners		
Men	25.3 years	23.7 years
Women	27.5 years	25.8 years
Rate of inflation – RPI	3.35%	3.45%
Rate of inflation – CPI	2.35%	2.45%
Rate of increase in salary	3.85%	3.95%
Rate of increase in pension	2.35%	2.45%
Rate for discounting scheme liabilities	2.55%	2.35%

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	172,577	175,356	178,183
Projected service cost	3,344	3,420	3,498
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	175,581	175,356	175,133
Projected service cost	3,420	3,420	3,420
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	177,953	175,356	172,801
Projected service cost	3,497	3,420	3,344
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	181,729	175,356	169,207
Projected service cost	3,537	3,420	3,306

Projected Pension Expense for the Year to 31 March 2020

These projections are based on the Actuary's assumptions as at 31 March 2020.

	2019/20 Projection £000
Service cost	3,420
Net interest on the defined liability (asset)	1,743
Administration expenses	50
Total	5,213
Employer's contributions	3,446

McCloud / Sargeant Ruling on Pension Account Disclosures

Two successful employment tribunal cases were brought against the Government in relation to discrimination on reforms to public sector pensions in 2015. The impact of the results of these cases has yet to be determined within the confines of the LGPS. At the suggestion of both the Government Actuaries Department (GAD), the Ministry of Housing, Communities and Local Government (MHCLG) and our External Auditors, Grant Thornton, we asked the Funds Actuaries, Barnett Waddingham to undertake a review on whether the ruling would have a material impact on the figures shown within this note. They have concluded that any impact would not be of a

material nature. The Council has not therefore restated any of the details supplied within the year end assessment.

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	2017/18		2018/19	
	£000	£000	£000	£000
District council's council tax		6,600		6,922
Parish councils' council tax		2,327		2,384
		<u>8,927</u>		<u>9,306</u>
Current year's actual Collection Fund surplus (Council Tax)	287		270	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	422		287	
Share of estimated prior year surplus distributed in year	(236)		(141)	
	<u>186</u>		<u>146</u>	
		101		124
Council Tax S31 Grant – re discount for Family Annexes		7		7
Amount credited to the CIES from Council Tax		<u>9,035</u>		<u>9,437</u>

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

	2017/18		2018/19	
	£000	£000	£000	£000
District council's share of NNDR		15,308		16,042
S31 Grant for NNDR Reliefs given		1,128		1,395
Tariff to Central Government		(11,458)		(11,803)
Levy Payable to Government/Pool Lead		(237)		(398)
Pilot Scheme – Financial Sustainability Fund		0		980
Pilot Scheme – Growth Fund		0		1,003
Current year's actual Collection Fund surplus/(deficit) - NNDR	(773)		(386)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	(519)		(773)	
Share of estimated prior year surplus/deficit contributed in year	728		605	
	<u>209</u>		<u>(168)</u>	
		(982)		(218)
Income from NNDR		<u>3,759</u>		<u>7,001</u>

	2017/18		2018/19	
	£000	£000	£000	£000
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government/KCC	1,061		1,217	
Enterprise Zone Relief due from Government/KCC	115		962	
Total Enterprise Zone Relief		1,176		2,179
Renewable Energy NNDR Retained:				
Renewable Energy retained as per NNDR1	40		309	
Further Renewable energy due for year/(reduction)	21		(6)	
Total Renewable Energy Retained		61		303
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		4,996		9,483

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2018/19 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, Enterprise Zone Relief and Renewable Energy NNDR Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are: the collection fund deficit arising in the year (£218k), which is increased by an adverse £387k MIRS adjustment, increasing the deficit to £605k, which is the actual amount contributed by the council (in 2017/18 this was a deficit arising in the year of £982k, which was offset by a favourable £254k MIRS adjustment, which was the actual deficit contributed of £728k). The accrued Enterprise Zone Relief Grant of £962k (2017/18 £115k) and the Renewable Energy NNDR of -£6k (2017/18 +£21k) are also reversed through the MIRS.

Enterprise Zone Relief compensation grant

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, and as mentioned above, £962k is reversed through the MIRS and will not be formally recognised until 2019/20.

Kent Pilot Scheme for 100% Growth retention

During the year, Dover District Council was part of a Government-approved Pilot Scheme with the other Kent Authorities (including County and Fire), whereby business rates growth above individual baselines was retained 100% within Kent, subject to agreed local sharing arrangements. Maidstone Borough Council acted as the lead authority for administering the Pilot Scheme. Under the agreed

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. 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%). Further details are shown below:

	2017/18		2018/19	
	£000	£000	£000	£000
Levy:				
Levy Payable to Pool (50% x Growth)	0		(839)	
Direct share of pooling saving	0		232	
Growth Fund share of pooling 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 in Table above		(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

Ordinarily, a levy is paid to central Government equivalent to 50% of business rates growth above an authority's centrally determined baseline need. In 2018/19 this would have cost the Council £839k. However, by joining a pilot scheme for 2018/19 only, no levy is payable to Central Govt. by any of the pilot scheme authorities. However, the levy that would have been payable is collected separately by Maidstone Borough Council as the lead authority, and effectively recycled back to us within the pilot scheme elements of the additional growth retained. The figures show that we have retained an additional £2.4m NNDR by being part of a pilot scheme in 2018/19, compared to being outside of a pool or pilot scheme and acting alone. This is a one-off gain in 2018/19 only, as no pilot scheme was approved for 2019/20 despite a Kent-wide bid.

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	2017/18 £000	2018/19 £000
General government grants:		
Revenue Support Grant	1,027	568
New Burdens Grant	30	30
New Homes Bonus	1,873	1,515
Total non-specific grant income	2,930	2,113
Capital Grants & Contributions	2017/18 £000	2018/19 £000

KCC Better Care Fund	1,058	1,042
Section 106	35	308
Environment Agency	126	148
Sport England	727	727
MHCLG	0	134
Dover Society	0	61
Total capital grant contributions	1,946	2,420
Credited to Services	2017/18	2018/19
	£000	£000
Rent Allowance Subsidy	22,704	19,133
Benefit Administration Grant	278	243
Council Tax Administration Grant	277	262
Non-HRA Rent Rebate Subsidy	207	296
HRA Rent Rebate Subsidy	10,143	8,916
Discretionary Housing Payment Contribution	273	242
NNDR Cost of Collection Allowance	161	160
New Burdens – NNDR	12	0
New Burdens – IER	77	66
Homelessness Grant	102	234
Coast Protection Grant	13	0
Universal Credit Grant	68	37
Commonwealth War Memorial Dover	466	0
St Edmunds Chapel Revival	0	46
Dover Castle on the Defensive	0	50
High Street Community Clean Up	0	20
Controlling Migration	0	70
Business Continuity	0	290
Other	153	157
Total Credited to Services	34,934	30,222
Total Grant Income	39,810	34,755

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 Developer Contributions.

The Council was part of a Kent-wide Business Rates Pilot Scheme in 2018/19. The settlement funding assessment from Central Government was £4,132k, comprising the Revenue Support Grant (RSG) of £568k and the Baseline Funding Level for Business Rates of £3,564k. RSG was offset against Tariff payable to Government as part of the accounting for pilot schemes, but within the pilot scheme itself the RSG was separated back out to ensure each authority received the level of RSG it was entitled to, and that it wasn't amalgamated with growth calculations for retention. RSG is shown separately within the figures above to aid comparability, and the tariff is similarly stated in Note 21 at its gross level (before offset of RSG).

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. Narrative has been provided to explain the movement of employee numbers between bands.

Remuneration Band	Number of Employees		Movement in Bands Note Ref
	2017/18	2018/19	
£50,000-£54,999	10	6	B / D
£55,000-£59,999	5	11	B / D
£60,000-£64,999	7	7	
£65,000-£69,999	1	2	B
£70,000-£74,999	1	0	D
£75,000-£79,999	5	6	A
£80,000-£84,999	0	1	D
£85,000-£89,999	1	1	
£90,000-£94,999	0	0	
£95,000-£99,999	3	2	E
£110,000-£114,999	1	0	C
£130,000-£134,999	1	0	D
£135,000-£139,999	0	1	D
	35	37	

Note Ref	Movement in Bands
A	Post reverted to 1FTE
B	Restructure impact
C	Post redundancies
D	Annual increment / cost of living rise
E	Post changed to part time

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.

2017/18 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	1	1	2	£18,900	-

20-40	2	-	2	£57,724	£4,737
40-60	1	1	2	£41,112	£42,000
60-80	-	-	-	-	-
Total	4	2	6	£117,736	£46,737

2018/19 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	2	1	3	£33,741	-
20-40	1	1	2	£24,447	£51,479
40-60	-	-	0	-	-
60-80	-	-	0	-	-
Total	3	2	5	£58,188	£51,479

Senior Officers' Emoluments

Under the Accounts and Audit Regulations 2015, 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.

2017/18 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	120	3	11	134	20	154
Dir of Finance, Housing & Comm (S.151 Officer)	85	3	7	95	13	108
Dir of Governance (Monitoring Officer)	85	3	7	95	55	150
Dir of Environment & Corp Assets	85	3	9	97	13	110
Head of Inward Investment	67	0	6	73	10	83
Head of Regeneration and Development	57	0	5	62	9	71
Head of Electoral Services	56	0	6	62	9	71
	555	12	51	618	129	747

2018/19 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	11	137	54	191
Strategic Director (Corporate Resources)	87	3	8	98	13	111
Director of Governance	57	3	5	65	9	74
Strategic Director (Operations and Commercial)	87	3	10	100	13	113
Head of Inward Investment	69	0	7	76	11	87
Head of Regeneration and Development	58	0	5	63	9	72
Head of Electoral Services	57	0	4	61	7	68
Head of Leadership Support	70	0	6	76	11	87
	608	12	56	676	127	803

Reason for Change between years

Chief Executive – Pension contributions include actuarial strain reflecting flexible retirement with effect from 1 April 2019, pursuant to the Local Government Pension Scheme Regulations 2013, Reg. 30(6) and in accordance with the Council's Pension Discretion Policy Statement

Dir of Governance – Salary reflects post change to part-time

Change of post title from Dir of Finance, Housing & Comm (S.151 Officer) to Strategic Director (Corporate Resources) wef 01.01.2019

Change of post title from Dir of Environment & Corp Assets to Strategic Director (Operations and Commercial) wef 01.01.2019

Head of Leadership support had been excluded in prior years on the basis that the role was in the nature of support. This role has been included for 2018/19 following changes in responsibility.

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.

	2017/18	2018/19
	£000	£000

Balance at 1 April	(17,312)	(19,258)
Usable capital receipts received	(3,118)	(2,573)
	<u>(20,430)</u>	<u>(21,831)</u>
Less: usable capital receipts applied:-		
Expenditure on non-current assets	766	3,008
Empty Home Loans	0	300
Private Sector Housing Loans	112	83
Pooled housing capital receipts	294	294
Balance at 31 March	<u>(19,258)</u>	<u>(18,146)</u>

Pooling of Housing Capital Receipts

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2018/19 £294k has been paid to the DCLG in relation to capital pooling requirements (£294k in 2017/18).

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

The Council's policy is to maintain a General Fund balance above £2m and an HRA balance above £1m.

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	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	<u>25,903</u>	<u>9,259</u>	<u>(4,549)</u>	<u>30,613</u>

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 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. As there are still many uncertainties around these areas, such as the unknown collection rates achievable and the level of business rates appeals, etc., this reserve has been retained and will be reviewed on an annual basis.

District Regeneration & Economic Development – This reserve has been established 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

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Housing Initiatives	14,696	4,350	(5,077)	13,969
Total	14,696	4,350	(5,077)	13,969

Housing Initiatives Reserve – This reserve has been established to provide a source of funding for special initiatives arising in respect of affordable housing.

27. DEBTORS

Long Term Debtors	31 March 2018 £000	31 March 2019 £000
Loans to:		
Leaseholders	8	0
Local organisations	9	19
Local Authorities	156	401
Other:		
Housing benefit debtors ¹	578	278
EKH Single System Loan ²	186	221
Total	937	919

¹ **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2019 which is expected to be recovered after one year.

² **EKH Single System Loan** – Dover District Council lent East Kent Housing £223k for the purchase of the new Single Housing System. The loan was to be repaid annually for six years commencing on 1 March 2017. EKH repaid the first instalment of £37k during 2017/18 but then asked for another £35k during 2018/19 and requested that the repayment of the loan is deferred until the system is implemented.

Short Term Debtors	31 March 2018	31 March 2019
	£000	£000
General Fund		
Housing rents and other charges	676	1,028
Central Government	1,939	971
Local Authorities	1,294	4,349
Payments in Advance	2,637	388
Other debtors	6,064	5,908
	12,610	12,644
Collection Fund		
Local tax payers (district council's share)	1,646	1,911
Central Government	143	977
	1,789	2,888
Other Local Authorities – cash due	0	480
Total	14,399	16,012

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

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 a £1.9m increase due to the Business Rates Pilot Scheme, a £861k increase in debtors relating to the waste contract, and a £333k increase in other LA 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.

Provision for Bad Debts	Council Tax	NDR	General Debtors	Housing Benefits	HRA	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	478	705	619	1,868	441	4,111
Write-offs	(40)	(16)	(60)	(264)	(22)	(402)
Contribution to provision	116	13	183	268	93	673
Balance at 31 March 2018	554	702	742	1,872	512	4,382
Write-offs	(37)	(146)	(46)	(122)	(7)	(358)
Contribution to provision	54	129	135	97	83	498
Balance at 31 March 2019	571	685	831	1,847	588	4,522

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 87.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

Age of debt	At 31 March 2018			At 31 March 2019		
	General Debtors £000	HRA £000	Total £000	General Debtors £000	HRA £000	Total £000
< 1 month	1,149	323	1,472	548	0	548
1 – 3 months	357	219	576	593	1	594
3 – 6 months	101	102	203	98	2	100
6 – 12 months	51	28	79	123	27	150
1 year +	178	7	185	245	358	603
Total	1,836	679	2,515	1,607	388	1,995

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 100 days of the Balance Sheet date and net cash holdings in the Council's bank accounts.

	2017/18 £000	2018/19 £000
Cash held at bank	342	252
Bank call accounts	3,075	3,729
Total Cash and Cash Equivalents	3,417	3,981

29. SHORT TERM CREDITORS

As at 31 March	2018 £000	2019 £000
General Fund		
Government departments	(2,817)	(1,637)
Other local authorities	(601)	(942)
Housing tenants	(261)	(402)
Other creditors – revenue	(4,641)	(4,356)
Other creditors – capital	(1,646)	(1,368)
	<u>(9,966)</u>	<u>(8,705)</u>
Collection Fund		
Government Departments	(5,105)	(0)
Local Authorities	(2,020)	(4,662)
Local tax payers (DDC's share)	(594)	(520)
	<u>(7,719)</u>	<u>(5,182)</u>
Total	<u>(17,685)</u>	<u>(13,887)</u>

The net decrease in creditors is due to changes in both General Fund and Collection Fund creditors. The changes in General Fund Creditors include a £1.08m decrease in the amount owed to DWP for Housing Benefit subsidy, £341k increase in Local Authority creditors (including £840k increase in amounts owed to Maidstone Borough Council Pilot Growth Scheme and administration, £227k decrease in EKS management charge and £161k decrease in creditors for Council Tax Support), £141k increase in Housing Rents, £202k decrease in revenue creditors due to termination of DDC management of Sainbury's car parking income, £13k reduction on revenue creditors as creditors no longer raised for Samphire Hoe parking income, £141k increase in HRA sundry creditors, £278k decrease in sundry capital creditors. Additionally, there are Collection Fund decreases due to: the discontinuation of pilot Government NDR pooling scheme (£5.1m), and an £2.6m increase in the Collection Fund cash owed to Government (includes £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 and £340k decrease in DDC share of NDR collection fund).

30. PROVISIONS

Localisation of Business Rates

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. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £6.23m (2017/18 £4.98m) can be seen within the separate Collection Fund section.

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.

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.

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. The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value, which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

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. Therefore provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing. However, as stated, only the Council's 40% share of this amount is included in its own accounts. See the separate Collection Fund section for further information.

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. In 2016/17 another 10% levy (£13,278) was paid, and there may be a further levy of 15%. To provide for this, the provision has been set at 15% of the total claim.

	2017/18	2018/19
	£000	£000
As at 31 March		
DDC Share of NNDR Appeals Provision	(1,990)	(2,492)
Municipal Mutual Insurance provision	(20)	(20)
Total	(2,010)	(2,512)

31. RECEIPTS IN ADVANCE

	2017/18	2018/19
	£000	£000
As at 31 March		
Government departments	(873)	(894)

	2017/18	2018/19
	£000	£000
As at 31 March		
Other local authorities	(423)	(830)
Other	(1,165)	(1,119)
Total	(2,461)	(2,843)

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	(3,168)	(3,503)
Contributions received	(1,785)	(1,903)
Applied to projects	1,450	1,909
Balance at 31 March	(3,503)	(3,498)

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	(377)	(726)
Contributions received	(475)	(411)
Applied to capital projects	126	209
Balance at 31 March	(726)	(929)

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.

Capital Adjustment Account	2017/18	2018/19
	£000	£000

Capital Adjustment Account	2017/18	2018/19
	£000	£000
Balance at 1 April	(157,195)	(161,378)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	7,137	6,856
Amortisation of intangible assets	41	58
Revaluation losses on property, plant and equipment	276	4,387
Revaluation gains on property, plant and equipment	(1,095)	(55)
Revenue expenditure funded from capital under statute	678	1,180
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1,610	1,311
Adjusting amounts written out of the Revaluation Reserve	(3,649)	(3,406)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(878)	(3,391)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,508)	(2,417)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(160)	(517)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,450)	(1,909)
Receipt of capital income from long term debtors	241	112
Capital expenditure charged against the General Fund and HRA balances	(844)	(331)
Capital expenditure charged against Earmarked Reserves	(1,538)	(5,686)
Movements in the market value of Investment Properties debited or credited to the CIES	120	338
Loan Repayments Made	(2,162)	(2,231)
Minimum Revenue Provision		(544)
Balance at 31 March	(161,378)	(167,625)

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	1,560	1,952
Contributions received	722	2,167
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(330)	(1592)
Balance at 31 March	1,952	2,527

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.

	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
Balance carried forward		46,405		53,035
Balance at 1 April		46,405		53,035
Revaluation gains	10,440		5,098	
Revaluation losses	(161)		(5,664)	
Surplus on revaluation of fixed assets		10,279		(567)
Revaluations relating to disposals written out		0		(44)
Historic cost depreciation written out to the capital adjustments account		(3,649)		(3,406)
Balance at 31 March		53,035		49,019

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 (except one) 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 expenditure may be significant to the recipient parties:

Organisation	Value	Details
Deal Town Council	£5,000	Grant made to Deal Town Council. One Member is also a Deal Town Councillor
Sandwich Toll Bridge Fund	£33,000	Payments for rent. Members of Sandwich Town Council are by definition Trustees of this Fund. Through this, one Member of Dover District Council is a Trustee.
Dover, Deal & District Citizens Advice Bureau	£97,000	Grant made to the C.A.B. One Member is a Director of this local charity.
St Radigunds Community Centre Company	£14,000	Loan issued for St Radigunds Community Centre One Member is a user of this centre. One Member is a contractor for this company.

Aylesham and District Community Workshop Trust	£3,800	Payment to the Trust for use of office space and training session. One Member is the Chairman of this Trust
Betteshanger Social Welfare Scheme	£3,000	Grant made to community housing scheme. One Member is a trustee of this scheme.
Gazen Salts Nature Reserve	£4,500	Grant made to the Gazen Salts Reserve. One member is also a Director of the Gazen Salts Nature Reserve Company

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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 22 Grant Income on reporting for resources allocation decision.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2018/19 was the eighth year of operation.

In 2018/19 £2.197m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £367k, Dover District Council made a loan to East Kent Housing in 2015/16, of which £nil was repaid in 2018/19. Please see note 27 Debtors for further details.

See also note 42 Interest in Companies and Other Entities for further financial information for East Kent Housing.

38. MEMBERS' ALLOWANCES

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

	2017/18 £000	2018/19 £000
Basic Allowance	178	179
Special Responsibility Allowance	94	99
Members' National Insurance Contributions	3	3
Total	276	281

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 the Council's website at:

<https://www.dover.gov.uk/Council--Democracy/Allowances/Councillor-Allowances.aspx>

39. EXTERNAL AUDIT FEES

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. The Council incurred the following fees relating to external audit and inspection carried out during 2018/19:

	2017/18	2018/19
	£000	£000
External audit services – Grant Thornton	54	41
Certification of grant claims and returns	17	11
Other services	2	0
Total	73	52

40. CONTINGENT ASSETS & LIABILITIES

Contingent Assets

East Kent Housing Limited (EKH), the Council's jointly owned Arms Length Management Organisation manage the Council's housing stock including acting as contract administrator on the maintenance and improvement programmes for the housing stock. The council has a contractor in place for central heating maintenance & installation which has recently been terminated by the contractor. A consultant has been commissioned by EKH to review works undertaken and payments made to the contractor. It is felt probable that there will be an inflow of economic benefit to the Council resulting from this review, but it remains uncertain and is not wholly within the control of the Council.

Contingent Liabilities

Private Finance Initiative

In 2007/08 and 2014/15 the Council entered into partnership agreements with Kent County and other district councils within Kent to provide new homes for vulnerable people. The projects are known as Better Homes Active Lives (BHAL) and Kent Excellent Homes For All (KEHFA). 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.

Under the agreements the Council will be jointly financially liable if the PFI contracts are terminated for reasons such as contractor default or force majeure. For BHAL the implications of a termination in year 10 was assessed as approximately £60m and the cost implication for KEHFA will be similar. This would mean a contribution of £4.48m as at year 10 of the scheme in respect of BHAL and £8m for KEHFA based on the cost share percentages set out in the agreements. However, the risks of such an event occurring continue to be assessed as very remote.

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 2019, 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 made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. In 2015/16, the provision was increased by £20k, returning it to £33k. In 2016/17 a further payment of £13k was made. The £80k 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 decreased from £10.08m to £9.501m at 31 March 2019, of which Dover District Council's share would be £2.25m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability.

Civica UK Ltd Pension Deficit

In February 2018, this Council, together with Canterbury and Thanet district councils, entered into a contract with Civica UK Ltd. As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis. Given the short time period between the date of transfer and the year end, it is considered very unlikely that there has been a significant change to the funding level for the transferred staff.

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 £40k.

Business Rates

An Appeal Court has ruled that supermarkets will no longer have to pay business rates for cash machines outside their shops. The separate assessment of ATMs has applied since 2010, and the court ruling means that all business rates paid in relation to ATMs would need to be refunded. The VOA is appealing against this decision and the outcome may not be known until 2021. We therefore think it reasonable to disclose this as a contingent liability, as opposed to a provision on the basis that as at 31 March 2019 the obligation will be possible, rather than probable. This is the position agreed with other Kent Authorities and, as such, no allowance is made within the appeals provision or the Statement of Accounts for refunds which could be as much as £500k including prior years (DDC share £200k @ 40%), but also dependent

on the determination of the affected ATMs (for example these may include service stations, etc., included within these estimates).

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 2018. The Council does not consider there to have been any material post balance sheet events.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council, together with Canterbury City Council, Folkestone & Hythe 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 neither a joint venture nor a joint operation and is therefore not required to be included within the statement of accounts. This is because the day-to-day operations are managed by the Board and, at Board level, the member Councils only have one board member each out of twelve in total and so, at Board level, the Councils are a minority and do not have control of the Board, even if acting together.

This Council therefore considers that its interest in EKH does not amount to a controlling interest and therefore Group Accounts do not need to be prepared.

However, for information, the financial (draft unaudited) results of EKH for 2018/19 and the Council's share is as follows:

Restated			East Kent Housing Ltd	DDC share 25%
East Kent Housing Ltd	DDC share 25%		East Kent Housing Ltd	DDC share 25%
2017/18	2017/18		2018/19	2018/19
£000	£000		£000	£000
(8,817)	(2,204)	Turnover	(8,686)	(2,172)
9,092	2273	Expenses	9,481	2370
275	69	Operational (profit)/loss	795	198
300	75	Finance costs	276	69
575	144	(Profit)/loss after taxation	1,071	267
(1,332)	(333)	Re-measurement of post-employment benefit obligations	(1,738)	(435)
(757)	(189)	Total comprehensive (income)/loss for the year	(667)	(168)
1274	319	Non-current assets	1,646	412
688	172	Current assets	858	215
(480)	(120)	Current liabilities	(539)	(135)
(10,721)	(2680)	Non-current liabilities	(10,499)	(2625)
(9,239)	(2309)		(8,534)	(2,133)

(842)	(210)	Profit and loss reserve	(967)	(242)
10,081	2,520	Pensions reserve	9,501	2,375
9,239	2310		8,534	2,133

The 2017/18 figures have been restated to reflect the final, audited accounts from EKH.

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2018/19. 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.

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

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

2017/18			2018/19		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income					
Council tax:					
0	(62,899)	(62,899)	0	(66,868)	(66,868)
0	0	0	0	0	0
National Non-domestic rates:					
(37,620)	0	(37,620)	(42,335)	0	(42,335)
(1,448)	0	(1,448)	(2,724)	0	(2,724)
(1,302)	0	(1,302)	0	0	0
(40,370)	(62,899)	(103,269)	(45,059)	(66,868)	(111,927)
Total Income			Total Income		
Expenditure					
Precepts, Demands & Shares:					
18,226	0	18,226	(756)	0	(756)
3,281	44,999	48,280	23,526	47,677	71,203
0	6,000	6,000	0	6,514	6,514
364	2,801	3,165	386	2,910	3,296
14,581	6,836	21,417	15,437	7,063	22,500
0	2,327	2,327	0	2,383	2,383
36,452	62,963	99,415	38,593	66,547	105,140
Enterprise Zone Relief Payable:					
1,159	0	1,159	2,179	0	2,179
260	0	260	490	0	490
29	0	29	55	0	55
1,448	0	1,448	2,724	0	2,724
Renewable Energy Retained					
61	0	61	303	0	303
61	0	61	303	0	303
Charges to the Collection Fund:					
39	199	238	364	174	538
(6)	619	613	(42)	217	175
2,847	0	2,847	1,407	0	1,407
164	0	164	160	0	160
3,044	818	3,862	1,889	391	2,280
Transitional Protection Payments			Transitional Protection Payments		
0	0	0	581	0	581
41,005	63,781	104,786	44,090	66,938	111,028
Total Expenditure			Total Expenditure		
635	882	1,517	(969)	70	(899)
(Surplus) or Deficit for the Year					
1,298	(2,880)	(1,582)	1,933	(1,998)	(65)
Balance brought forward at 1 April					
1,933	(1,998)	(65)	964	(1,928)	(964)
Balance Carried Forward at 31 March			Balance Carried Forward at 31 March		

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 10% (DDC figure). That means that claimants who weren't paying Council Tax are now required to pay 10% 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.

Precepts

Authorities who made a precept on the Collection Fund for **Council Tax** are as follows, including their share of the surplus paid:

Preceptor	2017/18 Precept £000	2017/18 Surplus £000	2017/18 Total £000	2018/19 Precept £000	2018/19 Surplus £000	2018/19 Total £000
Kent County Council	43,857	1,142	44,999	46,985	692	47,677
Police and Crime Commissioner for Kent Kent and Medway Fire & Rescue Authority	5,847	153	6,000	6,422	92	6,514
Dover District Council	2,729	72	2,801	2,867	43	2,910
	6,600	236	6,836	6,922	141	7,063
	59,033	1,603	60,636	63,196	968	64,164
Parish councils	2,327	-	2,327	2,383	-	2,383
Total Demand on the Collection Fund	61,360	1,603	62,963	65,579	968	66,547

Authorities who made a precept on the Collection Fund for **Business Rates** are as follows, including their share of the surplus paid:

Preceptor	2017/18 Precept £000	2017/18 Deficit £000	2017/18 Total £000	2018/19 Precept £000	2018/19 Deficit £000	2018/19 Total £000
Kent County Council	3,445	(164)	3,281	23,662	(136)	23,526
Kent and Medway Fire & Rescue Authority	382	(18)	364	401	(15)	386
Dover District Council	15,309	(728)	14,581	16,043	(606)	15,437
	19,136	(910)	18,226	40,106	(757)	39,349
Central Government	19,136	(910)	18,226	0	(756)	(756)
Total Demand on the Collection Fund	38,272	(1,820)	36,452	40,106	(1,513)	38,593

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:

Band	2017/18			2018/19		
	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	1.08	5/9ths	0.60	2.68	5/9ths	1.49
A	3,904.66	6/9ths	2,603.11	3,948.28	6/9ths	2,632.19
B	11,959.35	7/9ths	9,301.72	12,195.54	7/9ths	9,485.42
C	11,244.10	8/9ths	9,994.75	11,441.61	8/9ths	10,170.32
D	6,137.95	9/9ths	6,137.95	6,271.96	9/9ths	6,271.96
E	3,840.26	11/9ths	4,693.65	3,924.53	11/9ths	4,796.65
F	2,182.36	13/9ths	3,152.30	2,214.78	13/9ths	3,199.13
G	1,305.77	15/9ths	2,176.28	1,330.88	15/9ths	2,218.13
H	49.00	18/9ths	98.00	50.50	18/9ths	101.00
	<u>40,624.53</u>		<u>38,158.36</u>	<u>41,380.76</u>		<u>38,876.29</u>
Estimated Collection Rate			97.50%			97.65%
Council Tax Base			37,204.40			37,962.69

Band D Council Tax

	2017/18 £	2018/19 £
Kent County Council	1,178.82	1,237.68
Police and Crime Commissioner for Kent	157.15	169.15
Kent and Medway Fire & Rescue Authority	73.35	75.51
Dover District Council	177.39	182.34
	<u>1,586.71</u>	<u>1,664.68</u>
Parish councils (average)	62.56	62.79
Total	1,649.27	1,727.47

This basic amount of council tax for a Band D property of £1,727.47 for 2018/19 (£1,649.27 for 2017/18) 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 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.

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 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. There is also a separate calculation of a pre-determined baseline need for the billing authority. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline need) result in safety net payments from Government (or levy payments to it). 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. Tariff, levy and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself.

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 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.

To facilitate the arrangements for the pilot scheme, and to avoid the need for all scheme members to alter their proportional shares and tariffs, it was agreed that Kent County Council would increase its proportionate share to 59% (effectively taking their 'normal share' of 9% and adding on the 50% previously attributed to Central Government). This was not intended to create any specific advantage to KCC, as they had a proportionate increase in their tariff (whereas previously they received a top-up from Central Government instead) to ensure that only growth above aggregate county-wide baseline need would be retained. The additional county-wide growth is then shared by a separate mechanism on an agreed basis among the scheme members, and taken into their separate Core Statements. These amounts are not shown in the collection fund itself, but the explanation is needed to understand the change in proportionate shares between 2017/18 and 2018/19 (i.e. The Government's proportional share decreases from 50% to 0%, KCC's share increases from 9% to 59%, while district shares remain at 40% for both years and the Kent & Medway Fire and Rescue Authority share remains at 1% for both years).

The NNDR income, after reliefs, of £42.335m for 2018/19 (£37.620m for 2017/18), 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).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	<u>2017/18</u>			<u>2018/19</u>		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	3,284	1,761	5,045	3,903	1,755	5,658
Write-Offs	(199)	(39)	(238)	(174)	(364)	(538)
Contribution to Provision	818	33	851	392	322	714
Balance at 31 March	3,903	1,755	5,658	4,121	1,713	5,834

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 16 January 2018 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 £968k for 2017/18, so there was an additional payment to major preceptors of this amount in 2018/19. The distributable surplus for 2018/19 was estimated as £786k and will be distributed to major preceptors during 2019/20. The actual surplus of £1,928k at 31 March 2019 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2019/20 (N.B. "Council Tax Cash" in [note 5](#) shows cash surpluses at 31 March 2018 and 2019, but these surpluses include significant 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 2017 £000	Movement in Year £000	Surplus at 31 March 2018 £000	Movement in Year £000	Surplus at 31 March 2019 £000
Kent County Council	(2,054)	624	(1,430)	53	(1,377)
Police and Crime Commissioner for Kent	(275)	82	(193)	(5)	(198)
Kent & Medway Fire & Rescue Authority	(129)	41	(88)	5	(83)
Dover District Council	(422)	135	(287)	17	(270)
Total	(2,880)	882	(1,998)	70	(1,928)

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2018 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 rates income. The District Council estimated that the fund would have an accumulated deficit of £1,513k for 2017/18 and this was collected from major preceptors during 2018/19. The District Council estimated that the fund would have an accumulated deficit of £896k for 2018/19 and this will be collected from major preceptors during 2019/20. The actual deficit of

£964k is a slightly poorer position at 31 March 2019. Therefore the amount collected during 2018/19 will be £68k lower than strictly required (i.e. DDC should be recovering a deficit of £964k rather than £896k). This will be adjusted against the 2019/20 proportionate shares of non-domestic rates income.

The proportionate shares (prescribed by legislation) of the actual collection fund deficit for non-domestic rates are shown below. The closing balance of £964k at 31 March 2019 includes £420k deficit relating to 2017/18 and £544k further deficit arising in 2018/19 and each element is split according to the shares for those years:

	Proport- ionate Shares 17/18	Proport- ionate Shares 18/19	Deficit at 31 March 2018 £000	Movement in Year £000	Deficit at 31 March 2019 £000
Central Government	50%	0%	967	(757)	210
Kent County Council	9%	59%	174	185	359
Kent & Medway Fire & Rescue Authority	1%	1%	19	(10)	9
Dover District Council	40%	40%	773	(387)	386
Total	100%	100%	1,933	(969)	964

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:

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,923	536	239	777	0	5,475
Council tax provision for bad debts	(2,796)	(382)	(171)	(554)	0	(3,903)
Council tax overpayments & prepayments	(1,061)	(145)	(65)	(210)	0	(1,481)
Council tax cash	1,364	184	85	274	0	1,907
Collection Fund surplus	(1,430)	(193)	(88)	(287)	0	(1,998)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	196	0	22	870	1,086	2,174
NNDR provision for bad debts	(158)	0	(17)	(702)	(878)	(1,755)
NNDR provision for appeals	(448)	0	(50)	(1,990)	(2,488)	(4,976)
NNDR overpayments & prepayments	(86)	0	(10)	(384)	(480)	(960)
NNDR cash	322	0	36	1,433	1,793	3,584
Collection Fund deficit	174	0	19	773	967	1,933
	0	0	0	0	0	0
Total	0	0	0	0	0	0

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	4,312	641	258	838	0	6,049
Council tax provision for bad debts	(2,938)	(437)	(175)	(571)	0	(4,121)
Council tax overpayments & prepayments	(1,195)	(178)	(72)	(232)	0	(1,677)
Council tax cash	1,198	172	72	235	0	1,677
Collection Fund surplus	(1,377)	(198)	(83)	(270)	0	(1,928)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	1,582	0	27	1,073	0	2,682
NNDR provision for bad debts	(1,010)	0	(17)	(686)	0	(1,713)
NNDR provision for appeals	(3,676)	0	(62)	(2,492)	0	(6,230)
NNDR overpayments & prepayments	(425)	0	(7)	(288)	0	(720)
NNDR cash	3,170	0	50	2,007	(210)	5,017
Collection Fund deficit	359	0	9	386	210	964
	0	0	0	0	0	0
Total	0	0	0	0	0	0

6. BUSINESS RATES RELIEFS

The Council has received applications for mandatory charitable relief from business rates on behalf of NHS Trusts, but it considers the basis of these applications to be unfounded and has made no allowance for them in its financial statements. This is a national issue that is subject to legal proceedings and remains unresolved, but the claim for charitable relief is not currently expected to be successful.

A Government scheme to encourage growth in designated enterprise zones by granting 'Enterprise Zone relief' for up to five years came to an end for new applications on 31 March 2018. Nevertheless there are numerous businesses within the 'Discovery Park' enterprise zone entitled to such reliefs, some of which will run until 2024/25. The relief is capped at £55k p.a. (£275k max. per business in total across the 5 years). The Government provides compensation to preceptors for any such reliefs given to prevent losses arising as a result, and this enterprise zone relief compensation forms part of the Collection Fund Comprehensive Income & Expenditure Statement, and the District's share forms part of its total income from business rates.

7. APPEALS PROVISIONS

The Collection Fund includes a prudent provision for appeals, as required under legislation. There are more than 40 appeals that remain outstanding under the 2010 valuation with a total rateable value of £22m that have not yet been resolved by the Valuation Office Agency (VOA), and we have a provision against these totalling £2.64m at 31 March 2019 (£2.77m at 31 March 2018) which allows for backdating.

Few appeals have been lodged under the new 2017 valuation. A new "Check, challenge, appeal" system has been introduced by VOA which is currently thought to have discouraged appeals, as it is believed that BR payers are finding the system complex to use. Ratings Agents often encourage businesses to pursue appeals and offer their services for a fee, based on a percentage of any refunds secured for the BR payer. Therefore in the earlier years of a new valuation there would be lower fees chargeable by Ratings Agents due to a shorter period of backdating for claims (i.e. only to 1st April 2017). Therefore we expect to see more activity from Ratings Agents a few years down the line, when backdating of refunds would increase the size of fees payable. With this in mind, the lack of appeals lodged *thus 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 increases, with backdating of appeals to 1st April 2017 likely. As such, we have provided a sum of £3.59m for successful appeals against bills raised in 2017/18 and 2018/19 under the 2017 valuation.

In accordance with other Kent Authorities, the appeals provision against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses). This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation. 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. Therefore provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing.

Separately, an Appeal Court has ruled that supermarkets will no longer have to pay business rates for cash machines outside their shops. The separate assessment of ATMs has applied since 2010, and the court ruling means that all business rates paid in relation to ATMs would need to be refunded. The VOA is appealing against this decision and the outcome may not be known until 2021. We therefore think it reasonable to disclose this as a contingent liability, as opposed to a provision on the basis that as at 31 March 2019 the obligation will be possible, rather than probable. This is the position agreed with other Kent Authorities and, as such, no allowance is made within the appeals provision or the Statement of Accounts for refunds which could be as much as £500k including prior years (DDC share £200k @ 40%), but also dependent on the determination of the affected ATMs (for example these may include service stations, etc., included within these estimates). A separate Contingent Liabilities note has been added to the Core Statements.

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

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

2017/18 £000		Note	2018/19 £000
Income			
(19,005)	Dwelling rents	10	(18,741)
(24)	Non-dwelling rents		(19)
(399)	Tenant charges for services and facilities		(575)
(296)	Leaseholder charges for services and facilities		(230)
(177)	Contributions towards expenditure		0
<u>(19,901)</u>	Total Income		<u>(19,565)</u>
Expenditure			
2,909	Repairs and maintenance		2,927
4,058	Supervision and management		3,711
25	Rent, rates, taxes and other charges		46
1,973	Depreciation and impairment of fixed assets	5	2,053
(1,052)	Exceptional Item – revaluation gain, reversal of prior year loss	9	4,368
32	Debt management expenses		36
70	Increase in impairment of debtors	12	76
<u>8,015</u>	Total Expenditure		<u>13,217</u>
Net Cost of Services Included in the Whole Authority			
(11,885)	Comprehensive Income and Expenditure Statement		(6,348)
664	HRA share of corporate and democratic core		681
	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		9
<u>10</u>			<u>9</u>
(11,211)	Net Cost of HRA Services		(5,658)
(1,275)	(Gain) or loss on sales of HRA non-current assets		(1,162)
2,705	Interest payable and similar charges		2,635
(18)	Interest and investment income		(20)
392	Net Interest on Defined Benefit Liability	13	363
<u>(9,407)</u>	(Surplus) or Deficit for the year on HRA Services		<u>(3,842)</u>

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2017/18 £000		2018/19 £000	£000
	Balance on the HRA at the end of the previous year		(1,012)
(1,047)	(9,407) (Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(3,842)
	Adjustments between Accounting Basis and Funding under Statute:		
1,052	Impairment of non-current assets	(4,368)	
2,688	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	2,587	
1,274	Gain on disposal of non-current assets	1,162	
52	Net charges made for retirement benefits	91	
2,179	Capital expenditure funded by the HRA	5,077	
(2,162)	Net increase / decrease before transfers to reserves	706	
2,197	Transfers to/(from) earmarked reserves (note 4)		(727)
35	(Increase) or decrease in year on the HRA Balance		(21)
(1,012)	Balance on the HRA at the End of the Current Year		(1,033)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2018/19

	Stock at 1 April 2018	Sales	Acquisitions	Stock at 31 March 2019
Houses/bungalows	2,706	22	10	2,694
Flats	1,581	5	28	1,604
Total	4,287	27	38	4,298

Total Value of Assets

	1 April 2018 £000	31 March 2019 £000
Dwellings	197,246	197,411
Other land and buildings	457	687
Equipment	342	311
Investment properties	774	0
Assets under construction	0	2,692
	198,820	201,101

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2019 was £598m (£598m as at 31 March 2018). 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.

	2017/18 £000	2018/19 £000
Balance as at 1 April	0	0
Major Repairs Allowance:		
Depreciation	(1,973)	(2,053)
Voluntary Excess Depreciation charge to HRA	(2,689)	(2,587)
Transfer from reserve for capital expenditure	2,508	2,417
Repayment of principal on loan	2,154	2,223
Balance at 31 March	0	0

4. EARMARKED RESERVES

The Housing Initiatives Reserve has been established to provide a source of funding for special initiatives arising in respect of affordable housing.

	£000	£000
Balance as at 31st March 2018		(14,695)
Interim Housing	24	
New Dover Road, Capel-le-Ferne	439	
Property purchases	2,916	
Norman Tailyour House refurbishment	728	
Former William Muge and Snelgrove development	866	
Folkestone Road properties refurbishment	80	
Social Housing preliminary costs	24	
Total Project Spend		5,077
Contribution from HRA		(4,350)
Balance as at 31st March 2019		(13,968)

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £2,053k (£1,973k at 31 March 2017) as detailed below.

	2017/18 £000	2018/19 £000
Council dwellings	1,953	2,022
Equipment	20	31
Total	1,973	2,053

6. SUMMARY OF CAPITAL EXPENDITURE

	2017/18 £000	2018/19 £000
Capital expenditure:		
Dwellings	3,170	2,263
Other Land & Buildings	1,956	7,192
Equipment	114	0
Total	5,240	9,455
Financed by:		
Funded by HRA	(2,179)	(5,077)
Transfer from Major Repairs Reserve	(2,508)	(2,417)
Excess RTB Receipts	(534)	(1,653)
S106 Contribution	(19)	(308)
	(5,240)	(9,455)

7. **SUMMARY OF CAPITAL RECEIPTS**

	2017/18	2018/19
	£000	£000
Receipts from sales during the year:		
Dwelling sales	(2,885)	(2,440)
Amount pooled to Government	294	294
	<u>(2,591)</u>	<u>(2,146)</u>

8. **CAPITAL EXPENDITURE FUNDED BY THE HRA**

£5,077k (£2,197k in 2017/18) of capital funding from the Housing Initiatives Reserve was used to fund the following projects as shown in Note 4.

9. **REVALUATION LOSS ON HRA STOCK**

The total value of the HRA stock has not significantly increased from 2017/18 to 2018/19 (see note 2), however we acquired 38 properties in 2018/19 and the revaluation loss of £4.34m is attributable to movement of properties.

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 2019 was £84.14 compared with £84.90 at 31 March 2018.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2018			31 March 2019		
Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears	Former Tenant Arrears	Current Tenant Arrears	Total Rent Arrears
£000	£000	£000	£000	£000	£000
143	536	679	229	791	1,020

The increase in rent arrears is mainly due to the increasing numbers of tenants moving onto Universal Credit (UC). The Department for Work and Pensions pay UC up to 6 weeks in arrears meaning the Council has to carry a larger debt. This should be a cashflow issue rather than a significant increase in debt.

12. IMPAIRMENT OF DEBTORS

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

	2017/18 £000	2018/19 £000
Balance brought forward as at 1 April	442	512
Provision made in the year	92	82
Less amounts written off	(22)	(7)
Balance carried forward at 31 March	512	587

13. 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:

	2017/18 £000	2018/19 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	2	1
Administrative expense	8	8
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	393	363
Charge to the Surplus or Deficit on the Provision of Services	403	472
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(403)	(372)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	454	463
Contribution (From) or To Pensions Reserve	51	91

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
- The Salter Collection Charity No 288731
- Frederick Franklin Public Park Charity No 1092171

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:

	2017/18	2018/19
	£	£
Income	72	174
Expenditure	(3,914)	0
Surplus or (deficit) for year	(3,842)	174
Fund balance at 1 April	69,392	65,550
Fund balance at 31 March	65,550	65,724
Represented by:		
Investments	65,550	65,724
	65,550	65,724

THE SALTER COLLECTION CHARITY

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

	2017/18	2018/19
	£	£
Income	61	183
Expenditure	0	0
Surplus or (deficit) for year	61	183
Fund balance at 1 April	271,135	271,196
Fund balance at 31 March	271,196	271,379
Represented by:		
Collection	180,000	180,000
Investment	91,196	91,379
	271,196	271,379

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:

	2017/18	2018/19
	£	£
Income	115	348
Expenditure	0	0
Surplus or (deficit) for year	115	348
Fund balance at 1 April	497,099	497,214
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	497,214	497,562
Represented by:		
Land and other buildings	323,822	323,822
Investment	179,732	179,732
Creditor	(6,340)	(5,992)
	497,214	497,562

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).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Opinion

We have audited the financial statements of Dover District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director (Corporate Resources)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director (Corporate Resources) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Strategic Director (Corporate Resources) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Director (Corporate Resources) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, 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 Strategic Director (Corporate Resources). The Strategic Director (Corporate Resources) 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director (Corporate Resources) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director (Corporate Resources) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that come to our attention. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the

Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

[Signature]

Elizabeth Jackson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]