



**Statement
of
Accounts**

2005/06

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EXPLANATORY FOREWORD

INTRODUCTION

This foreword has been written to provide a guide to the significant matters reported in these accounts for the year ended 31 March 2006.

The Council's accounts consist of:

- Statement of Responsibilities – (page 8). This outlines the responsibilities of the Authority and the Chief Financial Officer with respect to the Statement of Accounts.
- Statement on the System of Internal Financial Control – (page 9). This reviews the effectiveness of the Authority's system of internal financial control.
- Statement of Accounting Policies – (page 16). This explains the basis of the figures used in the accounts. The accounts can only be properly appreciated if the accounting policies, which have been followed in dealing with material items, are explained. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- Consolidated Revenue Account – (page 21). This summarises the costs for the year of all the services for which the Council is responsible, including Council housing. This statement provides details on income and expenditure on services, the use of specific reserves, financing arrangements, and the overall effect on the Council's General Fund.
- Housing Revenue Account – (page 31). The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure – repairs and maintenance, administration and capital financing costs – and how this is financed by rents and other income.
- Collection Fund – (page 36). This shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates, and the way in which these have been distributed to precepting authorities.
- Consolidated Balance Sheet – (page 39). This statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness. It summarises information on fixed assets held. It excludes trust funds held by the Council.
- Statement of Total Movements in Reserves – (page 58). This statement brings together all the recognised gains and losses of the authority during the period and identifies those that have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.
- The Cash Flow Statement – (page 59). This summarises the total movements of the Council's assets and liabilities during the financial year, inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Various Notes to the accounts are included to support these.

SUMMARY OF THE 2005/06 FINANCIAL YEAR

Dover District Council provides a variety of services relating to taxpayers and its rent payers. Its spending is further split between revenue and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from the Council Tax, National Non-Domestic Rates, Government grants, fees and charges and other income. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets.

Paragraphs below outline the spending position for each area.

GENERAL FUND OUTTURN

The General Fund outturn statement shows a surplus of £337k for the year, after a transfer of £760k to the Special Projects Reserve. This surplus will increase General Fund balances by an equivalent amount but £180k will be applied in 2006/07 to meet the costs of specific items of slippage from 2005/06.

On 9 March 2006 Council also approved a number of transfers between reserves including the transfer of £136k from the General Fund reserves to the Local Development Framework Reserve. The net effect of the 2005/06 surplus, the transfer to the Local Development Framework reserve and other minor transfers is to leave General Reserves at £2,594k at 31 March 2006.

Before the movements on the General Fund balances outlined above, the main variances against the budget for the year generate savings of (£1,003k) in service expenditure. These are summarised below (figures in brackets indicate savings or increased income).

- A vacancy provision of (£513k) was achieved against a budget of (£250k), giving a saving of (£263k). This occurred during the recent restructure and does not represent a typical level of vacancy.
- The budget for the transfer of the Highways Agency was set at £200k, however only £147k was required, giving a saving of (£53k).
- Reduced rent from KCC due to loss of the Highways Agency moving out earlier than planned £28k.
- There was an under-spend of (£56k) on Corporate training. It is anticipated that this budget will be fully utilised in 2006/07.
- Audit Commission charges were lower by (£52k).
- Savings were achieved on footway lighting (£97k).
- Reduced Building Control fees £50k.
- Increased income charged to KCC for weed spraying (£33k).
- Reduced cesspool emptying (£41k).
- DEFRA funding for recycling (£34k).
- Increased penalties and fines from Council Tax (£104k).
- Reduced Concessionary Fares taxi voucher take up (£50k).
- Increased central support recharges to the HRA and capital projects reflecting updated time allocations (£200k).
- Reduced expenditure on postage (£101k).

Other significant variances are:

- The Council is in partnership with KCC and other districts to deliver the Extra Care project, providing residential facilities for vulnerable tenants. The financing of this PFI project was to be from revenue, but this cost has now been capitalised, resulting in a net reduction of £43k in General Fund revenue expenditure.
- Redundancy costs arising in 2005/06, of £689k, as a result of the recent restructure and earlier staffing changes have been charged to revenue.

- Favourable variations, totalling (£511k), in both government subsidy and income due from recovery of overpayments in respect of Council Tax Benefit and Rent Allowance.
- A one-off adjustment to the accounting treatment for FRS17 compared to the estimates (£203k).
- An additional £49k dividend has been received from the Board of Liquidators for the Bank of Commerce and Credit International.
- A reduction in interest in cash balances receivable by the General Fund of £151k.

As a result of these variances £760k has been transferred to the Special Projects reserve to support the financing of future projects.

HOUSING REVENUE ACCOUNT OUTTURN

It was estimated that a surplus of £480k would be achieved on the Housing Revenue Account for the year. The account actually made a surplus for the year of £888k. The main variations are summarised below.

- Increased rent against estimates of (£339k) due to the continuing fall in the rate of "Right to Buy" sales and the reduced level of voids.
- An increase in Supporting People income (£105k).
- Increased service charge income (£80k).
- Additional expenditure on repairs and maintenance (£168k).
- Slippage of £41k for Home Loss payments as a result of the decant of Roly Eckoff House and £62k for play area equipment.

The net effect of the above variations was to produce an overall surplus of £888k. The accumulated surplus on the Housing Revenue Account as at 31 March 2006 was £5.55m. The additional surplus will be utilised to help the funding of the Decent Homes programme in future years.

INVESTMENT ACTIVITIES DURING THE YEAR

There have been no major changes in the level of investment activity during 2005/06.

PENSION LIABILITY

- There is a requirement under FRS17 to reflect the liability arising from the employer's retirement benefit obligations in the financial statements at fair value and also to recognise the operating and related finance costs of providing retirement benefits to employees in the accounting period in which the benefits are earned by the employees.
- Information received via Kent County Council, Dover District Council's pension administrator, shows a deficit of £50.7m as at 31 March 2006. Under FRS 17, Accounting for Pension Arrangements, this amount appears as a liability against Dover District Council in the balance sheet as at 31 March 2006.

FIXED ASSET ACQUISITIONS AND DISPOSALS

- There have been no major fixed asset acquisitions or disposals during the year.
- The main sources of funding the Council's capital programme are the Major Repairs Allowance (for the HRA), capital receipts (from the sale of assets), external grant funding and contributions from revenue accounts.

REVENUE EXPENDITURE IN 2005/06

General Fund

This is summarised below:

GENERAL FUND SUMMARY 2005/06			
	2005/06 Original Budget £000	2005/06 Actual £000	Difference £000
Head of Service			
Deputy Chief Executive	711	747	36
Head of Governance	1,096	973	(123)
Head of Housing and Community	2,529	2,298	(231)
Head of Finance and ICT	2,161	2,043	(118)
Head of Development and Public Protection	2,010	2,177	167
Head of Property and Procurement	6,045	5,923	(122)
Head of Revenues and Benefits	2,310	1,893	(417)
Salary Vacancy Provision	(250)	0	250
Highways Agency Transfer Implications	200	0	(200)
Contingency	109	0	(109)
Net Service Expenditure	16,921	16,054	(867)
Financing Adjustments			
Interest Receivable	(900)	(749)	151
Asset Management Revenue Account			
- Depreciation	4,314	4,207	(107)
- Interest Payable	406	407	1
- Asset Management Credits	(5,854)	(6,001)	(147)
- Grant Released	(180)	(280)	(100)
Appropriation Account			
- Deferred Charges	(736)	(558)	178
- External Loans Adjustment	(1,087)	(1,118)	(31)
- Minimum Revenue Provision	65	0	(65)
- Grant Applied	180	280	100
- Exceptional Item	0	(48)	(48)
Pensions Financing Income	1,430	1,755	325
Contribution to/(from) Reserves			
- Pensions Reserve	(101)	(764)	(663)
- Local Development Framework Reserve	0	(63)	(63)
- Special Projects Reserve	(422)	335	757
- Planning Delivery Grant	(195)	47	242
Net Expenditure	13,841	13,504	(337)
Appropriation to/ (from) Balances	0	337	337
Budget for 2005/06	13,841	13,841	0
DDC Precept for Parish Councils	1,221	1,221	0
Amount to be met by Gov. Grant and Local Taxpayers	15,062	15,062	0

The amount to be met by Government Grant and local taxpayers in the Consolidated Revenue Account on page 21 is £14.726m. This figure does not include the appropriation of £336k to the General Fund Balance, which would bring the total to be met by Government Grant and local taxpayers to £15.062m as shown above.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account covers Council Housing. The Council budgeted for a net surplus of £480k in 2005/06, while the year-end results show that the account made an actual surplus of £888k.

A summary of the Housing Revenue Account is detailed below:

HOUSING REVENUE ACCOUNT SUMMARY 2005/06			
	Budget	Actual	Difference
	£000	£000	£000
Expenditure	15,582	15,683	101
Income	(16,062)	(16,571)	(509)
Deficit/ (surplus) for year	(480)	(888)	(408)

CAPITAL EXPENDITURE

Capital expenditure in 2005/06 totalled £7.152m and can be summarised below:

HRA	£000
Dwellings	4,854
Operational assets	
- equipment	120
Total HRA Capital expenditure	4,974

GENERAL FUND

Renovation Grants	(Deferred Charges)	265
Disabled Facilities Grants	(Deferred Charges)	426
Other Grants	(Deferred Charges)	89
Operational Assets		
- land and buildings		124
- equipment		428
- infrastructure assets		7
Non Operational Assets		
- surplus assets		75
Assets under Construction		764
Total General Fund Capital expenditure		2,178
Total Capital expenditure		7,152

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). The Chief Financial Officer is the officer designated by the Council as the responsible officer.

THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES

As the Head of Finance and ICT I am responsible for the preparation of the Council's Statement of Accounts which in terms of the Code of Practice on Local Authority Accounting is required to present fairly the financial position of the Council at the accounting date (31 March 2006) and its income and expenditure for the year (1 April 2005 to 31 March 2006).

In preparation of this Statement of Account I have:

- selected appropriate accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Accounting Code of Practice
- kept proper accounting records which are up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.



Mike Davis CPFA
Head of Finance and ICT
Dover District Council

**Acceptance of Accounts
By Chairman of the Council**



Councillor P.G. Heath

Statement of Internal Control

For the period 1 April 2005 to 31 March 2006

SCOPE OF RESPONSIBILITY

Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the code is on our web site (www.dover.gov.uk) or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ. This Code is reviewed on a regular basis.

Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer (the Head of Finance and ICT) and the Monitoring Officer (Head of Governance) have been given responsibility for:

- Overseeing the implementation and monitoring the operation of the Local Code.
- Reviewing the operation of the Local Code in practice.
- Reporting annually to the Executive and the appropriate Scrutiny Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, Dover District Council's Head of Governance and the Head of the Audit Partnership have been given the responsibility to review the arrangements independently and report annually to the Executive and the appropriate Scrutiny Committee, to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

The Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which include arrangements for the management of risk.

PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dover District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently and economically.

The basis of this system of Internal Control has been in place at Dover District Council for the year ended 31 March 2006, and up to the date of the approval of the annual report and accounts.

THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Internal Control environment are summarised below:

Establishing and monitoring of the authority's objectives

A Corporate Plan setting out the Council's objectives for the period 2005/06 to 2007/08 is available on the Council's web site. Progress towards the achievement of the objectives will be monitored through the Performance Management Framework, the Major Projects Board, and through other internal review.

Policy and decision-making

Dover District Council has an agreed Constitution, (available on the Council's website), which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people.

The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions to be made are published in advance in the Executive's Forward Plan, which is available for public inspection. Meetings are open to the public, (except where personal or confidential matters are being disclosed). All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

Four overview and scrutiny committees who support and monitor the work of the Executive have operated throughout the year. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. These meetings are also open to the public.

The Constitution itself is subject to annual review.

A scheme of delegation is detailed in the Constitution, which grants senior officers the power to make some decisions.

Compliance

Dover District Council has a duty to ensure that it acts in accordance with the Law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Procedure Rules, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website. These rules are subject to regular review as part of the Constitution.

Both the Council's Monitoring Officer and the Section 151 Officer have specific responsibilities to ensure that the Council acts within the law, and to prevent mal-administration.

Other documentation includes corporate policies on a range of topics such as Customer Care Standards, Data Protection, Human Rights, Freedom of Information and Fraud. All policies are subject to internal review to ensure they are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in a monthly newsletter, and where appropriate arranging training for all or key members of staff.

Dover District Council has a Risk Management Strategy, which states the roles of Members and Officers in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to a quarterly review.

As part of the year-end process a Service Assurance Statement is required from all Managers, detailing their assessment of their services. They are required to give assurance that:

- Key controls over systems and arrangements are in place to ensure Council assets are safeguarded from error or irregularity, and that controls are subject to review to address internal control weaknesses identified.
- Spending is maintained within budget, and the appropriate approval has been gained for any overspending.
- All resources are deployed in the achievement of Council business objectives.
- The use of resources is reviewed and action taken to address any instances of ineffective, inefficient and uneconomic use.
- Service plans contribute to the Council's wider business priorities and are reflective of existing policies and strategies.
- Identifiable improvements in service are made, including achievement of explicit outputs and / or milestones.
- Business risks are recorded, monitored and managed.
- Staff have access to, are familiar with and work in accordance with the Council's Financial Procedure Rules, Contract Procedure Rules, Employee Code of Conduct, General Scheme of Delegation.
- Decisions are taken with due regard for implications arising from value for money and service improvement, legality, finance, staffing and other resources, sustainable development, equal opportunities, community safety, health and safety improvement, property, anti fraud and corruption and anti money laundering, business risk.

Economic, effective and efficient use of resources.

Continuous budgetary monitoring and control processes are in place in attempts to ensure that financial resources are used to their best advantage.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through bench-marking and the use of comparative techniques with other service providers, through the Councils LEAPs initiative, and through independent external review.

We endeavour to ensure that services are delivered by trained and experienced people. Ongoing training needs are identified through the Council staff appraisal processes.

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable, not absolute, assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process includes:

- Setting of annual budgets.

- Monitoring of actual income and expenditure against the annual budget.
- Mid-year review of the annual budget.
- Monthly budget reviews to predict likely out-turn figures.
- Setting of financial and performance targets, including the use of the prudential code and associated indicators.
- Periodic reporting of the Council's financial position to Members.
- Clearly defined capital expenditure guidelines.
- Monitoring of finances against a Medium Term Plan.
- Managing risk in key financial service areas.
- Named officers having responsibility for expenditure.
- Separation of duties.
- Treasury Management Strategy.
- Ongoing process of internal audit and review.

The Internal Audit Team reports to the Head of Governance, and operates under a Charter, which defines its relationship with the Chief Executive, and the Scrutiny (Performance) Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Authority to the Corporate Management Team and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with the Councils policies and procedures, and with relevant legislation and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

The Council has an objective and professional relationship with its external auditors and other inspectors, as evidenced by the Annual Audit letter. Additionally, the external auditors place reliance on the work carried out by the Internal Audit section.

Performance Management

Dover District Council produces a quarterly "Performance Report" which reports on the key national Best Value Performance Indicators and key local indicators to monitor progress towards achieving the Councils priorities as defined in the Corporate Plan. All Members receive a copy of the report.

Key performance information is made available on the Councils website throughout the year.

REVIEW OF EFFECTIVENESS

Dover District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:

- The work of the Internal Auditors.
- The work of managers within the Council.
- The external auditors in their annual audit letter and other reports,
- Comments by other review agencies and inspectorates.

At a corporate level the Constitution, the Financial Procedure Rules and the Contract Procedure Rules have all been subject to review.

Both the Cabinet and the Scrutiny (Performance) Committee (which has delegated to it the responsibility for discharging the functions of an Audit Committee) receive quarterly updates

from the Audit Manager on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end.

Performance matters are reported to both the Cabinet and to Scrutiny (Performance) Committee via the Performance Report and accompanying observations from the Council's Management Team.

Based on the work undertaken by the Audit Section during the year, the Council's Audit Manager considers that positive steps are being taken in all those areas where a Nil or Limited Assurance had been given, in order to raise that assurance level to Adequate or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work, current risk assessments, and the Heads of Service Assurance Statements the Audit Manager places an Adequate Assurance on the systems of internal control in place. (Definitions of assurance levels follow the signatures at the end of this statement).

IMPROVEMENTS DURING THE YEAR

The Council has been implementing an improvement plan, which resulted from the Comprehensive Performance Assessment review that was undertaken in June 2004 and the Employer of the Future Review, as well as identifying further areas for improvement. The improvements are in respect of Governance, Performance and Internal control

High Priority

The Chief Executive led a facilitated event with Corporate Management Team members to determine governance and leadership direction, standards and values. A Management Development Programme is now in development.

Corporate and Service Planning continues to develop to ensure that performance targets for services, teams and individuals support the successful delivery of Council priorities.

Service plans clearly reflect the Council's priorities and include SMART targets.

A Communication Board has been formed to ensure that all effective communication channels are used to provide feedback to the wider community and staff on the Council's performance against its key corporate and service targets.

A separate Governance/Audit Committee has been formed.

A Medium Term Financial Strategy with robust links to the Corporate Plan and other key strategies have been developed.

Robust project management arrangements have been introduced for all major projects.

Medium Priority

Home working has been introduced to improve staff retention and improve efficiency.

A Disability and Equality Working Group has been introduced with particular focus on addressing our disability, equality and race duties.

Low Priority

Consultation processes with staff and stakeholders has improved.

SIGNIFICANT INTERNAL CONTROL ISSUES

On the basis of Audit work throughout the year reviewing the Council's processes, the Statements produced by the Heads of Service and reviewed by the Council's Corporate

Management Team, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

Areas of Non Compliance:

High Priority

To further develop the capital strategy and the range of financing options.

Medium Priority

Administrative processes within the ICT Section were found to be unsatisfactory to adequately record some of the Councils assets, and a process of review has been initiated.

A corporate approach to project management has still to be embedded across all Council processes.

Following further change in the organisation, some procedural guidance to staff is now out-of date. This includes areas such as rent setting. Changes to the Financial Procedure Rules had commenced as part of the annual review, and these will need to be communicated to staff and embedded into work processes.

The corporate planning process requires further enhancement to more closely link to budgets.

Low Priority

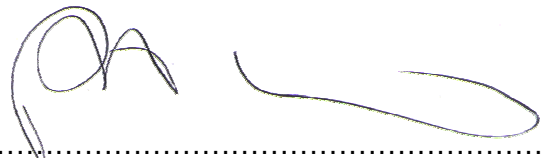
A breakdown in controls in connection with recharging third parties for some works organised by the Council was identified. Corrective action has already commenced.

A Council wide policy on the collection, storage and use of information has yet to be implemented.

COMMITMENT

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, and a plan to address the weaknesses and ensure continuous improvement of the system is in place.

We are satisfied that these steps will address the need for improvements that have been identified during the year and we will review their implementation and operation as part of our next annual review.

Signed.....

Leader of the Council

Date 22 June 2006

Signed.....

Chief Executive

Date 22 June 2006

INDEPENDENT AUDITORS' REPORT TO DOVER DISTRICT COUNCIL

PLEASE REFER TO PAGE 65 OF THIS DOCUMENT.

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The Accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom that is recognised by statute as representing proper accounting practices. The Code is based on both approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standard (FRSs) approved by the Accounting Standards Board, and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is a historical cost basis modified by the revaluation of certain categories of assets.

RELEVANCE

In accordance with FRS18, all information about the Authority's financial performance that is useful for assessing the stewardship of public funds and making economic decisions is disclosed within the accounts.

RELIABILITY

The accounts represent fairly the substance of transactions that have taken place. The accounts are free from material error and have been prudently prepared.

COMPARABILITY

Comparative figures have been included to allow performance to be compared with a prior period.

UNDERSTANDABILITY

In accordance with FRS18, the accounts have been prepared in such a way to aid the understanding of the reader.

MATERIALITY

Strict compliance with the Code of Practice on Local Authority Accounting in the United Kingdom, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

GOING CONCERN

The accounts have been prepared on a going concern basis, on the assumption that the Authority will continue in operational existence for the foreseeable future.

PRIMACY OF LEGISLATION

Where there is a clash between a legal requirement and an accounting standard, the legal requirement has taken precedence over the accounting standard.

VALUE ADDED TAX

In accounting for VAT, we comply with the relevant Financial Reporting Standards. VAT is excluded from the main statements unless it is unrecoverable.

EXCEPTIONAL ITEMS

The Council accounts for exceptional items in accordance with FRS3.

INTANGIBLE FIXED ASSETS

SORP 2005 requires the disclosure of all intangible fixed assets. This Council does not have any intangible fixed assets. Such assets would be included on the balance sheet at historic cost and amortised over their useful economic life.

FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the Authority and the services it provides, for a period of more than a year. Subsequent expenditure on fixed assets is capitalised in accordance with FRS15. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged directly to service revenue accounts.

Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Appraisal and Valuation Standards Fifth Edition issued by The Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2001 Code of Practice on Local Authority Accounting. Assets are stated on the following basis:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including investment properties (properties held by an authority but not directly occupied, used or consumed in the delivery of services) and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Surpluses or losses arising from any revaluation of assets are credited or debited to the fixed asset restatement account. Revaluations of fixed assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Material changes to asset valuations will be adjusted in the interim period, as they occur.

The value at which each category of asset is included in the balance sheet is reviewed annually, and where there is reason to believe that its value has changed materially during the accounting period (impairment), the valuation has been adjusted accordingly. Where an impairment loss on a fixed asset has occurred as a result of a clear consumption of economic benefits (e.g. through physical damage or deterioration), the loss is recognised in the asset management revenue account and the service revenue account. Other impairments (e.g. reflecting a general fall in prices) are recognised in the fixed asset restatement account.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used, is included in the balance sheet as usable capital receipts.

CAPITAL EXPENDITURE

It is Council policy that expenditure for capital purposes that does not exceed £10,000 is not capitalised but is met from revenue monies. Capital expenditure is financed on an accruals basis.

CAPITAL RECEIPTS

Capital receipts are derived from the disposal of certain assets, or the repayment to the Council of loans. Councils are not required to set aside any of their capital receipts for debt redemption. However, they are required to pool prescribed proportions of certain Housing Revenue Account capital receipts to the Government.

DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Newly acquired assets are depreciated in the year acquired, and assets in the course of construction are depreciated when they are brought into use.
- Depreciation is calculated using the straight-line method over the following periods:

Buildings	Up to 80 years
Infrastructure	Up to 40 years
Mobile plant	Up to 10 years
Motor vehicles	Up to 12 years

CAPITAL CHARGES TO REVENUE

General Fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net values included in the balance sheet as at 1 April 2005.

The notional rates of interest used for 2005/06 are 3.5% (3.5% 2004/05) for those operational fixed assets included in the balance sheet at current value and 4.95% (4.8% 2004/05) for infrastructure assets and community assets which are included in the balance sheet at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Where amounts have been set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves these are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which do not represent tangible fixed assets. Deferred charges are amortised to revenue in the year.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Capital Contributions Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

RESERVES

Reserves represent earmarked funds available for future expenditure. All but one of the reserves are available for Council use. The following fund exists to satisfy FRS17 requirements:

- The Pensions Reserve is a negative reserve. Where pension payments made for the year in accordance with the scheme requirements do not match the change in the authority's recognised asset or liability for the same period, this is represented by an appropriation to or from the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account.

No expenditure is charged directly to a reserve.

Capital reserves are not available for revenue purposes and can only be used for specific statutory purposes. Two of these reserves are non-distributable reserves and are therefore referred to as accounts. These are the fixed asset restatement account and capital financing account. The usable capital receipts reserve is a reserve established for specific statutory purposes.

ACCRUALS OF INCOME AND EXPENDITURE

Debtors and creditors at the year end are accrued in compliance with FRS18 ensuring income and expenditure is accounted for in the period to which it relates.

INVESTMENTS

Investments are included in the balance sheet at cost less a provision, where appropriate, for loss in value. Interest and dividends earned are credited to the General Fund and Housing Revenue Account.

LEASES

Operating Leases

Rentals payable under operating leases are charged to revenue services on a straight-line basis over the term of the lease.

Finance Leases

The Council has no finance leases.

OVERHEADS

All support service costs including the cost of service management are recharged to all their users, including services to the public, trading undertakings, capital expenditure, services under Agency agreements and other support services.

The costs of the Corporate and Democratic Core and unapportionable central overheads have been accounted for separately and not recharged as the cost of services.

PENSION COSTS

These accounts reflect the full implementation of FRS17. This means that the accounts recognise the net pension liability and a pensions reserve in the balance sheet and entries in the Consolidated Revenue Account for movements in the liability relating to the defined

benefit scheme. The accounts show reconciling entries back to contributions payable for council tax purposes.

The pension contributions have been determined by the Fund’s actuary on a triennial basis. The latest actuarial valuation was in 2004. The next actuarial valuation is due as at 31 March 2007 and any change in contribution rates as a result of that valuation will take effect from 1 April 2008.

Full details can be found on page 54.

PROVISIONS

Provision has been made for bad and doubtful debts. In accordance with the CIPFA guidelines, the older the debt the greater the provision, with the exception of housing benefits which is provided at a maximum of 50% of the debts over one year old.

Provisions are charged to the appropriate revenue account. When expenditure is incurred to which the provision relates it has been charged directly to the provision.

The provisions shown in note 16 to the balance sheet are not compliant with FRS12 as no timescale has been set up for their release.

STOCKS

Stocks are included in the balance sheet at cost or net realisable value, whichever is the lower.

CONTINGENT LIABILITIES

Contingent liabilities are defined as possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control. The Council measures and accounts for such events in line with the table below:

<u>Likelihood of outcome</u>	<u>Probability</u> %	<u>Accounting Treatment</u>
Reasonably certain	Over 95	Accrue
Probable	50-95	If we can estimate with reasonable certainty, we accrue. If not, we would make a contingent liability note.
Possible or remote	Less than 50	Add a note to the accounts

GROUP ACCOUNTS

The 2005 Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority’s control over other entities.

This Council has undertaken a detailed exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associates or joint ventures.

CONSOLIDATED REVENUE ACCOUNT

Summary of Income and Expenditure

2004/05 Net Expenditure		Gross Expenditure	2005/06 Gross Income	Net Expenditure
£000		£000	£000	£000
	On its services the Council spent:			
1,351	Central Services to the Public	9,031	(7,829)	1,202
9,688	Cultural, Environmental and Planning Services	16,202	(6,065)	10,137
190	Highways, Roads and Transportation Services	2,123	(2,014)	109
110	Housing Services	57,358	(57,265)	93
207	Other Services	117	0	117
11,546	Total Service Expenditure	84,831	(73,173)	11,658
2,030	Corporate and Democratic Core	2,469	(95)	2,374
722	Non-distributed Costs	923	0	923
14,298	NET COST OF SERVICES	88,223	(73,268)	14,955
0	Trading Undertakings (Note 1)			0
	Amounts due to Precepting Authorities:			
1,134	- Town and Parish Councils			1,221
40	- River Stour Drainage Board (Note 3)			44
(1,436)	Asset Management Revenue Account (Note 4)			(1,668)
2,946	Contribution of Housing Capital Receipts to Government Pool			1,423
(903)	Interest and Investment Income			(894)
(138)	Exceptional Item (Note 5)			(48)
700	Pensions Income Cost			1,800
16,641	NET OPERATING EXPENDITURE			16,833
	Appropriations:			
1,020	Transferred to/ (from) Housing Revenue Account Balances			888
477	Capital Expenditure financed from Revenue			166
26	Transfer to Major Repairs Reserve			58
(2,946)	Transfer from Usable Capital Receipts (pooled amount)			(1,423)
(1,608)	Appropriation Account (Note 6)			(1,395)
(276)	Contribution to/ (from) Pensions Reserve (Note 7)			(720)
1,195	Contribution to/ (from) other Reserves (Note 8)			319
14,529	Amount to be met by Government Grant and local taxpayers			14,726
	THIS WAS FINANCED BY:			
(5,715)	Demand on the Collection Fund (Note 9)			(6,180)
(2,851)	Non Domestic Rate Redistribution (Note 9)			(3,045)
(5,620)	Revenue Support Grant (Note 9)			(5,698)
(208)	Collection Fund Surplus (Note 9)			(140)
135	(Surplus)/ Deficit for the year			(337)
(2,519)	General Fund Balance brought forward			(2,384)
0	Transfer to the Local Development Framework Reserve			136
0	Minor transfers to General Fund Balances			(9)
(2,384)	Balance on General Fund carried forward			(2,594)

1. TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The Council no longer operates a Direct Labour Organisation, which was established to operate on a commercial-style basis under earlier compulsory competitive tendering legislation. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Accordingly, the trading operations listed below all form an integral part of the total cost of particular services and are included within the Net Cost of Services, rather than being shown separately on the Consolidated Revenue Account as Trading Undertakings. Details of those operations with a turnover of expenditure greater than £300,000 and/ or surplus (or deficit) greater than £30,000 are as follows:

2004/05 Surplus/ (Deficit) £000s	Trading Service	Note	2005/06		
			Expenditure £000s	Income £000s	Surplus/ (Deficit) £000s
(38)	Cesspool Emptying	(a)	149	170	21
607	Car Parks – surface paying	(b)	625	1,304	679
(111)	Miscellaneous Properties	(c)	358	260	(98)
12	White Cliffs Careline	(d)	422	372	(50)

- (a) *The District Council offers an emptying service for those properties not linked to main drainage. The trading objective is to recover the costs of providing this service.*
- (b) *The Council operates 38 off-street car parks in the towns and villages of the District. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.*
- (c) *The Council owns a range of properties and land that are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate.*
- (d) *The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and backup to people in need. Having been in receipt of grant funding from the County Council, the trading objective was to break even, but ideally to develop surpluses that could be used to expand and develop the services that we deliver to vulnerable members of the community.*

2. AGENCY AGREEMENTS

KCC – Highways

2004/05 was the final year of the Council's Highways Partnership agreement with Kent County Council. This function was transferred back to KCC with effect from 1 April 2005.

	2004/05 £000	2005/06 £000
Gross Value of Work	561	0
Agency Income	<u>(552)</u>	<u>0</u>
Residual Administration Costs	<u>9</u>	<u>0</u>

3. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY

In accordance with the Internal Drainage Boards (Finance) Regulations 1992 the River Stour (Kent) Internal Drainage Board is empowered to make a special levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage district. Authorities are required under

the Local Government Finance Act 1988 to provide the revenue from the non-agricultural sector in place of drainage rates levied on that sector prior to 1 April 1990. The levy for 2005/06 was £44k (£40k in 2004/05).

4. ASSET MANAGEMENT REVENUE ACCOUNT

This account is required to be kept in accordance with the Code of Practice on Local Authority Accounting. This account receives the credit for capital charges made for the use of assets, and the charge for depreciation and external interest. The balance is not indicative of good or bad performance in regard to property management, but simply a balance that needs to be charged or credited to the consolidated revenue account in the year that it occurs.

<u>Asset Management Revenue Account</u>	2004/05 £000	2005/06 £000
INCOME		
Capital Charges - General Fund	(2,719)	(2,912)
- Housing Revenue Account (depreciation)	(3,155)	(3,090)
- Housing Revenue Account*	(8,409)	(8,531)
Grant income released in year	(235)	(280)
Total Income	<u>(14,518)</u>	<u>(14,813)</u>
EXPENDITURE		
Provision for depreciation – General Fund	1,155	1,118
- Housing Revenue Account	3,155	3,090
Capital asset accounting adjustment		
- Housing Revenue Account	8,409	8,531
External interest charges	363	406
Total expenditure	<u>13,082</u>	<u>13,145</u>
Balance to Consolidated Revenue Account	<u>(1,436)</u>	<u>(1,668)</u>

* See note 7 to the HRA on page 34.

5. EXCEPTIONAL ITEM

In 2005/06 the Council received a dividend payment from the Board of Liquidators for the Bank of Credit and Commerce International (BCCI) of £48,454. This brings the total dividend amounts received to date to £702,204, which exceeds the amount originally expected to have been recovered following the collapse of BCCI in 1991 by £402,204.

6. APPROPRIATION ACCOUNT

This account adjusts the revenue account for the minimum revenue provision, impairment losses, deferred charges and Government grants.

Minimum Revenue Provision (MRP)

The minimum revenue provision represents the statutory minimum amount that each local authority must charge to a revenue account in each financial year in respect of debt repayments (Local Government Act 2003), and is calculated as a percentage of the Capital Financing Requirement as defined by the Local Government Finance Regulations 2003, at the start of the financial year. The Local Government Act 2003 no longer requires a minimum revenue provision to be made to the Housing Revenue Account (HRA). At the start of 2005/06 this Council's overall Capital Financing Requirement was nil and thus no charge for MRP to the General Fund is required for this financial year.

To ensure only the statutory amount is included in the accounts an adjustment is required to eliminate the depreciation charged to the Asset Management Revenue Account. This has been calculated as follows:

	2004/05 £000	2005/06 £000
Minimum Revenue Provision (MRP)		
Non Housing – statutory	0	0
Housing – statutory	0	0
MRP to be charged to Accounts	0	0
Less Amount charged as depreciation	<u>(1,154)</u>	<u>(1,118)</u>
Credit to Consolidated Revenue Account	<u>(1,154)</u>	<u>(1,118)</u>

Deferred Charges

Certain types of expenditure incurred by the Council do not fall within the Code of Practice's definition of fixed assets, but are classified as expenditure for capital purposes with respect to capital controls. Such expenditure includes home improvement grants and similar advances to finance capital investment by other parties. These are categorised as 'deferred charges'. As this expenditure does not represent an asset to the Council the deferred charge balance has been written out of the balance sheet by charging it to the service revenue accounts on the basis that the 'asset' has no continued value to the Council. As the asset has already been financed under capital control arrangements a corresponding credit is required to negate the impact on the revenue accounts.

The adjustment made to the accounts is detailed below:

	2004/05 £000	2005/06 £000
Charged to Services		
Improvement Grants	853	691
Less Government grant income	<u>(263)</u>	<u>(222)</u>
	590	469
Housing associations	99	0
Grants to organisations	<u>0</u>	<u>89</u>
Total expenditure to be reversed	<u>689</u>	<u>558</u>

Government Grants

All Government or other grants received in relation to capital expenditure are required to be set aside in the Capital Contributions Deferred Account. The grant is released back to the revenue account over the life of the asset acquired to offset the cost of depreciation. The credit is made to the Asset Management Revenue Account. To negate the effect of this on the Council Tax an adjustment is made in the Appropriation Account.

	2004/05 £000	2005/06 £000
Grant released:		
Coast protection	83	83
IMPACT environmental schemes	57	51
CCTV	3	2
Victoria Park – Play Area	2	2
Pencester Gardens – Rollerblading	1	1
Youth shelters	1	1
Deal Dryside	9	9
CCTV – 2002/03 project	1	1
Sandwich Youth Space	1	1
E Government	70	70
DIP – Scanner	6	6
Rent service computer interface	1	1
Housing Computer system*	0	52
	<u>235</u>	<u>280</u>

* In 2005/06 the total grant received for the Housing Computer system has been released to the revenue account. Under HRA accounting arrangements there is not a requirement to write grant off over the life of the asset.

Appropriation Account Summary

	2004/05 £000	2005/06 £000
Provision for repayment of external loans adjustment – MRP	(1,154)	(1,118)
Deferred charges adjustment	(689)	(558)
Government grants released adjustment	235	280
Appropriation account	<u>(1,608)</u>	<u>(1,396)</u>

7. MOVEMENT ON PENSIONS RESERVE

The total FRS17 debits and credits are reversed out through this reserve and replaced with an appropriation from the reserve to reconcile back to the taxation requirement.

	2004/05 £000	2005/06 £000
Pensions costs chargeable to Council Tax	2,018	2,480
Current Service Costs per actuary	(1,517)	(1,680)
Past Service Costs per actuary	0	(60)
Curtailements per actuary	(77)	(220)
Contributions in respect of unfunded benefits	0	560
Return on assets per actuary	3,257	3,410
Interest Cost per actuary	<u>(3,957)</u>	<u>(5,210)</u>
	<u>(276)</u>	<u>(720)</u>

8. CONTRIBUTION TO (FROM) RESERVES

	2004/05 £000	2005/06 £000
Special Projects Reserve	572	335
Local Development Framework	169	(63)
Planning Delivery Grant	454	47
	<hr/>	<hr/>
	1,195	319

9. COUNCIL TAX AND GOVERNMENT GRANTS

Central government financial support to councils is paid separately to billing and precepting authorities. Revenue Support Grant is distributed to councils by the Government, following its assessment of relative need and the charging of a 'national' level of council tax.

National Non-Domestic Rates (NNDR) are collected by the District Council and paid to the Central Government Pool. These are then redistributed on the basis of the local resident population.

The balance of the District Council spending requirements is met through the Council Tax as a precept on the Collection Fund. Surpluses or deficits on the Collection Fund are shared by all precepting authorities in proportion to their respective precepts. Full details can be found on pages 36-38.

10. PROVISION FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt. Separate provisions are maintained for non-collection of business rates and council tax.

	General Fund	Housing Revenue Account	Total
	£000	£000	£000
Balance brought forward 1.4.05	953	345	1,298
Provision made in year	170	82	252
Less Amounts written off	(73)	(56)	(129)
Balance carried forward 31.3.06	<hr/>	<hr/>	<hr/>
	1,050	371	1,421

11. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend on services for which it has no specific powers, but which benefits some or all of the Authority's taxpayers. The limit for 2005/06 is £265k (2004/05 £264k). Actual expenditure in 2005/06 was £89k (2004/05 £99k). This was mainly spent on grants and loans for community projects, and includes the apportioned cost of administration and overheads.

12. PUBLICITY

In accordance with Section 5 of the Local Government Act 1986 the Council is required to disclose total spending on publicity for the year.

	2004/05 £000	2005/06 £000
General Publicity	237	170
Tourism Initiatives	77	74
Tourist Information Centres	78	80
Staff recruitment	159	62
Total for Year	<u>551</u>	<u>386</u>

13. LEASES

The Council uses IT equipment, Car Parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2005/06 was £78k (£115k in 2004/05). See note 4 to the Balance Sheet for future liabilities of the operating leases.

14. PENSION ARRANGEMENTS

The Local Government Pension Scheme is a defined benefit scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The pension figures are based on information received from the actuaries employed by Kent County Council, the Administering Authority to the Kent County Council Pension Fund. Some of the information cannot be verified as it relates to payments from within the fund rather than directly from Dover District Council.

In 2005/06 the Council paid an employer's contribution of £2.541m representing 26.29% of employees' pensionable pay into Kent County Council's Superannuation Fund (2004/05 £1.980m, 21.23%), which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last review being at 31 March 2004.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2005/06 these amounted to £636k representing 6.58% of pensionable pay (2004/05 £660k, 7.07%).

The Fund's actuary has advised that the current service costs to be charged to the Consolidated Revenue Account in the year in accordance with FRS17 are £1.68m (2004/05 £1.517m). There are no past service costs for the year. Curtailments and settlements equate to £280k (2004/05 £77m).

The actuary has also advised that the expected return on employer assets for the year to 31 March 2006 is £3.41m representing 35.3% of the payroll (2004/05 £3.257m, 35.4%). Interest on the pension scheme liabilities for the year is £5.21m (2004/05 £3.957m).

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

15. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, including all taxable emoluments, excluding pension contributions, fell within the following bands were:

Remuneration Band	Number of employees	
	2004/05	2005/06
£50,000-£59,999	8	7
£60,000-£69,999	1	3
£70,000-£79,999	0	0
£80,000-£89,999	2	3
£90,000-£99,999	1	1
£100,000 and over	0	0
	<u>12</u>	<u>14</u>

16. AUDIT FEES

	2004/05 £000	2005/06 £000
Code of Audit Practice audit fees	117	119
Certification of grant claims	33	33
Other work	0	0
Total for Year	<u>150</u>	<u>152</u>

17. PROMOTION OF ECONOMIC DEVELOPMENT

Section 33 of the Local Government and Housing Act 1989 empowers the Council to take such steps as it considers appropriate to promote economic development. This includes financial assistance to third parties. No grants were made under this power in 2005/06. (No grants were paid exercising this power in 2004/05).

18. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. No such works have been carried out in 2005/06.

19. MEMBERS' ALLOWANCES SCHEME

Totals of allowances paid to Council Members during 2005/06, in accordance with the Local Authorities (Members Allowances) (Amendment) Regulations 1991, are as follows:

	2004/05 £000	2005/06 £000
Basic Allowance	122	149
Special Responsibility Allowance	37	57
Travel and Subsistence	13	9
	<u>172</u>	<u>215</u>

Basic allowances are a contribution towards the costs of Councillors' constituency work as well as their Council duties at approved meetings. Special responsibility allowances are paid to some Councillors to recognise additional responsibilities undertaken on behalf of the Council.

20. RELATED PARTY TRANSACTIONS

In accordance with FRS8, the financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Central Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, prescribes the terms of many of the transactions that the council has with other parties and provides the majority of its funding in the form of grants. Details of grants received from government departments are set out in note 5 to the Cash Flow Statement.

During the year transactions with related parties, which have not been included separately elsewhere within the Statement of Accounts, arose as follows:

	Receipts £000	Payments £000
Kent County Council	115	1,178
Kent County Constabulary	0	33
Grants paid by and to Town and Parish Councils	0	0
Deal Museum Trust <i>One member of the District council was the Chairman during 2005/06</i>	0	4
Deal and Walmer Chamber of Trade <i>One member of the District Council was the President during 2005/06</i>	0	2
Deal Music Festival <i>One member of the District Council was a Director during 2005/06</i>	0	6
	<u>115</u>	<u>1,223</u>

21. BUILDING CONTROL

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as the provision of general advice, dealing with dangerous structures, and other local authority initiatives. The following statement shows the income and expenditure of the building control functions, divided between these chargeable and non-chargeable activities.

Building Control	Chargeable Activities 2005/06 £000	Non- Chargeable Activities 2005/06 £000	Total 2005/06 £000
Expenditure			
Employee Expenses	298	84	382
Transport	10	3	13
Supplies and Services	16	4	20
Central and Support Service	48	86	134
TOTAL EXPENDITURE	372	177	549
Income			
Building Regulation Charges	(325)	(2)	(327)
TOTAL INCOME	(325)	(2)	(327)
(Surplus) Deficit for Year	47	175	222

Comparatives for 2004/05

Building Control	Chargeable Activities 2004/05 £000	Non-Chargeable Activities 2004/05 £000	Total 2004/05 £000
Expenditure	312	208	520
Income	(328)	(4)	(332)
Net (Surplus) or Deficit for Year	(16)	204	188

There is a general duty to break even over a three year period on chargeable activities. Over the last three years, this activity has made a small surplus.

22. SINGLE REGENERATION BUDGET (SRB) AND SURESTART

The Authority acts as an accountable body under the SRB Challenge Fund and for Surestart, receiving grant payments from both SEEDA and the Surestart Unit respectively, and transferring these directly to community organisations qualifying for grant under the two schemes. For 2005/06 the transactions do not impact on the Council's net expenditure as grant payments are matched by grant income. However, both gross income and gross expenditure are included within the Consolidated Revenue Account in accordance with SSAP4, Accounting for Government Grants.

In 2005/06, the SRB revenue grant payments due to local projects amounted to £495k (£471k in 2004/05). In 2005/06 revenue grant payments totalling £825k (£822k in 2004/05) were paid by Surestart to local projects.

No Capital grant payments were payable to local projects under the SRB schemes during 2005/06 (£75k in 2004/05). No Capital grants payments were payable to Surestart project schemes in 2005/06, (£211k in 2004/05). Capital grants payable to both of these organisations are supported 100% by the Government.

HOUSING REVENUE ACCOUNT

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

Actual Outturn 2004/05	Note Number	Outturn 2005/06
£000		£000
(14,180) Dwellings Rents	10	(14,490)
(303) Non-Dwelling Rents		(320)
(608) Charges for Services and Facilities		(531)
(403) Contributions towards expenditure - Supporting People		(474)
(235) Contributions towards expenditure - Leaseholders		(230)
(15,729) Total Income		(16,045)
Expenditure		
3,772 Repairs and Maintenance		4,276
3,686 Supervision and Management		4,052
3,835 Negative Subsidy – Payment to Secretary of State	11	3,721
34 Rent Rebates		0
27 Increased Provision For Bad Debt Sums Directed by Secretary of State -	13	82
301 Transitional Relief	15	150
8,409 Cost of Capital Change	7	8,531
3,155 Depreciation and Impairment of Fixed Assets	8	3,090
6 Debt Management Costs		0
23,225		23,902
7,496 Net Cost of Services		7,857
(8,409) Adjusting transfer from AMRA Pension Interest Costs and Expected	7	(8,531)
13 Return on Pension Assets		45
(3) Amortised Premiums and Discounts		(3)
(124) Exceptional item – A20		0
(583) Investment Income		(524)
(1,610) Net Operating Expenditure		(1,156)
Appropriations Account		
87 Transfer to/from Pensions Reserve Revenue Contributions to Capital		44
477 Expenditure	6	166
26 Transfer to Major Repairs Reserve	3	58
(1,020) (Surplus) or Deficit for year		(888)
(3,643) Balance Brought Forward		(4,663)
(4,663) Balance Carried Forward		(5,551)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2005/06

	Stock at 1/4/2005	Sales	Transfers/ Disposals	Additions/ Transfers	Stock at 31/3/2006
Houses/Bungalows	2,924	23	0	0	2,901
Flats	1,829	5	0	0	1,824
Total	4,753	28	0	0	4,725

Total value of assets

	01/04/05 £000	31/03/06 £000
Operational assets		
- dwellings	239,152	239,844
- garages	1,378	1,963
- other land and buildings	186	186
- equipment	100	475
Non-operational assets	701	798
	241,517	243,266

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2005 was £533m (1 April 2004 £445.2m). The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The Government requires that the accounts are produced on a Resource Accounting basis. This requires that a 3.5% notional interest charge is made for the use of fixed assets and is charged to the HRA (3.5% in 2004/05). This charge shows the cost of capital tied up in housing assets. Resource accounting also requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve to finance HRA capital projects.

The housing subsidy for 2005/06 includes a grant in the form of a Major Repairs Allowance to resource the Major Repairs Reserve. The Major Repairs Allowance is ring fenced for HRA capital expenditure or debt repayment of a housing nature. If any allowance is unspent in one year it can be carried forward to finance capital expenditure in future years within the Major Repairs Reserve. The balance available for allocation in future years at 31 March 2006 is £0.638m (31 March 2005 £0.579m).

Major Repairs Reserve

	2004/05 £000	2005/06 £000
Balance as at 1 April 2005	(1,161)	(579)
Major Repairs Allowance:		
Depreciation	(3,155)	(3,090)
Transfer to Major Repairs Reserve	(26)	(58)
Transfer from reserve for capital purposes - 2005/06	0	3,089
- 2004/05	3,015	0
- 2003/04 (*see note)	748	0
Balance at 31 March 2006	<u>(579)</u>	<u>(638)</u>

* Under the capital accounting arrangements, effective from 1 April 2004, the Council accrues for the financing of its capital programme. In previous years the movement in capital creditors between financial years was included in 'Other Reserves'. In 2004/05 the accrued amount was shown as a transfer from Major Repairs Reserve.

4. SUMMARY OF CAPITAL EXPENDITURE

	2004/05 £000	2005/06 £000
Capital expenditure:		
Dwellings	4,914	4,854
Housing computer system	196	120
Total	<u>5,110</u>	<u>4,974</u>
Financed by:		
Capital receipts	135	258
Direct revenue financing (HRA)	477	166
Implementing electronic government grant	0	0
Major Repairs Reserve	3,015	3,088
Government Supported Borrowing	1,483	1,462
Other Reserves	0	0
	<u>5,110</u>	<u>4,974</u>

5. SUMMARY OF CAPITAL RECEIPTS

	2004/05 £000	2005/06 £000
Receipts from sales during the year		
Dwelling Sales	4,050	2,160
Other HRA Sales	433	50
Sub total	<u>4,483</u>	<u>2,210</u>
Amount pooled to Government *	<u>(2,946)</u>	<u>(1,423)</u>
	<u>1,537</u>	<u>787</u>

* Capital Accounting Regulations 2003 requires that 75% of Right to Buy capital receipts and up to 50% of other capital receipts are paid to the Government.

6. DIRECT REVENUE FINANCING

The Council undertook various housing capital projects in the year and partly financed these from its Housing Revenue Account. These projects included the initial capital costs of the new housing computer system and improvement works to existing Housing Revenue Account properties.

7. COST OF CAPITAL/ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

Under resource accounting, the cost of capital tied up in housing assets is shown in the HRA and credited to AMRA. For 2005/06 this charge, which is set by regulation, is £8.531m (2004/05 £8.409m). To ensure that the cost of capital does not have a cost implication to council tenants, it is appropriated from AMRA.

8. DEPRECIATION OF FIXED ASSETS

	2004/05 £000	2005/06 £000
Dwellings	3,108	3,025
Garages	47	65
	<u>3,155</u>	<u>3,090</u>

As in previous years, a depreciation charge for other HRA assets was not made as the amount of depreciation, in relation to the total estimated on the HRA, was considered immaterial.

9. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised that there were no impairments during the year.

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 2006 was £59.88 compared with £58.54 at 31 March 2005.

11. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than its notional expenditure, resulting in a payment of subsidy to the Government of £3.721m in 2005/06 (£3.835m in 2004/05). Details are shown below:

	2004/05 £000	2005/06 £000
Rents	(12,676)	(12,948)
Interest on Receipts	(90)	(58)
	<u>(12,766)</u>	<u>(13,006)</u>
LESS:		
Management Allowance	1,873	1,864
Maintenance Allowance	3,879	4,178
Major Repairs Allowance	3,181	3,148
Prior Year Adjustment	(2)	95
Subsidy Paid	<u>3,835</u>	<u>3,721</u>

12. RENT ARREARS

The position for rent arrears is shown below.

March 2005* Restated				March 2006			
Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000	Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000
136	226	134	496	101	395	139	635

* March 2005 figures amended as 'bad debt' provision originally shown in the 2004/05 accounts instead of rents.

13. PROVISION FOR BAD DEBTS

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

	£000
Balance brought forward as at 1.4.05	345
Provision made in the year	82
Less Amounts written off	(56)
Balance carried forward 31.3.06	<u>371</u>

14. FRS17 AND THE HOUSING REVENUE ACCOUNT

A proportion of the FRS17 costs as identified by the Fund's actuary have been charged to the Housing Revenue Account:

	2004/05 £000	2005/06 £000
Actual contributions paid	288	337
Reverse actual contributions	(288)	(337)
Current service costs	187	192
Past service costs	0	12
Curtailments	1	44
Interest on Pension Scheme Liabilities	73	130
Return on Employer Assets	(60)	(85)
Transfer to/from Pensions Reserve	87	44
Charge to HRA	<u>288</u>	<u>337</u>

15. TRANSITIONAL RELIEF

The Local Government Act 2003 moved the requirement to account for rent rebates from the Housing Revenue Account to the General Fund from 1 April 2004. The Council has received a direction from the First Secretary of State, under Section 87 of, and Item 10 of Part 2 of Schedule 4 to the Local Government and Housing Act 1989, to transfer the sum of £150k from the Housing Revenue Account to the General Fund for 2005/06 to negate the effect of this change in accounting (2004/05 £301k). There will be no transitional relief in 2006/07 and subsequent years.

16. BACKLOG MAINTENANCE

The Council is required to meet the Government's Decent Homes standards by 2010. This Council has produced an HRA Business Plan that demonstrates that it can meet the Decent Homes target. Therefore a backlog in maintenance for the HRA is not an issue.

THE COLLECTION FUND

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT 2005/06

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administering collection are accounted for in the General Fund. Any balance on the fund is distributed to the precepting authorities in the next financial year.

COLLECTION FUND			
Summary of Income and Expenditure			
2004/05		Note	2005/06
£000			£000
INCOME			
38,607	Council Tax	1	41,171
26,294	Non-Domestic Rates	2	24,027
6,215	Transfers from General Fund	3	6,619
<u>71,116</u>			<u>71,817</u>
EXPENDITURE			
Precepts and Demands:			
31,792	- Kent County Council		34,004
2,080	- Kent and Medway Fire Authority		2,216
5,715	- Dover District Council		6,180
3,972	- Kent Police Authority		4,299
Collection Fund surplus paid out:			
208	- Dover District Council		139
1,225	- Kent County Council		761
	- Kent and Medway Fire Authority		50
136	- Kent Police Authority		<u>95</u>
			47,744
Non-Domestic Rates:			
26,136	- Payment to National Pool	2	23,870
158	- Cost of Collection Allowance		<u>157</u>
			24,027
136	Provision for Non-Payment of Council Tax	4	(42)
<u>71,558</u>			<u>71,729</u>
442	(Surplus)/ Deficit for the Year		(88)
<u>(2,101)</u>	Surplus as at 1 April		<u>(1,659)</u>
<u>(1,659)</u>	Surplus as at 31 March		<u>(1,747)</u>

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax income derives from charges raised according to the value of residential dwellings. Each dwelling in the district has been valued at 1 April 1991 prices and placed in valuation bands. There are eight valuation bands:-

Band A	up to £40,000		
Band B	£40,001	-	£52,000
Band C	£52,001	-	£68,000
Band D	£68,001	-	£88,000
Band E	£88,001	-	£120,000
Band F	£120,001	-	£160,000
Band G	£160,001	-	£320,000
Band H	over £320,000		

Charges per dwelling are calculated by estimating the amount of income required to be raised by the Collection Fund for Kent County Council, the Kent Police Authority, the Kent and Medway Towns Fire Authority and Dover District Council for the forthcoming year and dividing this by the Council Tax Base.

The Council's tax base i.e. number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated number of Taxable properties after discount	Proportion of Band D charge	Band D Equivalent dwellings
Dis A	9.00	5/9	5.00
A	5065.00	6/9	3,376.70
B	13,694.45	7/9	10,651.24
C	11,405.65	8/9	10,138.36
D	6,081.25	1	6,081.25
E	3,612.95	11/9	4,415.83
F	1,967.95	13/9	2,842.59
G	1,272.40	15/9	2,120.67
H	46.55	2	93.10
	43,155.20		39,724.74
	Less adjustment for collection rates		(953.40)
	COUNCIL TAX BASE 2005/06 *		38,771.34

* Tax base 2004/05 was 37,590.97

Estimated income from this tax base was £46.699m including Town and Parish Council precepts of £1.221m. Actual income was £47,790m, an increase of £1.091m.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Under arrangements for uniform business rates the Council collects non-domestic rates for its district based on rateable values multiplied by a uniform rate in the pound. The non-domestic rate multiplier for 2005/06 was 41.5p for qualifying properties of less than £15,000 rateable value and 42.2p for all others. (2004/05 45.6p) The aggregate rateable value for the Council's district as at 31 March 2006 was £76,152m (£64.992m as at 31 March 2005).

Amounts collected less certain reliefs and other deductions, are paid to a central pool (the NNDR Pool) managed by Central Government. Authorities then receive back their share of the pool based on a standard amount per head of the local adult population.

The contribution for the Pool was calculated as follows:

	2004/05 £000	2005/06 £000
Gross Amount	26,483	24,474
Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief		
LESS		
Discretionary Relief	(30)	(96)
Reductions for charitable occupation, non-profit making bodies and hardship		
Losses in Collection: Bad and doubtful debts	(56)	(85)
Overpayments: Interest on repayments	(103)	(267)
NNDR Income	26,294	24,026
Costs of Collection: Allowance for collecting rates	(158)	(156)
Net Contribution to NNDR Pool	26,136	23,870

3. TRANSFERS FROM THE GENERAL FUND

Where Council Tax benefit has been granted, an amount equal to the benefit subsidy payable to the authority's General Fund, *plus*, the proportion that is not subsidised, is transferred into the Collection Fund from the authority's General Fund. The transfer from the General Fund in 2005/06 was £6.619m (£6.215m in 2004/05).

4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt relating to the Collection Fund.

	NNDR	Community Charge	Council Tax	TOTAL Tax
	£000	£000	£000	£000
Brought forward 1.4.05	75	2	696	773
Add Provision made in year	85	0	(42)	43
Less Amounts written off	(98)	0	(50)	(148)
Provision 31.3.06	62	2	604	668

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 March 2006

As at 31 March 2005		Note	As at 31 March 2006	
£000			£000	£000
0	Intangible assets	1		0
	Fixed assets	2 – 6		
	Operational assets			
239,152	-council dwellings		239,845	
32,426	-other land and buildings		39,507	
650	-vehicles, plant and equipment		1,441	
7,651	-infrastructure assets		7,220	
592	-community assets		557	288,570
6,459	Non-operational assets			6,756
286,930	Total fixed assets			295,326
0	Deferred charged	7		0
509	Long-term investments	8		4
506	Long-term debtors	9		340
287,945	Total long-term assets			295,670
	Current assets			
188	-stock and work in progress	10	197	
4,322	-debtors	11	5,739	
23,411	-investments	12	21,813	27,749
	Current liabilities			
(3,004)	-short-term borrowing	13	(3,003)	
(7,416)	-creditors	14	(6,957)	
(348)	-receipts in advance		(218)	
(472)	-bank overdraft		(958)	(11,136)
304,626	Total assets less current liabilities			312,283
(4,010)	Long-term borrowing	15	(4,006)	
(22)	Deferred capital receipts	16	(11)	
(320)	Provisions	17	(320)	
(47,522)	Pensions Liability	27	(50,700)	(55,037)
252,752	Total assets less liabilities			257,246
(223,802)	Fixed asset restatement account	18		(230,033)
(53,867)	Capital financing account	19		(54,159)
(3,684)	Usable capital receipts reserve	20		(3,233)
(5,141)	Capital Contributions Deferred	21		(5,157)
47,522	Pensions Reserve	27		50,700
(5,074)	Earmarked reserves	22		(5,472)
(8,706)	Revenue balances	23		(9,892)
(252,752)	Total equity			(257,246)

HEAD OF FINANCE AND ICT'S CERTIFICATE

I certify that the accounts set out fairly state the financial position
of the Council at 31 March 2006.

MIKE DAVIS, CPFA,
HEAD OF FINANCE AND ICT

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INTANGIBLE ASSETS

SORP 2004 created a new category of intangible fixed assets for local government. This Council has no intangible fixed assets to discharge.

2. MOVEMENT OF FIXED ASSETS 2005/06

OPERATIONAL ASSETS							
	Houses	Garages	Other Land	Equipment	Infrastruc ture	Community Assets	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value							
At 1 April 2005	244,910	1,458	32,293	1,360	11,410	786	292,217
Capital expenditure completed in year	4,854	0	279	1,111	23	0	6,267
Disposals	(1,483)	(3)	(7)	(101)	0	0	(1,594)
Revaluations and Restatements	(8,396)	507	5,996	(8)	0	(40)	(1,941)
At 31 March 2006	239,885	1,962	38,561	2,362	11,433	746	294,949
Depreciation							
At 1 April 2005	(5,758)	(80)	(1,245)	(710)	(3,759)	(194)	(11,746)
Charge for the year	(3,025)	(64)	(397)	(211)	(454)	(50)	(4,201)
Revaluations and Restatements	8,743	145	625	0	0	55	9,568
At 31 March 2006 Net Book Value	239,845	1,963	37,544	1,441	7,220	557	288,570

Subsequent expenditure on existing fixed assets is capitalised in accordance with FRS15.

The Council dwellings are valued, in accordance with stock valuation guidelines for resource accounting for the Housing Revenue Account issued by the former Department of the Environment, Transport and the Regions. Depreciation has been charged to the Housing Revenue Account for Council Dwellings and Council Garages in order to meet Resource Accounting requirements. However, a depreciation charge is not made in respect of other housing fixed assets as the figure is considered immaterial in relation to the total estimated expenditure on the Housing Revenue Account.

Details of the Council's non-operational assets are shown overleaf.

NON-OPERATIONAL ASSETS

	Investment Property £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Cost/Valuation				
At 1 April 2005	1,761	0	4,698	6,459
Capital expenditure complete in year	0	107	0	107
Disposals	(30)	0	0	(30)
Revaluation and Restatements	217	0	8	225
At 31 March 2006	1,948	107	4,706	6,761
Depreciation				
At 1 April 2005	0	0	0	0
Charge for the year	0	(5)	0	(5)
Revaluations and Restatements	0	0	0	0
At 31 March 2006	1,948	102	4,706	6,756
Net Book Value				

In accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2000, all operational buildings have now been depreciated. This is to reflect the cost of use of the buildings over their useful economic lives.

The net assets employed at the end of the financial year were:

	£000
Housing Revenue Account	243,266
General Fund	52,060
Total	295,326

This statement identifies capital expenditure during the year and how that expenditure was financed.

FIXED ASSETS	2005/06 Total £000
Council Dwellings	4854
Office Buildings	121
Sports Centres & Leisure Sites	231
Piers	41
Other Land & Buildings	(39)
Operational Equipment & Vehicles	604
Street Furniture	3
Sea Defences & Seafront	100
Land Awaiting Development/Surplus Assets	457
TOTAL SPENDING ON FIXED ASSETS	6,372
CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS	
Deferred Charges	780
TOTAL CAPITAL EXPENDITURE TO BE FINANCED	7,152

	2005/06
FINANCED BY:	£000
Government Supported Borrowing	1,553
Capital Receipts	1,339
Special Projects Reserve	209
Direct Revenue Financing	167
Capital Grants	3,884
TOTAL FINANCING	7,152

COMMITTED CAPITAL CONTRACTS

The following contracts have been entered into by the Council as at 31 March 2006, for which the committed sums of £2.033m shown below are yet to be reflected in the accounts. As at 31 March 2006 £82k had been subject to formal contract.

	Total Anticipated Cost	Less expenditure to 31 March 2006	Committed as at 31 March 2006	Contract to Date
	£000	£000	£000	£000
Aylesham Regeneration Project	1,012	408	604	0
Dover Town Investment Zone	845	430	415	0
Deal Pier	2,929	2,249	680	0
North Deal Pre-school Building	44	22	22	22
Dover Area Office, Castle Street	215	174	41	41
Customer Relations Management Project	197	55	142	0
Kingsdown Sea Defences	1,426	1,345	81	0
Housing Computer System	497	459	38	9
Environmental Health Database	67	57	10	10
	7,232	5,199	2,033	82

3. CAPITAL FINANCING REQUIREMENT

	2004/05	2005/06
	£000	£000
Opening Capital Financing Requirement	3,664	4,546
Capital Investment:		
Operational assets	5,873	6,297
Non-operational assets	189	75
Deferred charges	1,239	780
Sources of Finance		
Capital receipts	(1,464)	(1,339)
Government grants	(716)	(795)
Major repairs reserve	(3,763)	(3,089)
Direct revenue financing	(476)	(167)
Special projects reserve	0	(209)
Closing Capital Financing Requirement	<u>4,546</u>	<u>6,099</u>

The rules for financing capital investment changed in line with the Prudential Code for Borrowing as from 1 April 2004, the main changes being that capital is financed on an accrued basis, whereas previously only cash payments had been financed. For both years shown above, the net increases in the requirement to borrow relate entirely to borrowing categorised as being supported by Government financial assistance, through Revenue Support Grant.

The Capital Financing Requirement reflects various items in the balance sheet, as shown below:

	2004/05	2005/06
	£000	£000
Fixed Assets	286,930	295,326
Long Term Debtors	144	121
Capital Contributions Deferred	(4,859)	(5,157)
Capital Financing Account	(53,867)	(54,158)
Fixed Asset Restatement Account	(223,802)	(230,033)
	<u>4,546</u>	<u>6,099</u>

4. LEASING

Under the Local Government and Housing Act 1989 finance leases used to purchase fixed assets such as vehicles and equipment count as credit arrangements. As such they are subject to capital controls and require resource cover.

This Council therefore does not utilise this facility but chooses to use an operational lease facility. This does not permit the Council to own the goods at any time and therefore they are not subject to capital controls.

The revenue effect of utilising operational leases is disclosed as Note 13 of the Consolidated Revenue Account.

Operating Leases

The Council was committed at 31 March 2006 to making payments of £63k under operating leases in future financial years comprising the following elements:

	Vehicles, Plant & Equipment £000
Leases expiring in 2006/07	32
Leases expiring between 2007/08 & 2010/11	30
Leases expiring after 2010/11	1
	<u>63</u>

5. VALUATION DISCLOSURE

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their open market value for an alternative use sanctioned by planning permissions.

The properties were valued by Robert Reid-Easton, a Professional Member of the Royal Institution of Chartered Surveyors, the Authority's Valuation Officer.

6. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	Number as at 31.3.05	Net Book Value as at 31.3.05	Number as at 31.3.06	Net Book Value as at 31.3.06
	£000		£000	
ASSETS				
COUNCIL DWELLINGS				
Flats/Houses	4,753	234,238	4,725	239,845
Council Garages	957	1,378	955	1,963
OPERATIONAL LAND & BUILDINGS				
Offices:				
Whitfield Complex	1	3,546	1	3,494
Others	2	139	2	137
	<u>3</u>	<u>3,685</u>	<u>3</u>	<u>3,631</u>
Leisure Centres & Pools :				
Dover Leisure Centre	1	3,319	1	5,689
Deal Leisure Centre	1	4,624	1	6,012
Deal Tennis Centre	1	353	1	224
	<u>3</u>	<u>8,296</u>	<u>3</u>	<u>11,925</u>
Museums and Exhibitions:				
Dover Museum	1	3,836	1	5,372
Depots and Workshops	15	260	15	241
Cemeteries (sites)	7	50	7	48
Car Parks	40	3,047	38	3,524
Public Conveniences	26	1,331	26	1,802
INFRASTRUCTURE				
Sea Defences (kilometres)	7	6,556	7	6,359

COMMUNITY ASSETS				
Parks and Open Spaces	29	524	29	489
Deal Pier	1	497	1	574
Historic Buildings:				
Timeball Tower, Deal	1	148	1	148
Grand Shaft, Dover	1	1	1	1
St Martin's Battery	1	0	1	0
Town Clock, St Peter's Church, Sandwich	1	0	1	0

7. DEFERRED CHARGES

Certain types of expenditure incurred by the Council do not fall within the Code of Practice's definition of fixed assets, but are classified as expenditure for capital purposes with respect to capital controls. Such expenditure includes home improvement grants and similar advances to finance capital investment by other parties. These are categorised as 'deferred charges'. As this expenditure does not represent an asset to the Council the deferred charge balance has been written out of the balance sheet via the Capital Financing Account. For those deferred charges relating to General Fund Services the adjustment is via the Revenue Account, with a corresponding adjustment from the Capital Financing Account (see Note 6 to the Consolidated Revenue Account).

The following table records the movement on deferred charges:

MOVEMENT ON DEFERRED CHARGES					
Type of Deferred Charge	Expenditure in year	Government Grants	Charged to Consolidated Revenue Account	Written off to Capital Financing Reserve	Balance As at 31.3.06
	£000	£000	£000	£000	£000
Improvement Grants	691	(222)	469	0	0
Other Grants	89	0	89	0	0
Total	780	(222)	558	0	0

8. LONG TERM INVESTMENTS

All investments conform to the Council's Treasury Management Strategy Statement that is approved prior to the forthcoming year.

	As at 31 March 2005	As at 31 March 2006
	£000	£000
Investment fund managed by Investec Asset Management	505	0
Stocks	4	4
Total	509	4

9. LONG TERM DEBTORS

Long-term debtors consist of both mortgages and loans advanced to both individuals and organisations under various Acts of Parliament or utilising general powers.

Changes during the year were:

	Outstanding 31.3.05	Advances In year	Maturing in year	Outstanding 31.3.06
	£000	£000	£000	£000
Mortgage to:				
Housing Associations	58	0	0	58
Right to Buy Mortgages	22	0	10	12
Loan to:				
Parish Councils	23	0	23	0
Leaseholders	94	0	4	90
Local Organisations	67	0	4	63
Assisted Car Purchase Advances	242	0	124	118
TOTAL	506	0	165	341

Leaseholders – work carried out to sold Council flats prior to 31 March 1994 that is to be paid back over the life of the work e.g. lift replacement.

Service charge loans – The Housing (Service Charge Loans) Regulations 1992 grants leaseholders who purchased under the Right to Buy legislation an entitlement to a loan from the District Council to fund the cost of certain repairs. From 1 April 1994 the Council introduced its own scheme under these Regulations setting a qualifying limit of £250 as opposed to the £1,500 set out under the Regulations. Loans are secured against the property and attract interest at a rate determined by the Secretary of State for the Environment.

Parish Council loan – In 2005/06 it was agreed that this loan would be converted to a grant and it is included under deferred charges.

10. STOCKS AND WORK IN PROGRESS

	As at 31 March 2005	As at 31 March 2006
	£000	£000
Stocks		
Housing Revenue Account	8	8
General Fund	76	74
Work In Progress		
Rechargeable Works		
Housing Revenue Account	58	104
General Fund	46	11
Total	188	197

11. DEBTORS

	As at 31 March 2005	As at 31 March 2006
	£000	£000
Dover District Council Debtors		
Amounts falling due in one year:		
Housing Rents and Charges	402	486
Government Departments and Inland Revenue	575	597
Other Local Authorities	1	9
Sundry Debtors	2,971	3,664
Prepayments	119	230
	<hr/> 4,068	<hr/> 4,986
LESS Provision for Bad Debts	(1,298)	(1,421)
	<hr/> 2,770	<hr/> 3,565
Collection Fund Debtors		
Amounts falling due in one year:		
Local Taxpayers	2,326	2,554
Government Departments	0	287
LESS Provision for Bad Debts	(774)	(667)
	<hr/> 1,552	<hr/> 2,174
	<hr/> <hr/>	<hr/> <hr/>
Total all Debtors	<hr/> 4,322	<hr/> 5,739

12. SHORT TERM INVESTMENTS

All investments conform to the Council's 'Treasury Management Strategy Statement', which is approved annually prior to the start of the financial year. This statement details both the external fund manager's strategy and the in-house cash flow management strategy for the forthcoming year.

Short-term investments consist of:

	As at 31 March 2005	As at 31 March 2006
	£000	£000
Investment fund managed by Investec Asset Management	19,681	21,156
Bank and Building Societies	3,540	374
Global Treasury Fund	190	284
	<hr/> 23,411	<hr/> 21,814
Total	<hr/> 23,411	<hr/> 21,814

At the end of 2005/06 the Council held Long Term investments of £6.015m, however as it was anticipated that these investments would be disposed of within one year and the Council has subsequently sold them, they are included within short term debtors.

13. SHORT TERM BORROWING

Source of Loan	Range of Interest Rates Payable	Outstanding as at:	
		31 March 2005	31 March 2006
	%	£000	£000
Money Market (LOBO)	4.75	3,000	3,000
Public Works Loan Board	3.054	4	3
		3,004	3,003

Sums payable within one year are shown as short term borrowing in the Balance Sheet, and amounted to £3m (£3m in 2004/05). The LOBO entered its step up period on 16 December 2004. The lender of this loan now has the option to change the interest rate charged on this loan after every 6 months. Under the terms of the loan, the Council can choose to repay it if any change to the interest rate is not favourable. For this reason, the LOBO has been classified as a short term loan on the balance sheet.

14. CREDITORS

	As at 31 March 2005	As at 31 March 2006
	£000	£000
Dover District Council Creditors		
Government Departments	454	1,619
Other Local Authorities	16	16
Housing Rents	73	117
Sundry Creditors – Revenue	4,856	3,580
Sundry Creditors – Capital	74	487
	5,473	5,819
Collection Fund Creditors		
Amounts falling due in one year:		
Local Taxpayers	1,511	1,138
Government Departments	432	0
	1,943	1,138
Total all Creditors	7,416	6,957

15. LONG TERM BORROWING

Source of Loan	Range of Interest Rates Payable %	Outstanding as at:	
		31 March 2005	31 March 2006
		£000	£000
Public Works Loan Board	3.161 – 6.562	4,010	4,006
		4,010	4,006
The maturity profile of the PWLB is		31 March 2005	31 March 2006
		£000	£000
1 to 2 years		4	3
2 to 5 years		4	2
5 to 10 years		2	1
Over 10 years		4,000	4,000
		4,010	4,006

Sums payable after one year are shown as long-term borrowing in the Balance Sheet, and amounted to £4m in 2005/06 (£4m in 2004/05).

16. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council dwellings.

	£000
Balance brought forward as at 1 April 2005	22
Add: Additional receipts in previous years	0
Less: Principal repayments	(10)
Balance carried forward as at 31 March 2006	12

17. PROVISIONS

	Balance as at 31.3.05	Receipts in year	Applied In year	Balance as at 31.3.06
	£000	£000	£000	£000
Section 38	5	0	0	5
Uninsured losses	20	0	0	20
Long Leaseholders	295	0	0	295
TOTAL	320	0	0	320

Section 38 – a sum of money set aside to assist with clearing a dyke in Sandwich.

Uninsured losses – a provision set up to meet costs arising from increased excesses required on insurance cover.

Long Leaseholders – this is a provision set up to meet potential costs relating to leaseholder properties.

The above provisions are not compliant with FRS 12 as no timescale has been set up for their release.

18. FIXED ASSET RESTATEMENT ACCOUNT

The fixed asset restatement account represents the change in the value of the Council's fixed assets due to revaluations, restatements and expenditure on fixed assets which does not increase their value.

Movements on the account during 2005/06 are detailed below:

	£000
Balance brought forward 1 April 2005	223,802
Revaluations and Restatements	7,856
Disposal of fixed assets	(1,625)
Balance carried forward as at 31 March 2006	<u>230,033</u>

19. CAPITAL FINANCING ACCOUNT

The capital financing account contains the amounts that, under previous accounting rules, were required by Statute to be set aside from capital receipts for the repayment of external loans. The account includes amounts of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	£000
Balance brought forward as at 1 April 2005	53,867
Add:	
Capital financing	
- reserves applied	3,298
- revenue applied	168
- capital receipts applied	1,339
Allocation of grant from Capital Contributions Deferred Account	280
	<u>58,952</u>
Less:	
Capital asset accounting adjustment	(3,090)
General Fund depreciation	(1,118)
Long-term debtors	(27)
Write down of deferred charges	(558)
Balance carried forward as at 31 March 2006	<u>54,159</u>

The Local Government Act 2003 abolished the requirement for the Council to set aside sums as a provision to repay external loans and for other limited purposes.

20. USABLE CAPITAL RECEIPTS RESERVE

The balance on this reserve is available to fund capital expenditure in future years.

	£000	£000
Balance brought forward as at 1 April 2005		3,684
Add:		
Receipts in Year:		
- Land Sales – General Fund	0	
- Other Sales – General Fund	63	
- Other Sales – Housing Revenue Account	50	
- Dwelling Sales	2,160	
- Mortgage and Loan Repayments	38	2,311
		<hr/>
Less:		
Amounts pooled by Central Government	(1,423)	
Receipts used to finance Capital expenditure	(1,339)	(2,762)
		<hr/>
Balance as at 31 March 2006		3,233

21. CAPITAL CONTRIBUTIONS – DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the Capital Contributions Deferred Account. The grant is then released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charge made for that asset.

	£000
Balance brought forward as at 1 April 2005	5,141
Add income received in 2005/06:	
- DEFRA – Coast Protection grant	53
- Kent County Council (Dover Area Office)	20
- English Partnerships (Aylesham Major Regeneration Project)	73
- Electronic Government	150
	<hr/>
	5,437
Less: Applied in year	(280)
	<hr/>
Balance carried forward as at 31 March 2006	5,157

22. EARMARKED RESERVES

	Balance as at 1 April 2005	Receipts in year	Applied in year	Balance as at 31 March 2006
	£000	£000	£000	£000
Historic Buildings	66	0	0	66
Dover Lottery	2	0	2	0
Museums Acquisitions	2	0	2	0
Special Projects	3,462	966	634	3,794
Investment Income	100	0	0	100
Equalisation Reserve				
Risk Management Initiative	45	0	45	0
IT Equipment	165	0	165	0
Leisure Centres Equipment	31	0	0	31
Major Repairs Reserve	579	3,148	3,089	638
Local Development Framework	168	236	63	341
Planning Delivery Grant	454	47	0	501
TOTAL	5,074	4,397	4,000	5,471

Historic Buildings – primarily to assist with any refurbishment of the Dover Town Hall, but available for any of the Council's historic buildings.

Dover Lottery – this is the residual balance from the Council's discontinued local lottery. This reserve has been merged with the General Fund Reserve.

Museum Acquisitions – originally received contributions from the 'Friends of Dover Museum' for special occasions. This reserve has now been merged with the General Fund Reserve.

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. The opening balance comprises the consolidation of the Invest to Save, Capital Projects and Service Improvement/Performance reserves. During 2005/06 the Risk Management Initiative (balance of £40k after meeting expenditure of £5k in the year) and IT equipment (£165k) reserves were amalgamated with the Special Projects Reserve. A sum of £760k was also transferred from General Fund Surpluses in 2005/06. Capital expenditure financed from the reserve totalled £2.09k and revenue costs of £425k were also met from the special projects reserve.

Investment Income Equalisation Reserve – following the underperformance against the original budget in 2003/04, this reserve has been set up to enable any future shortfall in returns to not impact on ongoing budgets.

Risk Management Initiative – this reserve was set aside to finance future risk analysis work and has now been merged with the Special Projects Reserve.

IT Equipment – this reserve was set up to enable the Council to purchase smaller items of IT hardware as a more efficient and programmed alternative to previous leasing arrangements and has now been transferred to the Special Projects Reserve.

Leisure Centres Equipment – this reserve has been established in order to enable the replacement of equipment within the Council's leisure centres.

Major Repairs Reserve – the Government grants the Council a Major Repairs Allowance to assist in the financing of the Housing Revenue Account capital programme and for the repayment of HRA debt. Any amount not spent in one year is placed in the Major Repairs Reserve for future years housing capital expenditure. The Major Repairs Reserve for 2005/06 was £3.148m of which £3.089m was used to finance housing capital expenditure. The balance of £638k will be used in future years to meet the Government's Decent Homes target.

Local Development Framework – this reserve has been created to hold the monies set aside to fund the local development framework. A sum of £136k has been transferred to the reserve from the General Fund and a further £100k from Planning Delivery Grant.

Planning Delivery Grant – Planning Delivery grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2006 represents the unspent grant that will be utilised in future years.

23. REVENUE BALANCES

	Balance as at 1 April 2005	Additions	Withdrawals	Balance as at 31 March 2006
	£000	£000	£000	£000
General Fund	2,384	346	(136)	2,594
Housing Revenue Account	4,663	888	0	5,551
Collection Fund	1,659	88	0	1,747
TOTAL	8,706	1,322	(136)	9,892

24. SINGLE EUROPEAN CURRENCY (The Euro)

FRS13 is not complied with as the amounts involved are immaterial.

25. CONTINGENT LIABILITIES

At the date of the balance sheet there are no contingent liabilities.

26. CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

Dover District Council is the sole trustee for the two charities named below, and has appointed a Committee to carry out the operational functions of administering these:

Sir Ernest Bruce Charles	Charity No. 1021750
Frederick Franklin Public Park	Charity No. 1092171

Summarised accounts for each charity are set out below. All accounts are submitted to the Charity Commission. 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 (Charity No. 1021750)

Purpose of charity: Income (after expenses) to be applied for the benefit of Deal and surrounding area inhabitants.

SIR ERNEST BRUCE CHARLES	2004/05 £	2005/06 £
Income	784	971
Expenditure	(1,901)	(3,263)
Deficit for Year	(1,117)	(2,292)
Fund Balance 1 April	69,955	68,838
Fund Balance 31 March	68,838	66,546
Represented by:		
Investments	63,411	64,382
Bank	5,427	2,164
	68,838	66,546

Charity of Frederick Franklin for a Public Park (Charity No. 1092171)

Purpose of charity: Land at Marke Wood and Victoria Park to be used for recreational activities by the inhabitants of Walmer.

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK	2004/05 £	2005/06 £
Income	1,598	1,278
Expenditure	(1,598)	(1,278)
Surplus/(Deficit for Year)	0	0
Fund Balance 1 April	230,599	230,599
Fund Balance 31 March	230,599	230,599
Represented by:		
Dwellings	55,000	55,000
Land & Other Buildings	175,559	175,559
	230,559	230,559

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).

27. PENSION COMMITMENTS

Under FRS17 Retirement Benefits the Council is required to provide details of assets and future liabilities for pension payable to Council staff, both past and present.

The accounts show a liability of £50.7m as at 31 March 2006 (£47,522m as at 31 March 2005). Whilst this figure represents a substantial long-term liability, it is comparable with all other Districts within the Kent scheme. The deficit will vary in accordance with the investment values of the fund as influenced by national economic conditions, principally through the stock market.

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 Kent County Council in accordance with the Local Government Pension Scheme 1997 as amended.

The pension costs relating to the scheme are assessed in accordance with the advice of independent qualified actuaries and are such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The latest formal valuation of the scheme was carried out as at 31 March 2004, with the next formal valuation due as at 31 March 2007. In addition, the actuaries have considered the effect of contributions paid into, and estimated benefits paid from, the Fund by Dover District Council and its employees. Therefore, to facilitate the calculations the actuaries have used the following items of data;

- The individual membership data submitted for the previous formal valuation as at 31 March 2004.
- The latest numbers of employees, deferred pensioners and pensioners as at 31 December 2005.
- Employer and employee contributions up to 31 December 2005.
- Actual fund returns from 1 April 2005 up to 31 December 2005.
- Any new early retirements from 1 April 2005 to the latest available date of 31 December 2005 on unreduced pensions which are not anticipated in the normal employer service cost.

In accordance with FRS17, the latest actuarial valuation of Dover District Councils pension scheme, as administered by Kent County Council, has been reviewed and updated by a qualified actuary using the method described above. The major assumptions used were;

	31 March 2005 % per annum	31 March 2006 % per annum
Price Increases	2.9%	3.1%
Salary Increases	4.4%	4.6%
Pension Increases	2.9%	3.1%
Proportion of employees opting to take a commuted sum	N/A	0%
Discount Rate	5.4%	4.9%

Assets (Whole Fund)	Expected Return at 31 March 2005 (% per annum)	Expected Return at 31 March 2006 (% per annum)	Value at 31 March 2006 £000
Equities	7.7%	7.4%	44,240
Bonds	4.8%	4.6%	7,820
Property	5.7%	5.5%	5,650
Cash	4.8%	4.6%	4,810
Total			62,520

Net Pension Assets for Dover District Council as at	31 March 2005	31 March 2006
	£000	£000
Estimated Employee Assets (A)	<u>49,601</u>	<u>62,520</u>
Present Value of Scheme Liabilities	(87,956)	(102,830)
Present Value of Unfunded Liabilities	<u>(9,167)</u>	<u>(10,390)</u>
Total Value of Liabilities (B)	<u>(97,123)</u>	<u>(113,220)</u>
Net Pension Liability (A) – (B)	<u>(47,522)</u>	<u>(50,700)</u>

Movement in Surplus/Deficit During the Year	Year to 31 March 2005	Year to 31 March 2006
	£000	£000
Surplus/(deficit) at beginning of the year	(27,063)	(47,522)
Current Service Cost	(1,517)	(1,680)
Employer contributions	2,018	2,480
Contributions in respect of Unfunded Benefits	523	560
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	0	(60)
Impact of settlements and curtailments	(77)	(220)
Net return on assets	(701)	(1,800)
Actuarial gains/(losses)	<u>(20,705)</u>	<u>(2,458)</u>
Surplus/(deficit) at end of year	<u>(47,522)</u>	<u>(50,700)</u>

Amount Charged to Operating Profit	Year to 31 March 2005	Year to 31 March 2006
	£000	£000
Service cost	1,517	1,680
Past service costs	0	60
Curtailments and settlements	77	220
Decrease in irrecoverable surplus	-	-
Total Operating Charge (A)	<u>1,594</u>	<u>1,960</u>

Amount Credited to Other Finance Income	Year to 31 March 2005	Year to 31 March 2006
	£000	£000
Expected return on employer assets	3,257	3,410
Interest on pension scheme liabilities	<u>(3,957)</u>	<u>(5,210)</u>
Net Return (B)	<u>(700)</u>	<u>(1,800)</u>
Net Revenue Account Cost (A) – (B)	<u>2,294</u>	<u>3,760</u>

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)	Year to 31 March 2005	Year to 31 March 2006
	£000	£000
Actual return less expected return on pension scheme assets	1,965	9,860
Experience gains and losses arising on the scheme liabilities	(7,947)	(668)

Changes in financial assumptions underlying the present value of the scheme liabilities	(14,723)	(11,650)
Actuarial gain/(loss) in pension plan	(20,705)	(2,458)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Actuarial gain/(loss) recognised in STRGL	(20,705)	(2,458)

History of Experience Gains and Losses	Year to 31 March 2004	Year to 31 March 2005	Year to 31 March 2006
	£000	£000	£000
Difference between the expected and actual return on assets	6,364	1,965	9,860
Value of assets	45,724	49,601	62,520
Percentage of assets	13.9%	4.0%	15.8%
Experience gains/(losses) on liabilities	561	(7,947)	(668)
Present value of liabilities	72,786	97,124	113,220
Percentage of the present value of liabilities	0.8%	(8.2%)	(0.6%)
Actuarial gains (losses) recognised in STRGL	6,925	(20,705)	(2,458)
Present value of liabilities	72,786	97,124	113,220
Percentage of the present value of liabilities	9.5%	(21.3%)	(2.2%)

The Kent County Council pension scheme is not 100% funded and a long term plan for meeting the funding deficit will be determined by the Actuaries. The District Council has an apportioned share of the deficit, which is currently not required to be included in its accounting arrangements.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

TOTAL MOVEMENTS IN RESERVES	Capital Reserves				Revenue Reserves			Pensions	TOTAL	
	Fixed Asset	Capital	Usable	Capital	Earmarked	General	Housing	Collection		Pension
	Restatement	Financing	Capital	Contrib'ns	Reserves	Fund	Revenue	Fund		Reserve
	Account	Account	Receipts	Deferred			Account			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balances as at 1 April 2005	223,802	53,867	3,684	5,141	5,074	2,384	4,663	1,659	(47,522)	252,752
MOVEMENTS IN YEAR										
Unrealized gains/losses										
- on revaluation of fixed assets	7,856	-	-	-	-	-	-	-	-	7,856
- capital expenditure	-	-	-	-	-	-	-	-	-	-
Effects of Disposal of Fixed Assets										
- Cost or value of assets disposed of	(1,625)	-	-	-	-	-	-	-	-	(1,625)
- Amounts payable to Housing Capital Receipts Pool	-	-	(1,423)	-	-	-	-	-	-	(1,423)
- Proceeds of disposals	-	(27)	2,311	-	-	-	-	-	-	2,284
Financing of capital expenditure	-	4,804	-	-	-	-	-	-	-	4,804
Capital financing adjustments	-	(4,485)	-	-	-	-	-	-	-	(4,485)
Receipts in year	-	-	-	296	4,397	8	-	-	2,480	7,181
Applied in year	-	-	(1,339)	(280)	(4,000)	(136)	-	-	(5,658)	(11,413)
Net surplus/ (deficit) in year			-	-	-	338	888	88	-	1,314
Balances as at 31 March 2005	230,033	54,159	3,233	5,157	5,471	2,594	5,551	1,747	(50,700)	257,245
See notes on balance sheet:	Note 18	Note 19	Note 20	Note 21	Note 22	Note 23	Note 23	Note 23	Note 27	

NOTES: The Fixed Asset Restatement Account and the Capital Financing Account cannot be called upon to support either revenue or capital expenditure. The Usable Capital Receipts Reserve can be used to fund capital expenditure. Revenue Reserves can be used to fund capital and revenue expenditure, with the exception of the Collection Fund, which can only be used to reduce Council Tax demands.

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes

CASH FLOW STATEMENT			
2004/05		2005/06	
£000		£000	£000
	REVENUE ACTIVITIES		
	<i>Cash outflows</i>		
13,375	Cash paid out to and on behalf of employees	14,476	
59,439	Other operating cash payments	48,987	
13,095	Housing Benefit paid out	14,345	
26,140	National Non-Domestic Rate payments to National Pool	24,459	
39,205	Precepts paid	42,690	
	Payments to the Capital Receipts Pool	1,423	
<u>151,254</u>			146,379
	<i>Cash inflows</i>		
(5,768)	Rents (after rebates)	(6,039)	
(38,643)	Council Tax receipts	(40,676)	
(2,851)	National Non-Domestic Rates received from National Pool	(2,758)	
(26,366)	Non-Domestic Rate receipts	(23,856)	
(5,620)	Revenue Support Grant	(5,698)	
(30,594)	DSS grants for benefits	(33,423)	
(1,203)	Other government grants	(869)	
(5,188)	Cash received for goods and services	(5,825)	
(43,279)	Other operating cash receipts	(28,803)	
<u>(159,512)</u>			(147,946)
(8,258)	Revenue Activities Net Cash Flow		(1,567)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	<i>Cash outflows</i>		
366	Interest paid	406	
	<i>Cash inflows</i>		
(539)	Interest received	(943)	(537)
	CAPITAL ACTIVITIES		
	<i>Cash outflows</i>		
9,764	Capital expenditure excluding grants	6,487	
1,323	Capital grants	780	
	<i>Cash inflows</i>		
(4,672)	Sale of fixed assets	(1,925)	
(472)	Capital grants received	(513)	4,830
<u>(2,488)</u>	Net cash (inflow)/outflow before financing		2,726
	MANAGEMENT OF LIQUID RESOURCES		
(193)	Net increase / (decrease) in Liquid Assets – Short Term		(1,598)
	Net increase / (decrease) in Liquid Assets – Other		(645)
	FINANCING		
	<i>Cash outflows</i>		
3	Repayments of amounts borrowed	4	
	<i>Cash inflows</i>		
0	New loans raised	0	4
<u>(2,678)</u>	Net (Increase)/ Decrease in Cash		<u>486</u>

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

2004/05 £000	(Surplus)/ Deficit per:	2005/06 £000
135	Consolidated Revenue Account Page 21	(338)
(1,020)	Housing Revenue Account Page 31	(888)
442	Collection Fund Page 36	(88)
(443)	Net Surplus	(1,314)
903	Interest	0
Non-Cash Transactions:		
(1,195)	Contributions to/ from Reserves	(319)
(477)	Contributions to Capital	(166)
(3,574)	Capital Financing Adjustments	(1,416)
Items on an accruals basis:		
30	Increase/ (Decrease) in Stock and Work in Progress	9
(1,904)	Increase/ (Decrease) in Debtors	1,241
(1,598)	(Increase)/ Decrease in Creditors	140
	(Increase)/ Decrease in Receipts in Advance	131
(8,258)	Net Cash outflow from Revenue Activities	(4,233)

Interest for 2005/06 is included within the Consolidated Revenue Account balance.

2. ANALYSIS OF BALANCE OF CASH

	As At 31-Mar-05 £000	As At 31-Mar-06 £000	Net Movement £000
Bank Overdraft	(471)	(957)	(486)

3. ANALYSIS OF MOVEMENT OF LIQUID INVESTMENTS

	As At 31-Mar-05 £000	As At 31-Mar-06 £000	Net Movement £000
Investec Asset Management	19,681	21,156	1,475
Banks & Building Societies	3,540	374	(3,166)
Global Treasury Fund	191	284	93
Net Cash (Inflow)/ Outflow	23,412	21,814	(1,598)

4. ANALYSIS OF CHANGES IN FINANCING

	As At 31-Mar-05	As At 31-Mar-06	Net Movement
Short Term Borrowing	3,004	3,003	1
Public Works Loan Board	4,010	4,006	4
Net Cash (Inflow)/ Outflow	7,014	7,009	5

5. ANALYSIS OF GOVERNMENT GRANTS

2004/05 £000		2005/06 £000	2005/06 £000
5,620	Revenue Support Grant		5,698
	DSS Grants for Rebates		
23,482	Rent Allowances	25,053	
6,397	Council Tax Benefits	7,627	
715	Administration	743	33,423
0	Housing Subsidy	0	
277	National Non-Domestic Rate Collection	180	
926	Other	689	869
37,417	Total Government Grants		39,990

GLOSSARY OF FINANCIAL TERMS

ACCOUNTS

A statement aggregating items of income and expenditure and assets and liabilities. The accounts may show detailed transactions for every activity (generally used for management and control purposes during a financial year) or be summarised to show the overall position at the end of the period. The latter are known as final accounts and show both the net surplus (profit) or deficit (loss) and a balance sheet of the assets, liabilities and other balances at the end of the accounting period. Authorities are required to publish a Statement of Accounts as specified in the *Accounts and Audit Regulations 2003*.

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RESERVE

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

CAPITAL RECEIPTS

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

USABLE CAPITAL RECEIPTS

Funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

CREDITORS

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

DEBTORS

Sums of money due to the authority but unpaid at the balance sheet date.

DEFERRED CHARGES

Capital payments that do not give rise to an asset such as house renovation grants.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

FIXED ASSETS

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the Authority, examples of intangible assets are computer software licences and patents for goods or services.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

NON-OPERATIONAL ASSETS

These are fixed assets held by a local authority, but not directly used for the delivery of services. There are three categories of non-operational assets these are investment properties, assets that are surplus to requirements, pending sale or redevelopment and assets under construction.

GENERAL FUND

The main revenue account of a charging authority that summarises the cost of all services provided by the Council.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISIONS

Amounts set aside in the accounts for liabilities which are anticipated in the future, but which often cannot be accurately quantified.

REVENUE SUPPORT GRANT

A general grant paid by central government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Collection Fund.

REVENUE ACCOUNT

An account which records the day to day expenditure and income of an authority on such items as salaries and wages, running costs of services, the purchase of consumable materials and equipment, and the financing costs of capital assets.

SUPPORT SERVICES

An allocation of the net cost of the administrative and professional departments that provide support for all the Council's services (e.g. Executive Services, Finance, Personnel), together with the costs of pooled administrative buildings.

TEMPORARY LOANS

Money borrowed for an initial period of less than one year.

WORK IN PROGRESS

The cost of work done on an uncompleted project at the year-end that had not been recharged at the balance sheet date.

Independent auditor's report to Dover District Council

Opinion on the financial statements

I have audited the financial statements of Dover District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Dover District Council in accordance with Part 11 of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 38 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates

and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in 1999 accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and

- where relevant, making any recommendations under section 7 of the Local Government Act.

Conclusion

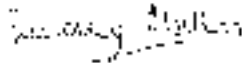
I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Dover District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 30 December 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Lindsey Mallors
Audit Commission
Ground Floor Front
16 South Park
Sevenoaks
Kent TN13 1AN

Date: 28th September 2006