Statement Of Accounts

2014/15

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

This foreword provides a brief summary of the Council's financial performance over the last year and its year-end position at 31 March 2015

These accounts are produced for Dover District Council as a single entity and explain:

- What the Council's services cost in the year of account;
- Where the money came from; and
- What assets and liabilities the Council held at the year-end.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 94 to 99.

2. CHANGES IN ACCOUNTING AND PRESENTATION

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The Code is based on a hierarchy of approved accounting standards. The main features in the treatment of NNDR in the Statement of Accounts for 2014/15 are detailed below as they have a significant impact upon the Council's accounts:

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

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

Although not strictly a change in 2014/15, the localisation of Business Rates, which was introduced in 2013/14, continues to change and evolve and has such an impact upon the Accounts that it still merits an explanation within this section of the Accounts. It should also be noted that Government was in receipt of all Business Rates until the end of 2012/13 and does not finance the full cost of refunds following appeals, even when they have been backdated to 2012/13 and earlier. Therefore Councils have to carry a significant level of appeals provision to cope with the full costs of any successful, backdated appeals.

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

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

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

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

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

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

3. OVERVIEW OF STATEMENT OF ACCOUNTS

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

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

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

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

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

(c) **Core Financial Statements (pages 16 to 75)**

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

- **Movement in Reserves Statement - MIRS (pages 16 to 18)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 19)**

  This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax collected. Authorities raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet (page 20)**

  The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

- **Cash Flow Statement (page 21)**

  The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the Core Financial Statements (pages 22 to 75)**

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

(d) **Supplementary Financial Statements (pages 76 to 90)**

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

- **Collection Fund (page 76 to 82)**

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

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

- **The Housing Revenue Account (page 83 to 88)**

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

- **Charities Administered by Dover District Council (page 89 to 90)**

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

(e) **Independent Auditors' Report (page 91 to** Error! Bookmark not defined.**)**

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

(f) **Glossary (pages 94 to 99)**

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

SUMMARY OF THE 2014/15 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Spending is split between revenue (as shown in the Comprehensive Income and Expenditure Statement) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are utilised within the year and is further split between the General Fund Revenue Account and the Housing Revenue Account. The General Fund Revenue Account includes the costs of providing day-to-day services to Council Tax payers and is financed from council tax, national non-domestic rates, government grants, fees and charges, use of reserves and other income. Expenditure charged to the Housing Revenue Account is defined in legislation, and relates to the cost of managing the Council's housing stock, which is financed by rental income. Capital expenditure is incurred on items that provide value to the Council or the community for more than one year and is generally financed by loans, grants, revenue balances and proceeds from the sale of capital assets.

The summaries of the financial year for these areas are detailed below.

GENERAL FUND REVENUE ACCOUNT

The General Fund Revenue Account shows the net cost of providing day-to-day services. The following paragraphs and tables provide details of actual General Fund spend compared to the budget on which the council tax was set. The presentation of information in the tables below has been simplified as far as possible, and so it is different to the accounting cost reflected within the financial statements – but they both reflect the Council's underlying financial position.

In March 2014 the Council set a net revenue budget of £14.79m. This was to be met by financing of £14.79m made up of central government grant of £7.60m, council tax income of £5.87m, New Homes Bonus of £1.30m and a Collection Fund surplus of £0.02m. This resulted in a balanced budget.

During the year the forecast budget was increased by £452k to £15.25m. The financing was revised by £655k to £15.45m, resulting in an anticipated surplus of £203k. The outturn was a requirement of £16.34m, £1.1m higher than the forecast position. The financing received in the year was £16.65m, an increase of £1.2mk from the forecast. Overall the year-end position resulted in a £304k surplus for the year.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium Term Financial Plan. Details of the areas included under each directorate can be found in Note 3 Segmental Reporting.

2013/14 Actual £000	General Fund Budget Summary	2014/15 Original Budget £000	2014/15 Revised Budget £000	2014/15 Actual £000
	Directorate			
1,633	Chief Executive	2,178	2,358	3,763
2,168	Governance	2,434	2,387	2,043
2,513	Finance, Housing & Community	2,437	1,614	2,996
7,295	Environment & Corporate Assets	7,510	7,451	6,607
464	Special Revenue Projects	198	602	434
0	Vacancy Allowance	(100)	0	0
0	Delivering Effective Services/EKS Target	(95)	0	0
(113)	Council Tax Second Homes Income	(113)	(113)	(113)
0	Contingency	97	8	0
13,960	**Directorate Service Costs**	**14,546**	**14,307**	**15,730**
(1,636)	Depreciation & Revaluations	(1,675)	(1,675)	(1,205)
830	IAS 19 Pension Adjustments	828	1,167	907
4	Accrued Annual Leave Adjustment	0	0	(6)
64	River Stour Drainage Board	66	66	66
284	Council Tax Support to Towns & Parishes	142	142	142
	Contribution to/(from) Reserves:			
(56)	- Special Projects & Events Reserve	306	733	798
(66)	- Periodic Operations Reserve	5	159	457
363	- Urgent Works Reserve	0	299	299
539	- Regeneration Reserve	209	(7)	63
(90)	- IT Equipment Reserve	58	19	98
210	- Revenue Grants in Advance Reserve	0	(1)	(123)
(32)	- Business Rates & Council Tax Reserve	256	0	1,233
14,374	**Net Service Expenditure**	**14,741**	**15,209**	**18,459**
	Financing Adjustments			
(182)	Interest & Investment Income	(185)	(201)	(206)
251	Interest Payable & Loan Repayments	237	237	249
(329)	Revenue Expenditure Funded by Capital Under Statute & Capital Grants Unapplied	0	0	(2,470)
0	Direct Revenue Financing of Capital	0	0	373
(71)	Soft Loan Adjustments	0	0	(62)
867	NDR Collection Fund Adjustment	0	0	0
14,910	**Total Budget Requirement**	**14,793**	**15,245**	**16,343**
	Financed by:			
2,994	Non-Domestic Rates	3,332	3,448	4,682
697	Enterprise Zone Relief Retained	515	975	975
4,699	Revenue Support Grant	3,698	3,698	3,698
5,822	Council Tax	5,874	5,874	5,874
37	Collection Fund Surplus	20	20	20
927	New Homes Bonus	1,296	1,307	1,307
59	New Burdens, CT freeze & Other Grants	58	126	91
15,235	**Total Financing**	**14,793**	**15,448**	**16,647**
(325)	**General Fund Surplus for the Year**	**0**	**(203)**	**(304)**
(14,760)	**General Fund Balance at Start of Year**	**(2,531)**	**(2,585)**	**(2,585)**
12,500	**HRA Transfer to Earmarked Reserves**	**0**	**0**	**0**
(2,585)	**Leaving Year End Balances of**	**(2,531)**	**(2,788)**	**(2,889)**

Major Variations

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

	Variance £000	Budget £000
Original Budget Surplus		0
Enterprise Zone Relief for prior years under new funding arrangements	(460)	
Safety Net Payment Due partially offset by reduced S31 Grant	(116)	
Business Rates & Council Tax Reserve – top up not required in 2014/15	(256)	
Vacancy and Efficiency savings	(251)	
Council Tax Collection – increased recovery of court costs, etc.	(133)	
Transfer to reserves for one-off projects (£500k)/IT Equipment (£268k)	768	
Waste - reduced sales of bins and sacks and increased purchases of bins for new developments	89	
Reduced HRA recharges	75	
Homelessness – additional emergency accommodation & storage costs	61	
Miscellaneous other variances (net)	20	
Revised Budget Surplus		(203)
Council Tax Reduction Scheme – New Burdens Grant credited to service	(89)	
Miscellaneous other variances (net)	(12)	
Actual Budget Surplus		(304)

Financing

The financing of the budget of £m came from:

	£000	%
Council tax [1]	5,874	35.3%
Revenue Support Grant [2]	3,698	22.2%
Non-domestic rates [3]	4,682	28.1%
Enterprise Zone Relief Retained [4]	975	5.9%
New Homes Bonus [5]	1,307	7.9%
New Burdens, CT freeze & other grants [6]	91	0.5%
Collection Fund Surplus – Council Tax [7]	20	0.1%
Total	**16,647**	**100.0%**

(1) Council tax is paid by the residents of the district to the Council. However, only 15.1% of the council tax collected was retained by the district, of which 11.1% was for its own use as 4.0% was to meet the precepts of the various town and parish councils. 70.8% was paid to Kent County Council with the remainder paid to The Police & Crime Commissioner for Kent (9.5%) and the Kent and Medway Fire & Rescue Authority (4.6%).

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

(3) National non-domestic rates are set by Government but collected by the Council from businesses in the district. Under the new rates retention scheme implemented during the year by Central Government, the amounts collected are split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%). In 2014/15 £33.9m of NNDR was billed to ratepayers in the district. However, Dover's 40% share is reduced significantly by a tariff payable to Central Government which, in 2014/15, reduces its retained funding (after provisions, for example for Business Rates appeals) beneath the baseline level that the Government has calculated that it needs. As such, Dover receives a safety net payment to ensure it receives, as a minimum, 92.5% of the baseline level, and therefore the total it keeps for 2014/15 is £3,052k. However, due to statutory reporting requirements there is a timing issue in the recognition of Business Rates. The Council will receive from the collection fund the amount it initially precepted, regardless of the actual amounts raised in the year. The lower level of BR will actually impact on the succeeding years. Therefore the result of the lower level of BR in 2014/15 is actually a higher combined total for BR, collection fund surplus, safety net and s31 grant, totalling £4,682k as shown in the statement above. From this higher sum, £1.23m has been transferred to the Business Rates & Council Tax Reserve to deal with the risk of unforeseen pressures from the Redistribution of Business Rates (including the impact of the timing issue on future years) and in particular of the uncertainties around the likely success of outstanding valuation appeals, especially in light of the recent change to the basis of valuation for purpose-built doctors' surgeries following a recent tribunal decision and the resulting reduction in rateable value and liability averaging 66% for all surgeries identified as falling within this class, and expected refunds exceeding £2.5m approx. incl. backdating to prior years, as well as the unknown impact on similar establishments.

(4) Enterprise Zone Relief is granted to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2014/15 is £1,148k. However, legislative requirements mean that the excess of Enterprise Zone Relief over the sum originally estimated (in November 2013) as likely to be granted for 2014/15 is reversed out through the Movement in Reserve Statement, and is to be recognised in the following year. The amount reversed is £840k. In addition, we are required to recognise an adjustment relating to prior years EZ relief of £667k.

(5) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2014/15 was £1,307k.

(6) The Government has provided New Burdens Grants (non-service specific) in relation to the local community's "right to bid" for assets of community value and "right to challenge" to provide services. The total received for both types of grant in 2014/15 was £17k. The Council has also received £69k Council Tax Freeze Grant and further funding of £5k to support the Transparency Agenda, all from D.C.L.G.

(7) Collection Fund Surplus – Council Tax. This is the sum estimated (in January 2014) as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2014 relating to Council Tax, which has been distributed in 2014/15.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,404 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure

Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £1,959k was paid off the PWLB loan principle sum during 2014/15. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2014/15 the HRA outturn was a decrease in the HRA balance of £692k compared to the original budget forecast of an increase of (£385k) a variance of £1.1m. The main reasons for the variance are as follows:

- Transfer to Housing Initiatives Reserve - £2.8m
- Re-phased spend on the Capital Works Programme - (£886k).
- Additional dwelling rent income – (287k)
- Reduction in Rent, Rates Taxes & Other Charges of (£119k)
- Removal of Home Loss Payment (£100k) due to deferral of refurbishment of Norman Tailyour House to 2015/16
- Reduction in the bad debt provision (£183k)

In 2014/15 £2.8m was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of circa £1m.

£1.5m was invested in new HRA housing projects including the provision of three new dwellings in Elvington & two new dwellings in Deal.

CAPITAL INVESTMENT

The Council invested £9.6m in major projects in 2014/15, the most significant of which were:

- £729k on works to progress the development of Dover Town Investment Zone and the surrounding area;
- £118k on the construction of a new car park at Bench St;
- £6.5m on Housing Revenue Account property projects including £1.6m on redevelopment of land, and purchase and refurbishment of affordable homes;
- £120k on grants and loans for private sector housing;
- £731k on Disabled Facility Grants;
- £336k on the 'Up on the Downs' landscape projects;
- £1.4m for grant funding issued to the Discovery Park Enterprise Zone;
- The remainder has been spent on a number of smaller projects.

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

- £3.1m in grants from external bodies including the Homes and Communities Agency, Department for Communities and Local Government, Department for Energy and Climate Change; Environment Agency, Heritage Lottery Fund, and Partnership Funding;
- £2.9m from the Major Repairs Reserve;
- £2.6m from the Housing Revenue Account (revenue financing);

- £466k from Excess Right to Buy Receipts;
- £212k from Section 106 funding;
- £277k from capital receipts.

Overall, the capital programme is within budget.

Right to Buy sales continue to increase due to Government initiatives to encourage sales; overall sales were higher in 2014/15 than in 2013/14.

OTHER KEY FINANCIAL AREAS

In addition the Council has responsibilities for the following key financial areas:

- Treasury Management – the management and reporting of the authority's investments, cash flow and borrowing;
- Balance Sheet – the detail of the assets and liabilities held by the authority;
- Pension Fund – reporting on the position of the authority's pension fund.

TREASURY MANAGEMENT

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

At 31 March 2015 the Council had over £13m of investments managed by the Council's fund manager, Investec[1]. In addition, investment balances and day-to-day cash balances managed in-house were approximately £32m as at 31 March 2015.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 0.52% for the year. The investments with the investment managers, Investec, also outperformed the benchmark and achieved an average of 0.59% for the year.

The total interest received for the year was approximately £276k. This was higher than the original budget of £264k, which was almost entirely due to better than expected returns from Investec.

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

The Council has just under £89m of borrowing from the Public Works Loans Board (PWLB). The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Finanz AG (formally Commerzbank).

The Council retains the services of Capita (formerly Sector) as treasury management advisers and they provide market intelligence, economic forecasts, fund managers' performance reports, debt re-scheduling services, opportunities for borrowing and ad-hoc advice.

[1] Since the balance sheet date, Investec have withdrawn this service. Some of the funds have been returned to be managed in-house. The balance is with new custodians. There is no loss to the Council from this change.

BALANCE SHEET – The Council's Assets and Liabilities

At the end of each year a Balance Sheet is drawn up that represents how much the Council's land and buildings are worth, how much is owed to others, how much others owe the Council and the amount of cash the Council has:

As at 31 March	**2014 £000**	**2015 £000**
Value of land, property and other assets	231,463	256,499
Investments held and cash at bank	34,520	44,983
Money owed to DDC for goods and services	6,976	9,876
Loans owed to DDC (short and long term)	2,850	2,817
Money owed by DDC for goods and services	(14,793)	(18,829)
Loans owed by DDC (short and long term)	(94,111)	(92,038)
Grants for assets received but not yet used	(768)	(1,513)
Share of pension scheme liabilities owed by DDC	(65,828)	(81,456)
Total Assets less Total Liabilities	**100,309**	**120,339**
Financed by:		
Usable reserves[1]	28,905	38,593
Unusable reserves[2]	71,404	81,746
Net Worth of Council	**100,309**	**120,339**

[1] Usable reserves are made up of:

Capital receipts and grants	4,296	8,768
Revenue balances	4,371	3,983
Earmarked reserves	20,238	25,842
	28,905	**38,593**

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

PENSION FUND

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

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

The net liability at 31 March 2015 was £81.4m (£65.8m at 31 March 2014).

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2014. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

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

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2014/15 and Medium Term Financial Plan (MTFP) 2014/15 – 2016/17 were approved in March 2014. The MTFP covers both revenue and capital budgets for the General Fund and the Housing Revenue Account over a three-year forecasting period. The main features of the MTFP are:

- General Fund budget surplus of £92k for 2015/16;
- Prudent General Fund balances maintained in 2015/16;
- Council Tax levels frozen at 2013/14 rates;
- Forecasting for future years shows projected deficits of £360k in 2016/17 and £728k in 2017/18;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- Financed 2015/16 capital programme; and
- Significant risks and budget volatility in future years.

THE FUTURE

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

- Development and regeneration of the local economy;
- On-going impacts following the implementation of localisation of Council Tax support;
- On-going impact of the Business Rates Retention Scheme;
- Welfare Reform and cessation of the administration of housing benefits over a transitional period;
- On-going reviews of local government financing and expected further cuts in government funding;
- The economic climate;
- Implications of the Localism Act.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance, Housing and Community;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Director of Finance, Housing and Community's Responsibilities

The Director of Finance, Housing and Community is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code).*

In preparing this Statement of Accounts, the Director of Finance, Housing and Community has:

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

The Director of Finance, Housing and Community has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

By signing the Statement of Accounts, the Director of Finance, Housing and Community is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

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

Signed: M. J. Davis.

Mike Davis CPFA
Director of Finance, Housing and Community

Dated: 22 September 2015

Signed: Pat Heath

Councillor Patrick Heath
Chairman, Governance Committee

Dated: 22 September 2015

MOVEMENT IN RESERVES STATEMENT

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

Balance at 31 March	**2,585**	**1,786**	**18,226**	**2,012**	**3,585**	**711**	**28,905**	**71,404**	**100,309**

MOVEMENT IN RESERVES STATEMENT

	Notes	2014/15 General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,585**	**1,786**	**18,226**	**2,012**	**3,585**	**711**	**28,905**	**71,404**	**100,309**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		3,704	15,995					19,699		19,699
Other comprehensive income & expenditure									333	333
Total Comprehensive Income & Expenditure		**3,704**	**15,995**	**0**	**0**	**0**	**0**	**19,699**	**333**	**20,032**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation and amortisation of non-current assets	4	2,718			1,565			4,283	(4,283)	
Impairment of non-current assets	4	305						305	(305)	
Depreciation charged to the HRA	HRA		(3,321)		3,321			0	0	
MRA transferred to fund capital expenditure	3				(4,886)			(4,886)	4,886	
Capital grants and contributions applied	22	(2,430)						(2,430)	2,430	
Capital grants and contributions unapplied	22	(4,338)					3,909	(429)	429	
Changes in the value of Investment Properties	5	(48)						(48)	48	
Revenue expenditure funded from capital under statute	11	2,470						2,470	(2,470)	
(Gain) or loss on disposal of non-current assets	8	22	80			1,568		1,670	(1,670)	
Revaluation gain	34	(1,818)	(8,042)					(9,860)	9,860	
Adjustments under statutory provisions relating to soft loans	16	(328)						(328)	328	
Loan Principal Repayments	14	(12)						(12)	12	
Net charges made for retirement benefits	19	1,569						1,569	(1,569)	
Council tax income regulatory adjustment	20	(16)						(16)	16	
NNDR income regulatory adjustments	21	1,611						1,611	(1,611)	
Enterprise Zone Relief regulatory adjustment	21	(174)						(174)	174	
Capital expenditure charged to revenue	10	(371)	(2,626)					(2,997)	2,997	
Employee benefits – accrued annual leave	23	6						6	(6)	
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	261				(261)		0	0	
Capital receipts applied	10	0				(743)		(743)	743	
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**3,130**	**2,086**	**0**	**0**	**564**	**3,909**	**9,689**	**10,342**	**20,032**
Transfers to or (from) earmarked reserves	26	(2,826)	(2,778)	2,826	2,778	0	0	0	0	
Increase or Decrease in Year		**304**	**(692)**	**2,826**	**2,778**	**564**	**3,909**	**9,689**	**10,342**	**20,032**
Balance at 31 March		**2,889**	**1,094**	**21,052**	**4,790**	**4,148**	**4,620**	**38,593**	**81,746**	**120,339**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000	Continuing Operations	Note No	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
2,692	(1,262)	1,430	Central Services to the Public		2,602	(1,464)	1,138
3,870	(391)	3,479	Cultural and Related Services		3,150	(471)	2,679
11,523	(6,687)	4,836	Environmental and Regulatory Services		10,897	(6,099)	4,798
4,015	(2,355)	1,660	Planning and Development Services		6,061	(2,367)	3,694
1,475	(2,174)	(699)	Highways and Transport Services		1,595	(2,278)	(683)
7,203	(19,978)	(12,775)	Local Authority Housing (HRA)		1,385	(20,659)	(19,274)
44,071	(42,651)	1,420	Other Housing Services		43,892	(41,879)	2,013
1,642	(141)	1,501	Corporate and Democratic Core		1,735	(144)	1,591
86	(53)	33	Public Health		5	0	5
423	(121)	302	Non-distributed costs		627	(128)	499
77,000	**(75,813)**	**1,187**	**Net Cost of Services**		**71,949**	**(75,489)**	**(3,540)**
			Other Operating Expenditure:				
			Amounts due to precepting authorities:				
		2,362	– Town and Parish Councils				2,268
		64	– River Stour Drainage Board Levy				66
		238	Contribution of Housing Capital Receipts to Central Government Pool	24			261
		123	(Gain) or loss on disposal of fixed assets	8			110
		0	Other income				(8)
			Financing and Investment Income & Expenditure:				
		3,208	Interest payable and similar charges				3,148
		(469)	Interest and investment income				(666)
		68	Changes in the value of Investment Properties	5			(48)
		(28)	Impairment of Icelandic investment adjustment	12			0
		2,565	Net Interest on Defined Benefit Liability	19			2,830
			Taxation & Non-specific Grant Income:				
		(7,959)	Demand on the Collection Fund – Council Tax	20			(8,036)
		(3,690)	Income from National Non-Domestic Rates	21			(4,220)
		(5,685)	Government grants (not attributable to specific services)	22			(5,096)
		(469)	Capital Grants and Contributions	22			(6,768)
		(8,485)	**(Surplus) or Deficit on Provision of Services**				**(19,699)**
		(415)	(Surplus) or deficit arising on revaluation of fixed assets	**36**			(14,331)
		44	(Surplus) or deficit on revaluation of available-for-sale financial assets	17			(61)
		293	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	**19**			14,059
		(78)	**Other Comprehensive Income & Expenditure**				**(333)**
		(8,563)	**Total Comprehensive Income & Expenditure**				**(20,032)**

CONSOLIDATED BALANCE SHEET

31 March 2014 £000		Notes	31 March 2015 £000	£000
153,755	Council dwellings		164,928	
59,752	Land and buildings		73,379	
1,103	Vehicles, plant and equipment		1,104	
7,150	Infrastructure assets		7,156	
188	Community assets		182	
2,318	Assets under construction		3,098	
495	Surplus assets not held for sale		0	
224,761	**Property, Plant and Equipment**	4		**249,847**
4,127	Heritage assets	7	4,127	
2,249	Investment property	5	2,201	
167	Intangible assets	4	157	
6	Long term investments	12	6	
2,850	Soft loans	16	2,817	
509	Long term debtors	27	1,006	
9,908	**Long Term Assets**			**10,314**
18,931	Short term investments	12	22,046	
159	Stocks in hand		168	
9,674	Short term debtors	27	12,318	
(3,207)	Less provision for bad debts	27	(3,448)	
15,584	Cash and cash equivalents	28	22,932	
0	Assets held for sale	6	0	
41,141	**Current Assets**			**54,016**
(2,128)	Short term borrowing	13	(2,187)	
(12,001)	Short term creditors	29	(13,417)	
(1,188)	Provisions	30	(3,249)	
(1,605)	Receipts in advance	31	(2,164)	
(16,922)	**Current Liabilities**			**(21,017)**
(91,983)	Long term borrowing	13	(89,851)	
(768)	Capital grants received in advance	33	(1,514)	
(65,828)	Pensions liability	19	(81,456)	
(158,579)	**Long Term Liabilities**			**(172,821)**
100,309	**Net Assets**			**120,339**
2,585	General Fund balance	25	2,889	
1,786	Housing Revenue Account balance	25	1,094	
18,226	Earmarked reserves	26	21,052	
2,012	Housing Revenue Account reserves	26	4,790	
3,585	Usable capital receipts reserve	24	4,148	
711	Capital grants unapplied	32	4,620	
28,905	**Reserves Available to Fund Services**			**38,593**
24,676	Revaluation reserve	36	37,605	
112,566	Capital adjustments account	34	126,645	
104	Available-for-sale financial instruments reserve	17	166	
(1,160)	Financial adjustments account	15	(832)	
272	Collection Fund adjustment account-Council tax	20	288	
200	Collection Fund adjustment account-NNDR	21	(1,411)	
667	Enterprise Zone relief adjustment account	21	840	
(93)	Employee adjustment account	23	(99)	
(65,828)	Pensions reserve	19	(81,456)	
71,404	**Reserves Unavailable to Fund Services**			**81,746**
100,309	**Net Worth**			**120,339**

These financial statements replace the unaudited financial statements certified by M. Davis and Cllr. P. Heath on 30th June 2015

CASH FLOW STATEMENT

2013/14 £000	2013/14 £000		2014/15 £000	2014/15 £000
	6,385	Cash & cash equivalents – at 1 April		15,583
	15,584	Cash & cash equivalents – at 31 March		22,932
	(9,199)	**Net (increase) or decrease in Cash & Cash Equivalents**		(7,349)
£000	**£000**		**£000**	**£000**
	(8,484)	**Net surplus on Income & Expenditure**		**(19,699)**
		Non-cash transactions:		
(1,681)		Depreciation and amortisation	(4,388)	
1672		Revaluation gains / losses	9,602	
(1,337)		Pension adjustments	(1,569)	
249		Financial instruments adjustments	328	
(1,155)		Provisions	(2,061)	
(1,491)		Transfer to/from earmarked reserves	3,321	
	(3,743)			5,233
		Items on an accruals basis:		
(6)		Increase or (decrease) in stock and work in progress	8	
1,011		Increase or (decrease) in debtors	2,747	
(221)		Increase or (decrease) in long term debtors	137	
(201)		Movement in provision for bad debts	(241)	
(132)		(Increase) or decrease in creditors	(1,105)	
(331)		(Increase) or decrease in receipts in advance	(559)	
889		Collection Fund adjustment accounts	(1,420)	
	1,009			(433)
		Adjustments re investing and financing activities:		
(776)		Revenue expenditure funded from capital	(2,470)	
917		Capital grant contributions and capital receipts	8,365	
	141			5,895
	(11,077)	**Net Cash Flows from Operating Activities**		**(9,004)**
		Investing activities:		
4,877		Purchase of property, plant, equipment, etc.	2,163	
(75)		Other payments for investing activities	2,470	
(17,620)		Proceeds from long and short term investments	0	
17,125		Purchase of long and short term investments	3,052	
(1,430)		Proceeds from the sale of non-current assets	(1,597)	
(85)		Movement in capital grants	(7,514)	
	2,792	**Net Cash Flows from Investing Activities**		(1,426)
		Financing activities:		
1,913		Net movement in short & long term borrowing	1,971	
(2,827)		Net movement in Collection Fund cash position	1,110	
	(914)	**Net Cash Flows from Financing Activities**		3,081
	(9,199)			**(7,349)**

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The Code is based on a hierarchy of approved accounting standards:

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

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

(b) Qualitative Characteristics of Financial Information

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

(c) Accounting Concepts

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

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

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

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

Income and expenditure for goods and services provided or received by the end of the financial year are accrued to ensure that income and expenditure is accounted for in the period to which it relates. In particular, revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Similarly, revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

(e) **Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of three months or less from the date of acquisition of the investment.

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

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

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

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

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

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

(g) **Provisions**

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

(h) **Contingent Assets and Liabilities**

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

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

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

(i) **Debt Write-Off**

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

(j) **Employee Benefits**

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

Benefits Payable during Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The next formal valuation of the Kent County Council Pension Fund for funding purposes is due on 31 March 2016. Changes to contribution rates as a result of the 31 March 2013 valuation take effect from 1 April 2014.

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

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

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

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

(l) **Exceptional Items**

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

(m) **Prior Period Adjustments**

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

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

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

(n) **Financial Instruments**

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

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

Financial Assets

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as loans and receivables (e.g. bank deposits) or available-for-sale (e.g. fund manager portfolio).

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

Available-for-sale assets have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value using determinations from our Fund Manager.

Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment. This is a departure from the Code which requires accrued interest to be shown as part of the debtors' balance.

Realised gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Unrealised gains and losses are recognised in the Balance Sheet under the appropriate investment heading offset by an adjustment to the Available-for-Sale Financial Instruments Reserve.

Soft Loans

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

Financial Liabilities

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

(o) **Foreign Currency Transactions**

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

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

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

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

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

(q) **Long Term Contracts**

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

(r) **Leases**

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

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

Finance Leases

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

Operating Leases

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

(s) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

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

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

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

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

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

- <u>Land and Buildings</u>

The Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. Additionally, assets with a value in excess of £1m are revalued on an annual basis.

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

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

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

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

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

- <u>Infrastructure Assets</u>

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

- Community Assets

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

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

- Surplus Assets

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

- Assets under Construction

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

(v) Investment Property

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

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

Investment property is not subject to depreciation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(t) **Overheads and Support Services**

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

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

(u) **Reserves**

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

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

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

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

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

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

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

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

- Further expected cuts in government grant funding will not be significantly different to that reflected in the Council's Medium Term Financial Plan;
- The level of funding received under the Business Rates Retention Scheme and will not be significantly different to that reflected in the Council's Medium Term Financial Plan;
- The cost of the localised council tax support scheme can largely be met, if not in full, by the terms of the local Council Tax Support scheme and the grant from the Department for Work and Pensions;
- The New Homes Bonus Scheme where councils receive finances for the delivery of new homes in their area will continue in some form until at least 2016/17;
- Income from the Council's major income streams will not fall significantly further than current income levels;
- It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Shepway, Dover and Kent County councils, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the appropriate service lines in the Comprehensive Income and Expenditure Statement; and
- The Council is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock. The company has been treated as a related party and transactions of the ALMO recorded as a service provider.

2. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are calculated on a maximum 5-year cycle with the exception of Housing Revenue Account dwellings and garages which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.5m change in the balance sheet values, equating to approximately £350 per dwelling. There would also be an impact of approximately £15k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.5m.
Bad Debts Provisions	The Council has bad debt provisions of £3.4m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 62% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. **SEGMENTAL REPORTING**

Under the requirements of IFRS the Council is required to show the income and expenditure of the Council's services for the year based upon its management accounts used for decision-making purposes. In the case of Dover District Council this is based upon budget and outturn formats.

The services are broken down as follows:

- Chief Executive – this incorporates the costs of the Chief Executive Officer, associated organisational support and the management of inward investment. It also includes the costs of planning and building control services, and management of regeneration activities.
- Finance, Housing and Community – includes costs associated with financial control, compliance and processing functions, community engagement, private sector housing, homelessness, choice-based lettings, administration of housing grants and payment of housing and council tax benefits (and the receipt of related subsidies). It also includes the Council's share of internal audit and management fees paid to East Kent Services for managing the ICT, customer services and revenues and benefits functions.
- Environment and Corporate Assets – includes costs associated with the management and maintenance of the Council's assets, including parks and sports centres, as well as street cleansing, refuse collection and recycling. It also includes community safety partnership work aimed at reducing antisocial behaviour and crime.
- Governance – includes costs associated with council democracy and compliance, including elections and maintaining the electoral register, remuneration of councillors, and land charges, as well as support services such as legal, performance & risk and the Council's share of human resources. It also includes licensing and environmental health and control services (including inspection and enforcement).
- Shared services (DDC–hosted) – includes costs of the East Kent Audit Partnership and East Kent Human Resources, which are internally hosted by the Council.
- Housing Revenue Account – this includes costs associated with the provision and maintenance of council houses and flats, as well as any income derived from them.

Segmental Analysis

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

Segmental Analysis

	Chief Executive	Finance, Housing & Community	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	2014/2015						
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Income:							
Fees, charges and other service income	(904)	(835)	(10,212)	(697)	(1,723)	(20,659)	(35,030)
Interest and investment income	0	(4)	0	0	0	(66)	(70)
Government grants and contributions	(63)	(40,881)	0	(122)	0	0	(41,066)
Total Income	**967**	**(41,720)**	**(10,212)**	**(819)**	**(1,723)**	**(20,725)**	**(76,166)**
Expenditure:							
Employee expenses	1,729	1,942	3,243	2,229	1,548	333	11,024
Premises	12	0	1,666	11	0	864	2,553
Transport	12	10	109	36	19	0	186
Supplies and services	2,354	2,228	1,798	785	149	3,071	10,385
Third party payments	0	2,694	8,778	0	211	5,605	17,288
Housing Benefits	0	39,054	0	0	0	0	39,054
Support service recharges	519	(1,405)	191	(211)	(206)	606	(506)
Depreciation and amortisation	111	81	2,574	12	2	1,574	4,354
Total Expenditure	**4,737**	**44,604**	**18,359**	**2,862**	**1,723**	**12,053**	**84,338**
Net Cost of Services (excl. impairments)	**3,770**	**2,884**	**8,147**	**2,043**	**0**	**(8,672)**	**8,172**

Reconciliation to Cost of Services in the Comprehensive Income and Expenditure Statement

The table below reconciles the cost of services above to the cost of services shown within the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2014/15 £000
Cost of services in service analysis	**3,592**	**8,172**
Add: Amounts not reported to management		
Revaluation gain on HRA stock	(1,822)	(8,042)
Revaluation loss on General Fund assets	13	304
Revaluation gain on General Fund assets	0	(1,816)
Special Projects, incl. Restructuring – reported separately in Medium Term Financial Plan	464	434
Less: Amounts not included in Comprehensive Income and Expenditure Statement		
Direct revenue financing	(1,125)	(2,661)
Add back: Items included in other operating expenditure		
Investment income received	65	69
Net Cost of Services in the Comprehensive Income & Expenditure Statement	**1,187**	**(3,540)**

Reconciliation of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (Subjective Analysis)

The table below reconciles the cost of services above to the surplus or deficit on the provision of services shown within the Comprehensive Income and Expenditure Statement:

2013/14 Service Analysis	2013/14 Not Reported to Management	2013/14 Not Included in Comp Inc & Exp Statement	2013/14 Corporate Amounts	2013/14 Total		2014/15 Service Analysis	2014/15 Not Reported to Management	2014/15 Not Included in Comp Inc & Exp Statement	2014/15 Corporate Amounts	2014/15 Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Income:					
(34,433)	0	0	0	(34,433)	Fees, charges & other service income	(35,030)	0	0	0	(35,030)
(65)	0	0	(404)	(469)	Interest & investment income	(70)	0	0	(495)	(565)
0	0	0	(7,959)	(7,959)	Income from council tax	0	0	0	(8,036)	(8,036)
(41,944)	0	0	(6,155)	(48,099)	Government grants/contributions	(41,066)	0	0	(11,865)	(52,931)
0	0	0	(3,690)	(3,690)	NDR	0	0	0	(4,220)	(4,220)
0	0	0	(1,431)	(1,431)	Disposal of non-current assets	0	0	0	(1,560)	(1,560)
(76,442)	**0**	**0**	**(19,639)**	**(96,081)**	**Total Income**	**(76,166)**	**0**	**0**	**(26,176)**	**(102,342)**
					Expenditure:					
10,708	0	0	2,565	13,273	Employee expenses	11,024	0	0	2,830	13,854
2,714	52	0	0	2,766	Premises	2,553	131	0	0	2,684
174	0	0	0	174	Transport	186	0	0	0	186
5,978	271	(1,125)	0	5,124	Supplies & services	10,385	248	(2,661)	0	7,972
17,925	131	0	0	18,056	Third party payments	17,288	50	0	0	17,338
0	0	0	3,208	3,208	Interest payments	0	0	0	3,148	3,148
0	0	0	2,427	2,427	Precepts & levies	0	0	0	2,334	2,334
39,802	0	0	0	39,802	Housing benefits	39,054	0	0	0	39,054
(456)	10	0	0	(446)	Support service recharges	(506)	6	0	0	(500)
3,189	0	0	(28)	3,161	Depreciation, amortisation & impairments	4,354	0	0	0	4,354
0	(1,808)	0	0	(1,808)	Revaluation (gains)/losses	0	(9,555)	0	0	(9,555)
0	68	0	0	68	Investment Property Revaluations	0	(48)	0	0	(48)
0	0	0	0	0	Financial Instruments Adjustment	0	0	0	(101)	(101)
0	0	0	238	238	Housing capital receipts pool	0	0	0	261	261
0	0	0	1,553	1,553	Disposal of non-current assets	0	0	0	1,662	1,662
80,034	(1,276)	(1,125)	9,963	87,596	**Total Expenditure**	84,338	(9,168)	(2,661)	10,134	82,643
3,592	**(1,276)**	**(1,125)**	**(9,676)**	**(8,485)**	**(Surplus) or Deficit on the Provision of Services**	**8,172**	**(9,168)**	**(2,661)**	**(16,042)**	**(19,699)**

4. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2013	149,902	64,491	3,882	13,300	575	495	1,794	234,439
Additions – expenditure in year	4,182	227	48	41	0	0	686	5,184
Additions – transfer from WIP	0	0	0	0	0	0	(161)	(161)
Revaluation increases or decreases recognised in the Revaluation reserve	0	491	0	0	0	0	0	491
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	447	(171)	0	0	0	0	0	276
De-recognition – other	0	0	0	0	0	0	0	0
Disposals	(776)	(777)	0	0	0	0	0	(1,553)
At 31 March 2014	**153,755**	**64,261**	**3,930**	**13,341**	**575**	**495**	**2,318**	**238,675**
Accumulated Depreciation and Impairment								
At 1 April 2013	0	(3,337)	(2,728)	(5,914)	(382)	0	0	(12,361)
Depreciation charge	(1,374)	(1,325)	(99)	(278)	(6)	0	0	(3,082)
Disposals	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	1,374	153	0	0	0	0	0	1,527
Subtotal	**0**	**(4,509)**	**(2,827)**	**(6,192)**	**(388)**	**0**	**0**	**(13,916)**
Net Book Value								
At 31 March 2014	153,755	59,752	1,103	7,150	186	495	2,318	224,759
At 31 March 2013	149,902	61,153	1,171	7,386	193	495	1,794	222,095

Movement on Balances 2014/15	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction (WIP)£000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2014	153,755	64,261	3,930	13,341	575	495	2,318	238,675
Additions – expenditure in year	5,426	260	78	12	0	30	1,246	7,052
Additions–transfer from WIP*	18	0	13	273	0	90	(454)	(60)
Revaluation increases or decreases recognised in the Revaluation reserve	0	12,118	0	0	0	0	0	12,118
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	6,602	(522)	0	0	0	0	0	6,080
Transfers	0	109	0	0	0	0	(13)	96
De-recognition – other Disposals	(873)	(182)	0	0	0	(615)	0	(1,670)
At 31 March 2015	**164,928**	**76,044**	**4,021**	**13,626**	**575**	**0**	**3,097**	**262,291**
Accumulated Depreciation and Impairment								
At 1 April 2014	0	(4,509)	(2,827)	(6,192)	(388)	0	0	(13,916)
Depreciation charge	(1,440)	(2,403)	(88)	(279)	(4)	0	0	(4,214)
Disposals	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	1,440	4,247	0	0	0	0	0	5,687
Subtotal	**0**	**(2,665)**	**(2,915)**	**(6,471)**	**(392)**	**0**	**0**	**12,443**
Net Book Value								
At 31 March 2015	164,928	73,379	1,106	7,156	182	0	3,097	249,848
At 31 March 2014	153,755	59,752	1,103	7,150	186	495	2,318	224,759

* ‘Additions – transfers from WIP’ in the table above includes a £60k transfer to intangible non-current assets, hence the £60k credit for the line total.

Tangible Non-current Assets and Depreciation

The depreciation methods and useful lives used in the preparation of the accounts have been specified within the accounting policies. The depreciation charged in year was:

	2013/14 £000	2014/15 £000
General Fund	1,591	2,646
Housing Revenue Account	1,491	1,568
Total	**3,082**	**4,214**

Intangible Non-Current Assets

	2013/14 £000	2014/15 £000
Opening Net Book Value	118	167
Additions – transferred from WIP	124	61
Additions – expenditure in year	15	7
Amortisation – General Fund	(90)	(78)
Closing Net Book Value	**167**	**157**

Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies. From 1 April 2014 assets valued at over £1m will be revalued on an annual basis.

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2014. Housing Revenue Account dwellings and garages were valued as at 31 March 15 and the valuation was valid for the 3 months.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. There are no significant general fund impairments in 14/15. Improvement in the housing market has resulting in a gain in the housing stock valuation for 14/15.

	2013/14 £000	2014/15 £000
General Fund		
General gain/(loss) on other land and buildings	(171)	(522)
Losses written out of revaluation reserve	158	201
Write back depreciation	0	15
Total charged to the General Fund	**(13)**	**(306)**
Housing Revenue Account		
General gain/(loss) on housing stock	447	6,602
Write back depreciation	1,374	1,440
Total charged to the HRA	**1,821**	**8,042**
Total charged to Property, Plant & Equipment	**(13)**	**(306)**
Impairments charged to Revaluation Reserve	0	
Total charged to Income & Expenditure Account	**(13)**	**(306)**

5. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for within Net Cost of Services in the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2014/15 £000
Rental income from investment property	272	299
Direct operating expenses arising from investment property	(50)	(107)
Net gain or loss	**222**	**192**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or to repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year. The revaluation gains and losses are shown separately in the Comprehensive Income and Expenditure Statement in the Financing and Investment Income & Expenditure Section.

	2013/14 £000	2014/15 £000
Balance at start of the year	2,317	2,249
Revaluation gains from fair value adjustments	25	64
Revaluation losses from fair value adjustments	(93)	(16)
Transfer of Asset	0	(96)
Disposals	0	0
Balance at end of year	**2,249**	**2,201**

6. **ASSETS HELD FOR SALE**

	2013/14 £000	2014/15 £000
Balance at start of year	987	0
Assets newly classified as held for sale	0	0
Assets sold	(492)	0
Transferred to Surplus Assets	(495)	0
Balance outstanding at year end	**0**	**0**

7. **HERITAGE ASSETS**

Heritage Assets where the Council holds information on their cost or value are to be recognised on the Balance Sheet and are detailed in the table below.

	At 31 March 2014 £000	At 31 March 2015 £000
Historic Buildings	210	210
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	**4,127**	**4,127**

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

	2013/14 £000	2014/15 £000
Net Book Value		
HRA right-to-buy	626	873
Demolished	0	797
HRA other sales	153	0
General Fund sales	774	0
Total	**1,554**	**1,670**
Sales Proceeds		
HRA right-to-buy	(1,138)	(1,590)
HRA other sales	(305)	0
General Fund sales	(10)	0
Total	**(1,453)**	**(1,590)**
Less admin fees	22	30
Gain or Loss on Disposal	**123**	**110**

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2015 the Authority was contractually committed to capital expenditure amounting to £2,164k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
Redevelop HRA Land at Adelaide Rd Elvington	Jenner Contractors	9	Jan 2015 [2]
Purchase affordable homes at Scholars Close Deal	Dickens Shiebert	376	April 2015
DTIZ – Redevelop 12-14 Castle St Dover	Jenner Contractors	877	Oct 2015
Empty Homes Project at 2 King St Dover	Shepway Building	26	May 2015
Aycliffe Play Area	HAGS-SMP	40	May 2015
Colton Crescent Play Area Refurbishment	HAGS-SMP	35	May 2015
Kingsdown Timber Groyne Replacement	Wijma UK Ltd	507	Oct 2015
White Cliffs Landscape Project (Up on the Downs)	National Trust	23	Dec 2016
Bench St Car Park Construction	Raymond Brown Construction	257	May 2015
Other	Various	14	Various
Total		**2,164**	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2013/14 £000	2014/15 £000
Opening Capital Financing Requirement	**95,915**	**94,062**
Capital Investment:		
Plant, property and equipment	5,148	7,051
Intangible assets	15	7
Revenue expenditure funded by capital	764	2,470
Private sector housing loans	148	120

[2] Although the project was complete, the retention monies were still being held pending snagging issues.

	2013/14 £000	2014/15 £000
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts)	(273)	(743)
Government grants	(1,319)	(2,768)
Dover Town Council/Dover Harbour Board	(25)	0
Major repairs reserve	(2,987)	(2,927)
Direct revenue financing	(1,168)	(2,998)
Section 106 funding	0	(212)
Other reserves	(303)	0
	94,062	**92,082**
Explanation of Movements:		
HRA Loan Repayments	(1,898)	(1,959)
Under/Over Borrowing	45	(21)
Closing Capital Financing Requirement	**94,062**	**92,082**

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2013/14		2014/15	
	£000	£000	£000	£000
Gross expenditure:				
Renovation grants	0		12	
Disabled facilities grants	613		731	
White Cliffs Landscape Partnership	123		336	
Discovery Park	0		1,391	
Walmer to Kingsdown Study	11		0	
Install Bollards – Menzies Rd	17		0	
		764		2,470
Grants & contributions received:				
Disabled Facilities Grant (DCLG)	(613)		(613)	
Performance Reward Grant	0		(75)	
Heritage Lottery/Partnership Funding	(43)		(336)	
Building Foundations for Growth	0		(1,391)	
Growth Point Grant	(97)		0	
Environment Agency	(11)		0	
		(764)		(2,415)
Total deferred charges		0		55
Written off to revenue in year		0		(55)
Total		0		0

12. **INVESTMENTS**

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

Short Term Investments

	2013/14 £000	2014/15 £000
Investments managed by Investec	12,917	13,028
In-house managed investments	6,015	6,016
Cash flow short term investment	0	3,001
	0	0
Total	**18,932**	**22,045**

The Council's internal investments have been classified as loans and receivables. Externally managed funds are classed as available-for-sale except for cash on deposit.

Long Term Investments

	2013/14 £000	2014/15 £000
Stocks	6	6
Total	**6**	**6**

Investment Portfolio

The Council's investment portfolio as at 31 March 2015 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
Internal Investments:			
Lloyds	17.12.2015	3,000	UK 'AA+'
Lloyds	30.01.2016	2,000	UK 'AA+'
Nationwide	24.08.2015	3,000	UK 'AA+'
Bank of Scotland	07.11.2015	1,000	UK 'AA+'
Total Internal Investments		**9,000**	
External Investments:			
Certificates of Deposit			
Bank of Nova Scotia	15.06.2015	2,400	Canada 'AAA'
Rabobank	28.09.2015	2,500	Netherlands 'AAA'
Credit Suisse First Boston	03.06.2015	1,200	UK 'AA+'
Nationwide	16.04.2015	1,200	UK 'AA+'
Svenska Handelsbanken	03.06.2015	2,400	Sweden 'AAA'
Commercial Paper			
United Kingdom	25.05.2015	1,000	UK 'AA+'
United Kingdom	15.06.2015	300	UK 'AA+'

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
Fixed Interest Securities			
United Kingdom Gilts 1.25%	22.07.2018	1,910	'AA+'
Deposits			
ANZ		79	Netherlands 'AAA'
GBP Cash – Settled Balance		4	UK AA+'
Total External Investments		**12,993**	
Cash and Cash Equivalents:			
Cash at the Bank	Instant Access	1	UK 'AA+'
Nat West	Instant Access	3,161	UK 'AA+'
Santander UK	Instant Access	5,041	UK 'AA+'
Bank of Scotland	Instant Access	5,115	UK 'AA+'
Barclays	Instant Access	5,064	UK 'AA+'
Goldman Sachs MMF	Instant Access	4,550	UK 'AA+'
Total Cash and Cash Equivalents		**22,932**	

13. **BORROWING**

	2013/14 £000	2014/15 £000
Short term borrowing		
Accrued Interest	157	157
PWLB	1,959	2,022
LTA loan	9	9
Salix loan	3	0
Total Short Term Borrowing	**2,128**	**2,188**
Long term borrowing		
PWLB	88,778	86,756
LOBO	3,101	3,000
Salix loan	0	0
LTA Loan	104	96
Total Long Term Borrowing	**91,983**	**89,852**

14. **FINANCIAL INSTRUMENTS**

Market Valuation

The Code requires the accounts to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Methods and Assumptions in Valuation Technique

The fair value of an instrument is determined by calculating the net present value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin that represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2015. The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rate used is the rate for new borrowing;
- Lender Option Borrower Option (LOBO) debt is measured based on the contractual life and contractual cash flows and as provided by our Treasury Management advisors;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of financial assets and liabilities is shown in the table below:

Financial Assets

Balance as at:	**31 March 2014**		**31 March 2015**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Short term Assets				
Cash held by external fund manager	12,917	12,917	13,028	13,028
Deposits with banks and building societies	6,015	6,026	9,017	9,033
Landsbanki	0	0	0	0
Total Short Term Investments	18,932	18,943	22,045	22,061
Debtors	2,811	2,811	4,051	4,051
Cash and liquid assets	15,898	15,898	22,932	22,932
Total short term assets	37,641	37,652	49,028	49,044
Long term Assets				
Long Term Debtors	46	46	42	42
Stocks	6	6	6	6
Soft Loans	2,850	2,850	2,817	2,817
Total long term assets	2,902	2,902	2,865	2,865
Total Financial Assets	**40,543**	**40,554**	**51,893**	**51,909**

Financial Liabilities

Balance as at:	31 March 2014 Carrying Amount £000	31 March 2014 Fair Value £000	31 March 2015 Carrying Amount £000	31 March 2015 Fair Value £000
Short Term Liabilities				
Accrued Interest	157	157	157	157
PWLB repayments due	1,959	1,959	2,022	2,022
Lawn Tennis Association Loan	9	9	9	9
Salix Loan	3	3	0	0
Total Short Term Borrowing	2,128	2,128	2,188	2,188
Creditors	7,313	7,313	3,471	3,471
Total Short Term Liabilities	9,441	9,441	5,659	5,659
Long Term Liabilities				
PWLB – maturity	4,001	5,852	4,001	7,188
PWLB – Annuity	84,777	79,517	82,755	86,984
LOBOs	3,101	3,227	3,000	3,922
Salix loan	0	0	0	0
Lawn Tennis Association Loan	104	104	96	96
Total Long Term Liabilities	91,983	88,700	89,852	98,190
Total Financial Liabilities	**101,423**	**98,141**	**95,511**	**103,849**

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

	31 March 2014 £000 Principal	31 March 2014 £000 Carrying Amount	31 March 2015 £000 Principal	31 March 2015 £000 Carrying Amount
PWLB	4,001	4,084	4,001	4,084
PWLB – HRA Self Financing	86,736	86,767	84,777	84,808
Salix Loan	3	3	0	0
Lawn Tennis Association Loan	113	113	105	105
LOBO	3,101	3,143	3,000	3,043
Creditors	7,313	7,313	3,471	3,471
Total	**101,267**	**101,423**	**95,354**	**95,511**
Less than 1 year	9,284	9,441	5,502	5,659
Between 1 and 2 years	3,070	3,070	3,168	3,168
Between 2 and 5 years	6,593	6,593	6,802	6,802
Between 5 and 10 years	12,467	12,467	12,865	12,865
More than 10 years	69,852	69,852	67,017	67,017
Total	**101,267**	**101,423**	**95,354**	**95,511**

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2013/14		2014/15	
	£000	£000	£000	£000
Opening balance				
LOBO (KA Finanz)	100		100	
Soft loans	1,237		1,060	
	1,337		1,160	
Movement during the year				
LOBO adjustment				(100)
Soft loans		(177)		(227)
Balance at 31 March		**1,160**		**833**

16. SOFT LOANS

Soft loans are loans with a lower than market rate of interest. These are given as part of the organisation's Private Sector Housing schemes. Financial instrument adjustments are made to the holding values of the loans to reflect the difference between the interest rate charged and the market rate.

	2013/14	2014/15
	£000	£000
Opening balance	2,748	2,850
Advances in year	148	119
Repayments in year	(223)	(379)
Financial instruments adjustments	177	227
Closing balance	**2,850**	**2,817**

17. AVAILABLE FOR SALE RESERVE

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

Available for sale reserve	2013/14	2014/15
	£000	£000
Opening balance	148	104
Unrealised profit/(loss):		
Certificate of deposits	(2)	(2)
Fixed securities	(42)	63
Closing balance	**104**	**165**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks. These include:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments; and

- market risk - the possibility that losses may arise due to changes in interest rates and market prices.

The Council's risk management on Financial Instruments focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

Risk management in this area is carried out by the treasury team (supported by specialist external advisors) under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for risk management, has adopted the CIPFA Treasury Management Code of Practice and has set Treasury Management indicators to control key Financial Instrument risks in accordance with CIPFA's Prudential Code.

Credit Risk

The Code requires the Council to attempt to quantify the potential maximum exposure to credit risk, based on experience of defaults and uncollectability over recent years. However, due to the lack of empirical evidence on defaults for investments, the Council is unable to quantify its exposure with any degree of accuracy.

Credit risk arises from investments, therefore deposits are not made with banks and financial institutions unless they are rated independently with a minimum rating score of AA-. During the year in-house investments were only made with Government-backed institutions or part-nationalised banks.

The Council's investments are such that it does not expect any losses from non-performance by any of its counterparties in relation to investments.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Dover District Council.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. Instead the risk is that the Council will have to re-invest a significant proportion of its investments at a time of unfavourable interest rates. The liquidity of investments held is shown below:

	2013/14 £000	2014/15 £000
Cash and cash equivalents	15,898	22,932
Less than 1 year	18,932	22,045
More than 1 year	6	6
Total	**34,836**	**44,983**

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

Market Risk

The Council is not exposed to significant risk in terms of its exposure to interest rate movements because the majority of investments are in fixed rate instruments. However, investments held in fixed rate deposits carry a market risk in that interest rates could rise above the current level and therefore achieve lower rates than those available in the market in the future.

The Council has a policy of holding all investments to maturity and is, therefore, insulated from temporary changes in the prices of those investments.

Foreign Exchange Risk

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

Interest Rate Risk

The Council received interest of £276k on its investments of £44.9m achieving an average interest rate of 0.54%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £449k in the interest received.

The Council paid interest on its borrowings of £3.2m based on an average rate of 3.38%. The loans associated with this borrowing are held at fixed interest rates and therefore there is no associated interest rate risk with the existing commitments.

19. **PENSION COSTS**

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the Local Government Pension Scheme Regulations 2014, as amended. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

Transactions Relating to Retirement Benefits

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

	2013/14 £000	2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	2,002	1,774
Curtailments and past service costs	66	426
Administrative expense	60	54
Net Operating Expenditure		
Net Interest on the Defined Liability	2,565	2,830
Charge to the Surplus or Deficit on the Provision of Services	**4,693**	**5,084**
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	2,871	4,805
Actuarial gains and losses arising on changes in demographic assumptions	(4,001)	0
Actuarial gains and losses arising on changes in financial assumptions	3,665	(19,237)
Experience loss/(gain) on defined benefit obligation	1,346	373
Other	(4,174)	0
Remeasurement of the net defined benefit liability	**(293)**	**(14,059)**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,693)	(5,084)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	3,356	3,515
Contribution (From) or To Pensions Reserve	**(1,337)**	**(1,569)**

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

Pension Assets and liabilities recognised in the Balance Sheet

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

Liabilities	2013/14 £000	2014/15 £000
Opening balance at 1 April	136,170	137,582
Current service costs	2,002	1,774
Interest cost	5,480	5,957
Change in financial assumptions	(3,665)	19,237

Liabilities	2013/14 £000	2014/15 £000
Change in demographic assumptions	4,001	0
Experience loss/(gain) on defined benefit obligation	(1,346)	(373)
Benefits paid net of transfers in	(4,955)	(4,792)
Past service costs, including curtailments	66	426
Contributions by scheme participants	457	502
Unfunded pension payments	(628)	(630)
Closing balance at 31 March	**137,582**	**159,683**

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

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

Assets	2013/14 £000	2014/15 £000
Opening balance at 1 April	71,972	71,754
Interest on assets	2,915	3,127
Return on assets less interest	2,871	4,805
Other actuarial gains / (losses)	(4,174)	0
Administration expenses	(60)	(54)
Contributions by employer including unfunded	3,356	3,515
Contributions by scheme participants	457	502
Estimated benefits paid plus unfunded net of transfers in	(5,583)	(5,422)
Closing balance at 31 March	**71,754**	**78,227**

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

Net Pension Liability

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

	2013/14 £000	2014/15 £000
Present value of funded obligation	128,369	149,932
Fair value of scheme assets (bid price)	(71,754)	(78,227)
Net Liability	**56,615**	**71,705**
Present value of unfunded obligation	9,213	9751
Net Liability in Balance Sheet	**65,828**	**81,456**

The figures presented are prepared only for the purpose of IAS19. They are not relevant for calculations undertaken for funding purposes. IAS19 does not have any impact on the actual level of employer contributions paid to Kent County Council

Pension Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Reconciliation of Opening & Closing Surplus or Deficit

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

Surplus or Deficit	2013/14 £000	2014/15 £000
Opening balance at 1 April	(64,198)	(65,826)
Current service costs	(2,002)	(1774)
Past service costs and curtailments	(66)	(426)
Employer's contributions	3,356	3,515
Administrative expenses	(60)	(54)
Remeasurement of net defined benefit liability	(293)	(14059)
Interest on net defined benefit liability	(2,565)	(2,830)
Closing balance at 31 March	**(65,828)**	**(81,456)**

Breakdown of Assets Held by Pension Fund shown at Fair Value

The fair values of the attributable assets and expected rates of return are given below:

	31 March 2014		31 March 2015	
Assets	**Fund Value £000**	**Percentage of Fund %**	**Fund Value £000**	**Percentage of Fund %**
Equities	50,945	71	53,460	68.3
Gilts	718	1	818	1.0
Bonds	7,893	11	8,701	11.1
Property	7,175	10	9,717	12.4
Cash	2,153	3	2,139	2.7
Target Return Portfolio	2,870	4	3,392	4.3
Total	**71,754**	**100**	**78,227**	**100**

Scheme History

	2010/11 £000	2011/2012 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of liabilities	(110,327)	(121,854)	(136,170)	(137,582)	(159,683)
Scheme assets	67,681	64,435	71,972	71,754	78,227
Surplus or (deficit) in the scheme	**(42,646)**	**(57,419)**	**(64,198)**	**(65,828)**	**(81,456)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £81m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2014/15 and are detailed below:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Remeasurement of the net defined liability recognised in the CIES	15,498	(21,152)	(5,673)	(293)	(14,059)
Cumulative remeasurement of the net defined benefit liability	**(25,068)**	**(46,220)**	**(51,893)**	**(52,186)**	**(66,245)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2015.

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

	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7 years	22.8 years
Women	25.1 years	25.2 years
Longevity at 65 for future pensioners		
Men	24.9 years	25.1 years
Women	27.4 years	27.6 years
Rate of inflation – RPI	3.5%	3.1%
Rate of inflation – CPI	2.7%	2.3%
Rate of increase in salary	4.5%	4.1%
Rate of increase in pension	2.7%	2.3%
Rate for discounting scheme liabilities	4.4%	3.2%

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

Sensitivity Analysis

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

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	157,085	159,683	162,327
Projected service cost	2,163	2,213	2,264
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Present value of total obligation	159,946	159,683	159,423
Projected service cost	2,214	2,213	2,212
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Present value of total obligation	162,085	159,683	157,321
Projected service cost	2,263	2,213	2,164
Adjustment to mortality age rating assumption:	+1 year	None	-1 year
Present value of total obligation	154,070	159,683	165,347
Projected service cost	2,138	2,213	2,289

Projected Pension Expense for the Year to 31 March 2016

These projections are based on the Actuary's assumptions as at 31 March 2015.

	2015/16 Projection £000
Service cost	2,213
Net interest on the defined liability (asset)	2,561
Administration expenses	59
Total	**4,833**
Employer's contributions	2,912

Further Information

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

20. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income	£000	2013/14 £000	£000	2014/15 £000
District council's council tax		5,822		5,874
Parish councils' council tax		2,078		2,126
		7,900		8,000
Current year's actual Collection Fund surplus (Council Tax)	272		288	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	250		272	
Share of estimated prior year surplus distributed in year	(37)		(20)	

Council Tax Income	£000	2013/14 £000	£000	2014/15 £000
	213		252	
		59		36
Amount credited to the CIES from Council Tax		**7,959**		**8,036**

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

	£000	2013/14 £000	£000	2014/15 £000
District council's share of NNDR		11,630		12,944
S31 Grant for NNDR Reliefs given		426		712
Tariff to Central Government		(10,122)		(10,320)
Safety Net Receipt from Government		860		1,381
Current year's actual Collection Fund surplus/(deficit) - NNDR	200		(1,411)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	0		200	
Share of estimated prior year deficit contributed in year	0		35	
	0		235	
		200		(1,646)
Income from NNDR		**2,994**		**3,071**
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government	30		309	
Enterprise Zone Relief due from Government	667		840	
Total Enterprise Zone Relief		**697**		**1,149**
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		**3,691**		**4,220**

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2014/15 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General Fund are taken to the Collection Fund and Enterprise Zone Relief Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are the collection fund deficit, of which £347k is reversed through MIRS (a surplus in 2013/14, of which £200k was reversed through MIRS), and the accrued Enterprise Zone Relief of £840k (2013/14 £667k).

Further details of the BRRS scheme and its impact on the Statement of Accounts can be found under Note 2 ‘Changes in Accounting and Presentation’ within the Explanatory Forward on page 2.

22. **GRANT INCOME**

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

Credited to Taxation and Non-Specific Grant Income	**2013/14 £000**	**2014/15 £000**
General government grants:		
Revenue Support Grant	4,699	3,698
Capitalisation Redistribution	26	0
New Burdens Grant	34	22
Council Tax Freeze Grant	0	69
New Homes Bonus	926	1,307
Total non-specific grant income	**5,685**	**5,096**

Capital Grants & Contributions	**2013/14 £000**	**2014/15 £000**
Building Foundations for Growth	0	5,729
Dept for Communities & Local Govt	0	484
Homes & Communities Agency	145	66
Green Deal	0	165
Kent County Council	50	0
Section 106	0	212
Environment Agency	237	46
Cabinet Office	0	24
SEEDA	0	25
Other	37	17
Total capital grant contributions	**469**	**6,768**

Credited to Services	**2013/14 £000**	**2014/15 £000**
Rent Allowance Subsidy	27,916	27,439
Council Tax Benefit Subsidy	(2)	7
Benefit Administration Grant	397	358
Council Tax Administration Grant	426	384
Non-HRA Rent Rebate Subsidy	112	131
HRA Rent Rebate Subsidy	11,803	11,771
Discretionary Housing Payment Contribution	246	216
Disabled Facilities Grant Subsidy	500	0
NNDR Cost of Collection Allowance	152	169
Council Tax Reform Grant	101	0
Local Benefits Scheme Subsidy	0	0
New Burdens – Council Tax Support	76	89
New burdens - IER	0	102
Neighbourhood Planning Grant	10	25
Homelessness Grant	162	0
Renovation Grants	0	0
Coast Protection Grant	27	0
Crime and Disorder Grant	0	0
Other	18	375
Total	**41,944**	**41,066**
	48,098	**52,930**

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

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees 2013/14	2014/15
£50,000-£54,999	11	10
£55,000-£59,999	7	6
£60,000-£64,999	3	2
£65,000-£69,999	3	5
£70,000-£74,999	2	1
£75,000-£79,999	1	1
£80,000-£84,999	0	0
£85,000-£89,999	3	0
£90,000-£94,999	1	4
£120,000-£124,999	0	0
£125,000-£129,999	1	1
	32	**30**

Exit Packages

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. This includes those for which the Authority is demonstrably committed.

2013/14 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	3	1	4	£35,245	-
20-40	-	1	1	-	£35,800
40-60	-	-	1	-	-
60-80	-	-	-	-	-
Total	**3**	**2**	**5**	**£35,245**	**£35,800**

2014/15 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	1	0	1	£18,160	£1,400
20-40	-	-	-	-	-
40-60	-	-	-	-	-
60-80	-	-	-	-	-
Total	**1**	**0**	**1**	**£18,160**	**£1,400**

Senior Officers' Emoluments

Under the Accounts and Audit Regulations 2011, the Authority is required to include additional remuneration information in the Statement of Accounts about the senior officers, as shown below. These employees are included in the banding table; however, for the note there is an additional inclusion of the employer's pension contributions.

2013/14 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	113	3	10	126	16	142
Dir of Finance, Housing & Comm (S.151 Officer)	80	3	7	90	11	101
Dir of Governance (Monitoring Officer)	80	3	7	90	11	101
Dir of Environment & Corp Assets	80	3	5	88	11	99
Head of Inward Investment	73	0	5	78	10	89
	426	**12**	**34**	**472**	**59**	**532**

Note: 2013/14 information has been amended to split Car Allowances from salary and to correct the Head of Inward Investment salary previously reported (65k)

2014/15 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	115	3	10	128	17	145
Dir of Finance, Housing & Comm (S.151 Officer)	81	3	7	91	12	103
Dir of Governance (Monitoring Officer)	81	3	7	91	12	103
Dir of Environment & Corp Assets	81	7	6	94	12	106
Head of Inward Investment	75	0	5	80	11	91
Head of Regeneration and Development	62	0	5	68	9	77
	495	**16**	**40**	**552**	**73**	**625**

Employee Adjustment Account (**Accrued Annual Leave)**

Under the IFRS Code Dover District Council is required to accrue for untaken annual leave at the end of the accounting period. At the end of 2014/15 this was estimated to be £99k (£93k in 2013/14).

24. **CAPITAL RECEIPTS**

Usable Capital Receipts

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

	2013/14 £000	2014/15 £000
Balance at 1 April	2,816	3,585
Usable capital receipts received	1,430	1,568
	4,246	5,153
Less: usable capital receipts applied		
Expenditure on non-current assets	(273)	(744)
Contribution to Affordable Housing	(150)	0
Pooled housing capital receipts	(238)	(261)
Balance at 31 March	**3,585**	**4,148**

Pooling of Housing Capital Receipts
In accordance with the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,* local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2014/15 £261k has been paid to the DCLG in relation to capital pooling requirements (£238k in 2013/14).

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

25. **GENERAL FUND AND HRA BALANCES**

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

26. **EARMARKED RESERVES**

General Fund Earmarked Reserves:	**Opening Balance £000**	**Receipts in year £000**	**Applied in year £000**	**Closing Balance £000**
Special Projects & Events	949	1,018	(220)	1,747
Periodic Operations	1,358	646	(312)	1,692
Urgent Works	1,467	299	0	1,766
Dover Regeneration	1,016	379	(315)	1,080
ICT Equipment & Servers	357	347	(249)	455
Business Rates & Council Tax	579	1,233	0	1,812
District Regeneration & Economic Development	12,500	0	0	12,500
Total	**18,226**	**3,922**	**(1,096)**	**21,052**

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

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

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

Dover Regeneration - In order to support the Local Development Framework process and associated regeneration projects a Dover Regeneration Reserve has been established.

ICT Equipment & Servers – The current ICT Equipment & Servers reserve is held in order to support the requirements of the current and future ICT Strategies.

Business Rates & Council Tax Benefits – This reserve was established to allow for the risk of unforeseen pressures from the Redistribution of Business Rates and the new Council Tax Support scheme and future changes for Universal Credit. As there are still many uncertainties around these areas, in particular the unknown collection rates this reserve has been retained and will be reviewed on an annual basis.

District Regeneration & Economic Development – This is the renamed “HRA Transfer Reserve”. No definitive plans have been made for the application of the funds in this reserve and any such plan will be reported. However, in broad terms, this reserve is intended to be applied to support the Council’s regeneration plans.

Housing Revenue Account Earmarked Reserves:	**Opening Balance £000**	**Receipts in year £000**	**Applied in year £000**	**Closing Balance £000**
Major Repairs Reserve	0	4,886	(4,886)	0
Tenant’s Compact Reserve	11	0	(11)	0
Housing Initiatives	2,000	3,600	(810)	4,790
Total	**2,011**	**8,486**	**(5,707)**	**4,790**

Major Repairs Reserve –The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

Tenant’s Compact Reserve – is a ring-fenced capital reserve which is a carry forward of any unspent capital budget not used in previous years.

Housing Initiatives Reserve – to provide a source of funding for special initiatives arising in respect of affordable housing.

27. DEBTORS

Long Term Debtors	31 March 2014 £000	31 March 2015 £000
Loans to:		
Leaseholders	19	21
Local organisations	27	21
Local Authorities	0	299
Other:		
Housing benefit debtors [1]	463	665
Total	**509**	**1,006**

[1] **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2015 which is expected to be recovered after one year.

Short Term Debtors	31 March 2014 £000	31 March 2015 £000
General Fund		
Housing rents and other charges	437	427
Central Government	1,284	2,703
Local Authorities	1,637	1,819
Payments in Advance	353	389
Other debtors	3,482	4,364
	7,193	9,702
Collection Fund		
Local tax payers (district council's share)	1,648	1,565
Central Government	833	1,051
	2,481	2,616
Total	**9,674**	**12,318**

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

The increase in debtors includes: an increase in sums due from Local Authorities relating to Waste Services (£340k) and East Kent Services Management Fees (£37k); an increase in Other Debtors mainly due to an increase in benefit overpayment debtors (£249k), relating to the waste contract (£222k) and sums owed in respect of White Cliffs Countryside Project and White Cliffs Landscape Partnership (£118k); and an increase in Central Government debts (General Fund) relating to VAT owed by H.M. Revenue & Customs (£252k).

Provision for Bad Debts	Council Tax £000	NDR £000	General Debtors £000	Housing Benefits £000	HRA £000	Total £000
Balance at 1 April 2013	**276**	**0**	**183**	**1,306**	**437**	**2,202**
Transfer in NDR balance[3]	0	739	0	0	0.	739
Write-offs	(7)	(144)	0	(42)	(66)	(259)
Contribution to provision	74	142	76	184	50	526
Balance at 31 March 2014	**343**	**737**	**259**	**1,448**	**421**	**3,208**
Write-offs	(13)	(197)	(76)	(141)	(66)	(493)
Contribution to provision	130	121	111	299	71	732
Balance at 31 March 2015	**460**	**661**	**294**	**1,606**	**426**	**3,447**

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

The provisions for bad debts in respect of council tax and NNDR represent the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 80.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

	At 31 March 2014			**At 31 March 2015**		
Age of debt	**General Debtors £000**	**HRA £000**	**Total £000**	**General Debtors £000**	**HRA £000**	**Total £000**
< 1 month	387	316	703	695	220	915
1 – 3 months	102	108	210	87	110	197
3 – 6 months	73	63	136	146	52	198
6 – 12 months	33	73	106	48	106	154
1 year +	210	344	554	208	392	600
Total	**805**	**904**	**1,709**	**1,184**	**880**	**2,064**

Collectability of Debt

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

28. **CASH & CASH EQUIVALENTS**

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

	2013/14 £000	**2014/15 £000**
Cash held by Authority	1	1
Bank call accounts	15,583	22,931
Total Cash and Cash Equivalents	**15,584**	**22,932**

29. **SHORT TERM CREDITORS**

As at 31 March	2013/14 £000	2014/15 £000
General Fund		
Government departments	(4,490)	(4,856)
Other local authorities	(273)	(210)
Housing tenants	(136)	(194)
Other creditors – revenue	(2,183)	(1,878)
Other creditors – capital	(796)	(1,119)
	(7,878)	(8,257)
Collection Fund		
Government Departments	(2,232)	(2,774)
Local Authorities	(1,410)	(1,923)
Local tax payers (DDC's share)	(481)	(463)
	(4,123)	(5,160)
Total	**(12,001)**	**(13,417)**

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

The net increase in creditors is mainly due to an increase in Collection Fund creditors where amounts are owed to Central Government and Local Authorities (Kent County Council and Kent & Medway Fire & Rescue Service) under new legislation in 2014/15 for localisation of business rates.

30. **PROVISIONS**

Localisation of Business Rates

Under new legislation in 2013/14 for the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2014/15 and prior years. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £8.1m can be seen within the separate Collection Fund section.

The significant increase in appeals provision is partly due to a ratings tribunal decision to value purpose-built doctors' surgeries on a different basis than before (construction cost as opposed to rental value), which led to an average 66% reduction in rateable value and therefore income, backdated to 1st April 2010, for all surgeries falling within this class. The provision has also been increased for other appeals lodged before the year-end that have been resolved with a successful outcome (for the applicant) since 31st March 2015, along with an estimate for the significantly higher rateable value under appeal compared to the end of the previous year (which has approximately doubled from 2014 to 2015) due to Central Government's decision to only allow backdating of refunds for appeals for those appeals lodged by 31st March 2015. For any appeals made later than this date, refunds can only be backdated to 1st April 2015, although VOA has some discretion over backdating.

Municipal Mutual Insurance

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

	2013/14	**2014/15**
As at 31 March	**£000**	**£000**
DDC Share of NNDR Appeals Provision	(1,175)	(3,236)
Municipal Mutual Insurance provision	(13)	(13)
Total	**(1,188)**	**(3,249)**

31. **RECEIPTS IN ADVANCE**

	2013/14	**2014/15**
As at 31 March	**£000**	**£000**
Government departments	(134)	(565)
Other local authorities	(222)	(709)
Other	(1,249)	(890)
Total	**(1,605)**	**(2,164)**

32. **CAPITAL GRANTS UNAPPLIED**

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

	2013/14	**2014/15**
	£000	**£000**
Balance at 1 April	**980**	**711**
Contributions received	501	6,462
Applied to projects	(770)	(2,553)
Balance at 31 March	**711**	**4,620**

33. **CAPITAL GRANTS RECEIVED IN ADVANCE**

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

	2013/14 £000	2014/15 £000
Balance at 1 April	**825**	**768**
Contributions received	583	961
Applied to capital projects	(640)	(215)
Balance at 31 March	**768**	**1,514**

34. CAPITAL ADJUSTMENT ACCOUNT

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

Capital Adjustment Account	2013/14 £000	2014/15 £000
Balance at 1 April	**(107,907)**	**(112,566)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	3,082	4,210
Amortisation of intangible assets	86	73
Revaluation losses on property, plant and equipment	13	305
Revaluation gains on property, plant and equipment	(1,875)	(9,860)
Revenue expenditure funded from capital under statute	776	2,470
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1,352	1,568
Adjusting amounts written out of the Revaluation Reserve	(374)	(1,298)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(273)	(743)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,987)	(2,927)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(471)	(307)
Application of grants to capital financing from the Capital Grants Unapplied Account	(715)	(2,553)
Capital expenditure charged against the General Fund and HRA balances	(1,125)	(2,169)
Capital expenditure charged against Earmarked Reserves	(302)	(829)
Movements in the market value of Investment Properties debited or credited to the CIES	68	(48)
Loan Repayments Made	(1,913)	(1,971)
Balance at 31 March	**(112,566)**	**(126,645)**

35. **DEVELOPMENT CONTRIBUTIONS**

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

	2013/14 £000	2014/15 £000
Balance at 1 April	**431**	**561**
Contributions received	182	197
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(52)	(352)
Balance at 31 March	**561**	**406**

36. **REVALUATION RESERVE**

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

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

	2013/14 £000	2013/14 £000	2014/15 £000	2014/15 £000
Balance at 1 April		24,836		24,676
Revaluation gains	573		14,532	
Revaluation losses	(158)		(201)	
Surplus on revaluation of fixed assets		415		14,331
Revaluations relating to disposals written out		(202)		(103)
Historic cost depreciation written out to the capital adjustments account		(373)		(1,298)
Balance at 31 March		**24,676**		**37,606**

37. **RELATED PARTY TRANSACTIONS**

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

Returns were received from all Members and Chief Officers and there were no transactions of material significance to Dover District Council to warrant separate disclosure in the accounts, however the following may be significant to the recipient parties:

Organisation	Value	Details
Deal Town Council	£5,000	Four Members also Town Councillors.
Sandwich Toll Bridge Fund	£25,345	Members of Sandwich Town Council are by definition Trustees of this Fund, through this, two Members of Dover District Council are Trustees.
Dover, Deal & District Citizens Advice Bureau	£97,000	One Member is a Trustee of this local charity.
Dover District Volunteering Centre	£4,500	One Member is a trustee of the Volunteering Centre
Sandwich Town Cricket Club	£10,000	One Chief Officer is parent of junior member of club

Dover District Council has also provided minimal administrative support to White Cliffs Country Tourism Association, of which one councillor is an Executive Member.

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 22 on reporting for resources allocation decision. Grant receipts outstanding at 31 March 2014 are included in note 27.

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2014/15 was the fourth year of operation.

In 2014/15 £2.16m was paid to East Kent Housing in respect of management fees. A further £16k was paid in respect of sundry costs. Charges from DDC to East Kent Housing in respect of services supplied totalled £411k. The balance due from East Kent Housing at 31 March 2015 was £280k. See also Note 42 for further financial information for East Kent Housing.

38. MEMBERS' ALLOWANCES

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

	2013/14 £000	2014/15 £000
Basic Allowance	179	179
Special Responsibility Allowance	86	88
Members' National Insurance Contributions	4	3
Total	**269**	**270**

The Council also produces a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. This may be seen on notice boards at the Council's main offices and on the Council's website at: http://www.dover.gov.uk/Council--Democracy/Allowances/Members-Allowances-2014-15.aspx

39. **EXTERNAL AUDIT FEES**

The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2014/15:

	2013/14 £000	2014/15 £000
External audit services – Grant Thornton	71	71
Rebate from Audit Commission	(10)	(7)
Certification of grant claims and returns	30	21
Total	**91**	**85**

40. **CONTINGENT LIABILITIES**

Private Finance Initiative

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £4.48 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2015 was considered remote.

Munich Municipal Insurance (MMI)

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years' insurance cover will be met from the company's assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims. As at 31 March 2015 the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £183k less £50k. A provision of 25% of the claim was made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. The £100k balance of the claim remains as a contingent liability.

East Kent Housing Pension Deficit

The Council is a joint owner of East Kent Housing Ltd, a company limited by guarantee. The Council has entered into an agreement with East Kent Housing that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the Council, then the Council will meet such payments.

East Kent Housing Ltd's total pension liability increased from £4.4m to £8.2m at 31 March 2015, of which Dover District Council's share would be £2.05m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability.

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

Rent Deposit Scheme

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £175k.

41. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2015. In relation to National Non-Domestic Rates, a recent court case set a precedent for a reduction in the rateable value of large purpose built GP surgeries/health centres backdated to 2005. The Council has considered the impact of this in calculating its business rates appeals provision. This adjusting post balance sheet event is reflected across the financial statements, in particular resulting in an increase in the Council's share of the appeals provision of £1,264k (to £3,236k in total as per Note 30), and a broadly compensating increase in Safety Net due from Government of £1,246k (to £1,381k in total). With a further small decrease in S31 Grant income as a result of these adjustments, the overall impact is a reduction in net assets of £31k. The Council does not consider there to have been any other material post balance sheet events.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council, together with Canterbury City Council, Shepway District Council and Thanet District Council, jointly owns East Kent Housing Ltd (EKH), an Arms Length Management Organisation, whose principal activity is to manage each of the four authorities' council housing stock. For financial accounting purposes, EKH is regarded as neither a joint venture nor a joint operation and is therefore not required to be included within the statement of accounts. This is because the day-to-day operations are managed by the Board and, at Board level, the member Councils only have one board member each out of twelve in total and so, at Board level, the Councils are a minority and do not have control of the Board, even if acting together.

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

However, for information, the financial (unaudited) results of EKH for 2014/15 and the Council's share are as follows:

East Kent Housing Ltd 2013/14	DDC share 25% 2013/14		East Kent Housing Ltd 2014/15	DDC share 25% 2014/15
£000	£000		£000	£000
(8,158)	(2,039)	Turnover	(8,374)	(2,093)
8,465	2,116	Expenses	8,789	2,197
307	77	Operational (profit)/loss	415	104
490	123	(Profit)/loss after taxation	625	156
170	42	Other comprehensive (income) and expenditure	2,471	618
660	165	Total comprehensive (income)/loss for the year	3,096	774
54	14	Non-current assets	58	15
972	256	Current assets	1934	484
(463)	(116)	Current liabilities	(1,149)	(287)
(5,053)	(1,263)	Non-current liabilities	(8,429)	(2,107)
563	141	Profit and loss reserve	620	115
(5,053)	(1,263)	Pensions reserve	(8,206)	(2,052)

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2014/15. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015-16 Code:

IFRS 13 Fair Value Measurement - This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

Annual Improvements to IFRSs (2011 – 2013 Cycle) - These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

44. EXCEPTIONAL ITEMS

£14.5m has been credited to the revaluation reserve in 2014/15. The main assets creating revaluation gains are Dover Leisure Centre, Deal Pier, Dover Museum & the housing stock.

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000		2014/15 Business Rates £000	2014/15 Council Tax £000	2014/15 Total £000
			Income			
			Council tax:			
-	(52,523)	(52,523)	Billed to Council Tax payers	-	(54,127)	(54,127)
-	-		Grants Receivable	-	(1)	(1)
			National Non-domestic rates:			
(33,705)	-	(33,705)	Billed to NNDR payers	(33,923)	-	(33,923)
(871)	-	(871)	Enterprise Zone relief from Government	(1,330)	-	(1,330)
-	-	-	Transitional Protection Payments	(62)	-	(62)
(34,576)	**(52,523)**	**(87,099)**	**Total Income**	**(35,315)**	**(54,128)**	**(89,443)**
			Expenditure			
			Precepts, Demands & Shares:			
14,537	-	14,537	Central Government	16,135	-	16,135
2,617	36,600	39,217	Kent County Council	2,904	37,569	40,473
-	4,941	4,941	Police & Crime Commissioner for Kent	-	5,072	5,072
291	2,374	2,665	Kent & Medway Fire & Rescue Authority	323	2,436	2,759
11,630	5,859	17,489	Dover District Council	12,908	5,894	18,802
-	2,078	2,078	Town and Parish Councils	-	2,126	2,126
29,075	51,852	80,927		32,270	53,097	85,367
			Enterprise Zone Relief Payable:			
697	-	697	Dover District Council	1,064	-	1,064
157	-	157	Kent County Council	239	-	239
17	-	17	Kent & Medway Fire & Rescue Authority	27	-	27
871	-	871		1,330	-	1,330
			Charges to the Collection Fund:			
360	48	408	Write-offs of Uncollectable Amounts	493	84	577
(6)	471	465	Increase/(decrease) in Bad Debt provis'n	(190)	822	632
2,938	-	2,938	Increase/(decrease) in Appeals provision	5,285	0	5,285
151	-	151	Cost of Collection Allowance	154	0	154
3,443	519	3,962		5,742	906	6,648
686	-	686	**Transitional Protection Payments**	-	-	-
34,075	**52,371**	**86,446**	**Total Expenditure**	**39,342**	**54,003**	**93,345**
(501)	**(152)**	**(653)**	**(Surplus) or Deficit for the Year**	**4,027**	**(125)**	**3,902**
-	(1,645)	(1,645)	Balance brought forward at 1 April	(501)	(1,797)	(2,298)
(501)	**(1,797)**	**(2,298)**	**Balance Carried Forward at 31 March**	**3,526**	**(1,922)**	**1,604**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

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

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

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

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

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

Precepts

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

Preceptor	2013/14 Precept £000	2013/14 Surplus £000	**2013/14 Total £000**	2014/15 Precept £000	2014/15 Surplus £000	**2014/15 Total £000**
Kent County Council	36,419	181	**36,600**	37,479	90	**37,569**
Police and Crime Commissioner for Kent	4,917	24	**4,941**	5,060	12	**5,072**
Kent and Medway Fire & Rescue Authority	2,362	12	**2,374**	2,430	6	**2,436**
Dover District Council	5,822	37	**5,859**	5,874	20	**5,894**
	49,520	254	**49,774**	50,843	128	**50,971**
Parish councils	2,078	-	**2,078**	2,126	-	**2,126**
Total Demand on the Collection Fund	**51,598**	**254**	**51,852**	**52,969**	**128**	**53,097**

Council Tax Base

The council tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings, was calculated as follows:

	2013/14			**2014/15**		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	8.75	5/9ths	4.86	3.82	5/9ths	2.12
A	3,491.76	6/9ths	2,327.84	3,456.99	6/9ths	2,304.66
B	11,082.95	7/9ths	8,620.07	11,182.07	7/9ths	8,697.17
C	10,405.11	8/9ths	9,248.99	10,565.87	8/9ths	9,391.88
D	5,727.69	9/9ths	5,727.69	5,812.79	9/9ths	5,812.79
E	3,681.76	11/9ths	4,499.93	3,687.02	11/9ths	4,506.36
F	2,051.12	13/9ths	2,962.73	2,058.66	13/9ths	2,973.62
G	1,271.98	15/9ths	2,119.97	1,285.74	15/9ths	2,142.90
H	48.41	18/9ths	96.82	48.83	18/9ths	97.66
	37,769.53		35,608.90	38,101.79		35,929.16
Estimated Collection Rate			**97.61%**			**97.61%**
Council Tax Base			**34,757.85**			**35,070.45**

Band D Council Tax

	2013/14 £000	2014/15 £000
Kent County Council	1,047.78	1,068.66
Police and Crime Commissioner for Kent	141.47	144.28
Kent and Medway Fire & Rescue Authority	67.95	69.30
Dover District Council	167.49	167.49
	1,424.69	1,449.73
Parish councils (average)	59.80	60.63
Total	**1,484.49**	**1,510.36**

This basic amount of council tax for a Band D property of £1,510.36 for 2014/15 (£1,484.49 for 2013/14) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of ‘rate poundage’ of 48.2p (47.1p) for large businesses or 47.1p (46.2p) for small businesses in 2014/15 (2013/14) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

Until 1 April 2013 cash collected from NNDR payers by billing authorities (net of the cost of collection allowance) belonged to the government ‘pool’ and the amount not yet paid to the government at the balance sheet date was included as a creditor; similarly, if cash paid to the government exceeded the cash collected from NNDR payers (net of the billing authority’s cost of collection allowance), the excess was included in the Balance Sheet as a debtor. Central Government separately redistributed the sums paid into the pool back to local authorities on a basis determined by the Secretary of State as part of the Local Government Finance Settlement.

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

However, from April 2013 the Department of Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline funding level for the billing authority that will broadly keep its income in line with its share of the pool on the old basis. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline) result in safety net payments from Government or levy payments to it. Dover is in the safety net for 2014/15 (as for 2013/14) and receives safety net funding. Similar arrangements exist for the other major preceptors. Tariff and safety net calculations form part of the Core

Statements, but are not shown in the collection fund itself. Further details can be found under Changes in Accounting and Presentation within the Explanatory Forward on page 2.

The NNDR income, after reliefs, of £33.923m for 2014/15 (£33.705m for 2013/14), was based on the total rateable value for the Council's area, which at the year-end was £89.353m (£89.944m in 2013/14).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2013/14			2014/15		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	1,797	1,849	3,646	2,269	1,843	4,112
Write-Offs	(48)	(360)	(408)	(84)	(493)	(577)
Contribution to Provision	520	354	874	906	303	1,209
Balance at 31 March	**2,269**	**1,843**	**4,112**	**3,091**	**1,653**	**4,744**

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 15 January 2014 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, The Police and Crime Commissioner for Kent, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £128k for 2013/14, so there was an additional payment to major preceptors of this amount in 2014/15. The distributable surplus for 2014/15 was estimated as £740k and will be distributed to major preceptors during 2015/16. The actual surplus of £1.922m at 31 March 2015 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2015/16 (N.B. “Council Tax Cash” in note 5 shows cash surpluses at 31 March 2014 and 2015, but these surpluses are mainly due to prepayments on account of the following years’ debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2013 £000	Movement in Year £000	Surplus at 31 March 2014 £000	Movement in Year £000	Surplus at 31 March 2015 £000
Kent County Council	(1,163)	(109)	(1,272)	(90)	(1,362)
Police and Crime Commissioner for Kent	(157)	(14)	(171)	(13)	(184)
Kent & Medway Fire & Rescue Authority	(75)	(7)	(82)	(6)	(88)
Dover District Council	(250)	(22)	(272)	(16)	(288)
Total	**(1,645)**	**(152)**	**(1,797)**	**(125)**	**(1,922)**

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2014 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rate income. The District Council estimated that the fund would have an accumulated deficit of £88k for 2013/14 and this was collected from major preceptors during 2014/15. The District Council estimated that the fund would have an accumulated surplus of £501k for 2014/15 and this will be distributed to major preceptors during 2015/16. The actual deficit of £3,526k is an adverse position at 31 March 2015. Therefore the amount distributed during 2015/16 will be £4,027k overstated (i.e. DDC should be recovering a deficit of £3,526k rather than distributing a surplus of £501k). This will be adjusted against the 2016/17 proportionate shares of non-domestic rates income. The main reason for the deficit is the increase in the appeals provision for the reasons described in Note 30 (Provisions) to the Core Statements. The proportionate shares (prescribed by legislation) of the actual collection fund (surplus)/deficit for non-domestic rates are shown below:

	Proportionate Shares	**Surplus at 31 March 2014 £000**	**Movement in Year £000**	**Deficit at 31 March 2015 £000**
Central Government	50%	(251)	2,014	1,763
Kent County Council	9%	(45)	362	317
Kent & Medway Fire & Rescue Authority	1%	(5)	40	35
Dover District Council	40%	(200)	1,611	1,411
Total	**100%**	**(501)**	**4,027**	**3,526**

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

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

At 31 March 2014

	KCC £000	**PCCK £000**	**KMFRA £000**	**DDC £000**	**Gov't £000**	**Total £000**
Council Tax:						
Council tax arrears	2,859	386	185	610	-	4,040
Council tax provision for bad debts	(1,605)	(217)	(104)	(343)	-	(2,269)
Council tax overpayments & prepayments	(726)	(98)	(47)	(154)	-	(1025)
Council tax cash	744	100	48	159	-	1051
Collection Fund surplus or deficit (Council tax)	(1,272)	(171)	(82)	(272)	-	(1,797)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	233	-	26	1,037	1,297	2,593
NNDR provision for bad debts	(166)	-	(18)	(737)	(922)	(1,843)
NNDR provision for appeals	(264)	-	(30)	(1,175)	(1,469)	(2,938)
NNDR overpayments & prepayments	(73)	-	(8)	(327)	(408)	(816)
NNDR cash	315	-	35	1,402	1,753	3,505
Collection Fund surplus	(45)	-	(5)	(200)	(251)	(501)
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

At 31 March 2015

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	3,358	453	218	705	-	4,734
Council tax provision for bad debts	(2,193)	(296)	(142)	(460)	-	(3,091)
Council tax overpayments & prepayments	(832)	(112)	(54)	(175)	-	(1,173)
Council tax cash	1,029	139	66	218	-	1,452
Collection Fund surplus	(1,362)	(184)	(88)	(288)	-	(1,922)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	194	-	21	861	1,076	2,152
NNDR provision for bad debts	(149)	-	(17)	(661)	(826)	(1,653)
NNDR provision for appeals	(728)	-	(80)	(3,236)	(4,045)	(8,089)
NNDR overpayments & prepayments	(65)	-	(7)	(288)	(360)	(720)
NNDR cash	431	-	48	1,913	2,392	4,784
Collection Fund deficit	317	-	35	1,411	1,763	3,526
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2013/14 £000		Note	2014/15 £000
	Income		
(18,691)	Dwellings rents	10	(19,382)
(470)	Non-dwelling rents		(474)
(302)	Tenant charges for services and facilities		(362)
(335)	Leaseholder charges for services and facilities		(263)
(180)	Contributions towards expenditure		(178)
(19,978)	**Total Income**		**(20,659)**
	Expenditure		
3,213	Repairs and maintenance		3,535
3,647	Supervision and management		3,672
86	Rent, rates, taxes and other charges		49
12	Rent rebate subsidy limitation		0
1,496	Depreciation and impairment of fixed assets	5	1,574
(1,821)	Exceptional Item – revaluation gain, reversal of prior year loss	9	(8,042)
26	Debt management expenses		22
114	Increase in impairment of debtors	12	66
6,773	**Total Expenditure**		**876**
(13,205)	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		(19,783)
407	HRA share of corporate and democratic core		405
23	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		104
(12,775)	**Net Cost of HRA Services**		**(19,274)**
(663)	(Gain) or loss on sales of HRA non-current assets		80
2,972	Interest payable and similar charges		2,911
(63)	Interest and investment income		(66)
462	Net Interest on Defined Benefit Liability	13	510
(10,067)	**(Surplus) or Deficit for the year on HRA Services**		**(15,839)**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2013/14			2014/15	
£000		£000	£000	£000
(658)	Balance on the HRA at the end of the previous year			**(1,786)**
(10,067)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(15,839)	
	Adjustments between Accounting Basis and Funding under Statute:			
1,821	Impairment of non-current assets	8,042		
3,394	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,321		
663	Gain on disposal of non-current assets	(80)		
(64)	Net charges made for retirement benefits	(155)		
1,125	Capital expenditure funded by the HRA	2,625	13,753	
(3,128)			**(2,086)**	
2,000	Transfers to earmarked reserves		2,778	
(1,128)	(Increase) or decrease in year on the HRA Balance			**692**
(1,786)	**Balance on the HRA at the End of the Current Year**			**(1,094)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2014/15

	Stock at 1 April 2014	Sales	Acquisitions	Stock at 31 March 2015
Houses/bungalows	2,819	22	5	2,802
Flats	1,603	1		1,602
Total	**4,422**	**23**	**5**	**4,404**

Total Value of Assets

	1 April 2014 £000	31 March 2015 £000
Dwellings	153,755	164,928
Garages	3,392	3,287
Other land and buildings	60	321
Equipment	47	54
Investment properties	356	415
Assets under construction	0	745
Surplus assets	495	0
	158,105	**169,750**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2015 was £515m (£480m as at 31 March 2014). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to Government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature.

	2013/14 £000	2014/15 £000
Balance as at 1 April	**0**	**0**
Major Repairs Allowance:		
Depreciation	(1,491)	(1,565)
Voluntary Excess Depreciation charge to HRA	(3,394)	(3,321)
Transfer from reserve for capital expenditure	2,987	2,927
Repayment of principal on loan	1,898	1,959
Balance at 31 March	**0**	**0**

4. OTHER EARMARKED RESERVES

Tenants Compact

This reserve is earmarked for estate improvement works and had a balance of £ Nil at 31 March 2015 (£12k 31 March 2014).

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including “Affordable Housing” and has a balance of £4.79m at 31 March 2015 (£2m at 31 March 2014).

5. DEPRECIATION AND AMORTISATION

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,573k (£1,496k at 31 March 2014) as detailed below.

	2013/14 £000	2014/15 £000
Council dwellings	1,374	1,440
Garages	117	125
Intangible assets	5	8
Total	**1,496**	**1,573**

6. SUMMARY OF CAPITAL EXPENDITURE

	2013/14 £000	2014/15 £000
Capital expenditure:		
Dwellings	4,182	4,878
Other Land & Buildings	171	1,584
Total	**4,353**	**6,462**
Financed by:		
Funded by HRA	(1,124)	(2,625)
Transfer from Major Repairs Reserve	(2,987)	(2,927)
Capital Grants	0	(166)
Excess RTB Receipts	0	(466)
S106 Contribution	0	(212)
HCA Funding	0	(66)
Transfer from Tenants Compact Reserve	(242)	0
	(4,353)	**(6,462)**

7. **SUMMARY OF CAPITAL RECEIPTS**

	2013/14 £000	2014/15 £000
Receipts from sales during the year:		
Dwelling sales	(1,138)	(1,598)
Other HRA sales	(305)	0
Sub total	(1,443)	(1,598)
Amount pooled to Government	238	261
	(1,205)	**(1,337)**

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

£2,625k (£1,124k in 2013/14) of the improvement works to the Housing Revenue Account properties have been funded by the Housing Revenue Account as shown in note 6.

9. **REVALUATION GAIN ON HRA STOCK**

The gain of £8,042k is due to the reversal of prior year losses. The housing market has started to make a recovery resulting in an increase in value this year. (£1,821k in 2013/14)

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 2015 was £84.72 compared with £81.30 at 31 March 2014.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2014				31 March 2015			
Former Tenant Arrears	**Current Tenant Arrears**	**Total Rent Arrears**	**Housing Repairs Arrears**	**Former Tenant Arrears**	**Current Tenant Arrears**	**Total Rent Arrears**	**Housing Repairs Arrears**
£000	£000	£000	£000	£000	£000	£000	£000
100	309	409	221	99	296	395	247

12. IMPAIRMENT OF DEBTORS

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

	2013/14 £000	2014/15 £000
Balance brought forward as at 1 April	438	421
Provision made in the year	114	66
Less amounts written off	(131)	(61)
Balance carried forward at 31 March	**421**	**426**

13. IAS19 (RETIREMENT BENEFITS) AND THE HOUSING REVENUE ACCOUNT

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

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

The following IAS19 adjustments have been made:

	2013/14 £000	2014/15 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	12	77
Administrative expense	11	10
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	462	509
Charge to the Surplus or Deficit on the Provision of Services	**485**	**596**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(485)	(596)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	421	441
Contribution (From) or To Pensions Reserve	**(64)**	**(155)**

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

- Sir Ernest Bruce Charles — Charity No 1021750
- The Salter Collection — Charity No 288731
- Frederick Franklin Public Park — Charity No 1092171

Summarised accounts for each charity are set out below. All accounts are submitted to the Charity Commission as they prescribe. These accounts do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

Investment of charitable funds is governed by the Trustee Investments Act 1961.

SIR ERNEST BRUCE CHARLES

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

	2013/14	2014/15
	£	£
Income	355	201
Expenditure	(21)	(0)
Surplus or (deficit) for year	334	201
Fund balance at 1 April	68,498	68,832
Fund balance at 31 March	**68,832**	**69,033**
Represented by:		
Investments	68,832	69,033
	68,832	**69,033**

THE SALTER COLLECTION CHARITY

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

	2013/14	2014/15
	£	£
Income	490	227
Expenditure	0	0
Surplus or (deficit) for year	490	227
Fund balance at 1 April	270,028	270,518
Fund balance at 31 March	**270,518**	**270,745**
Represented by:		
Collection	180,000	180,000
Investment	90,518	90,745
	270,518	**270,745**

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2013/14	2014/15
	£	£
Income	933	432
Expenditure	0	0
Surplus or (deficit) for year	933	432
Fund balance at 1 April	345,444	346,377
Revaluation Gain / (Loss)	0	149,549
Fund balance at 31 March	**346,377**	**496,358**
Represented by:		
Land and other buildings	174,273	323,822
Investment	181,085	181,085
Creditor	(8,981)	(8,549)
	346,377	**496,358**

This charity was set up on 22 April 2002 and replaced the Frederick Franklin Charity for a Public Park (Charity No 299470) and Charles Sports Ground Charity (Charity No 1015537).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

We have audited the financial statements of Dover District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Dover District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Housing and Community and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance, Housing and Community is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Housing and Community; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Dover District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Emily Hill
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

30 September 2015

GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCOUNTS

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

ASSETS

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

BALANCE SHEET

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

BALANCES

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RECEIPTS

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

CAPITAL RESERVE

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

CASH EQUIVALENTS

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT ASSETS

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

CONTINGENT LIABILITIES

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

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABLITIES

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

DEBTORS

Debtors are sums of money due to the authority but unpaid at the Balance Sheet date.

DEPRECIATION

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

GENERAL FUND

This is the main revenue fund of the Authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

HOUSING REVENUE ACCOUNT (HRA)

This is an account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

IMPAIRMENT

Impairment is where the value of an asset exceeds the amount that could be recovered through use or sale.

INDEPENDENT AUDITOR'S REPORT

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

INVESTMENTS

Investments fall into the following categories depending on when the investment is due to be repaid:

- Short-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year.
- Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.
- Long-term investments are those where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES

A liability is something that the Council owes that has a monetary value. Liabilities are either current or long term.

NON-CURRENT ASSETS

Tangible assets are those that yield benefits to the local authority and the services it provides for a period of more than one year. Classes of non-current assets held are property, plant and equipment; council dwellings; other land and buildings; vehicles, plant and equipment; infrastructure assets; community assets; assets under construction; surplus assets not held for sale; Heritage Assets and Investment property.

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

PRIVATE FINANCE INITIATIVE (PFI)

PFI arrangements involve the operator undertaking an obligation to provide infrastructure and/or related services that is used to provide services to the public (irrespective of who provides those services to the public). By extension, this includes providing infrastructure and/or related services for the direct use of a public sector entity where these services contribute to the provision of services to the public (e.g. office and administrative buildings).

PROVISIONS

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

RESERVES

Reserves fall into two categories - usable reserves (those that can be applied to fund expenditure including capital expenditure and/or to reduce local taxation) and unusable reserves (those that the Council is not able to use to provide services e.g. the revaluation reserve).

REVALUATION RESERVE

This reserve records unrealised revaluation gains arising (since 1 April 2007) from holding non-current assets.

REVENUE/CAPITAL EXPENDITURE

Revenue expenditure is, for example, the running costs of a leisure centre whereas capital expenditure is the costs of building and fitting out the leisure centre.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

A general grant paid by central government to local authorities to help finance the cost of services.

SUPPORT SERVICES

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

SUSPENSE ACCOUNT

This is an account in which the costs of an activity are collected prior to their reallocation to the users of the activity. Any balance on the Balance Sheet is the amount under or over-recovered at the Balance Sheet date.

TEMPORARY LOANS

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

USABLE CAPITAL RECEIPTS

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

WORK IN PROGRESS

This is the cost of work done at the year-end which had not been recharged at the Balance Sheet date.