



**Statement
of
Accounts**

2006/07

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EXPLANATORY FOREWORD

INTRODUCTION

This foreword has been written to provide a guide to the significant matters reported in these accounts for the year ended 31 March 2007.

This year sees the introduction of major changes, in terms of presentation, to the statement of accounts. The main changes consist of:

- The removal of the notional capital charge for assets;
- Grant income released for assets is now being charged directly to services;
- The replacement of the Consolidated Revenue Account with the Income and Expenditure Account and Statement of Movement on the General Fund Balance; and
- The replacement of the Total Movement in Reserves with the Statement of Recognised Gains and Losses.

These changes are being introduced in order to conform to UK Generally Accepted Accounting Practice (UK GAAP) and make local authority accounts more like those prepared in the private sector.

The Council's accounts consist of:

- **Statement of Responsibilities** – (page 9). This outlines the responsibilities of the Authority and the Chief Financial Officer with respect to the Statement of Accounts.
- **Statement of Internal Control** – (page 10). This reviews the effectiveness of the Authority's system of internal financial control.
- **Statement of Accounting Policies** – (page 18). This explains the basis of the figures used in the accounts. The accounts can only be properly understood if the accounting policies, which have been followed in dealing with material items, are explained. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- **Income and Expenditure Account** – (page 23). This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides segmental accounting information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the local authority as a whole. When added to the net cost of services these give the local authority's net operating expenditure.

The third section shows the income from local taxation and general Government grants in the period, to give the net deficit or surplus for the year. It should be noted that this is an accounting surplus or deficit. The financial surplus or deficit for the year is contained within the Statement of Movement on the General Fund Balance.

- **Statement of Movement on the General Fund Balance** – (page 24). The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

However, the items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund and which therefore must be taken into account in determining a local authority's budget requirement and in turn its Council Tax demand, are determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP. This statement shows these movements.

- **Statement of Total Recognised Gains and Losses** – (page 24). Not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded, as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period and these are included in a Statement of Total Recognised Gains and Losses.
- **Balance Sheet** – (page 25). This statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.
- **The Cash Flow Statement** – (page 26). This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Housing Revenue Account** – (page 53). The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure – repairs and maintenance, administration and capital financing costs – and how these are financed by rents and other income.
- **Collection Fund** – (page 59). This shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates and the way in which these have been distributed to precepting authorities.

Various notes to the accounts are included to support these.

SUMMARY OF THE 2006/07 FINANCIAL YEAR

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

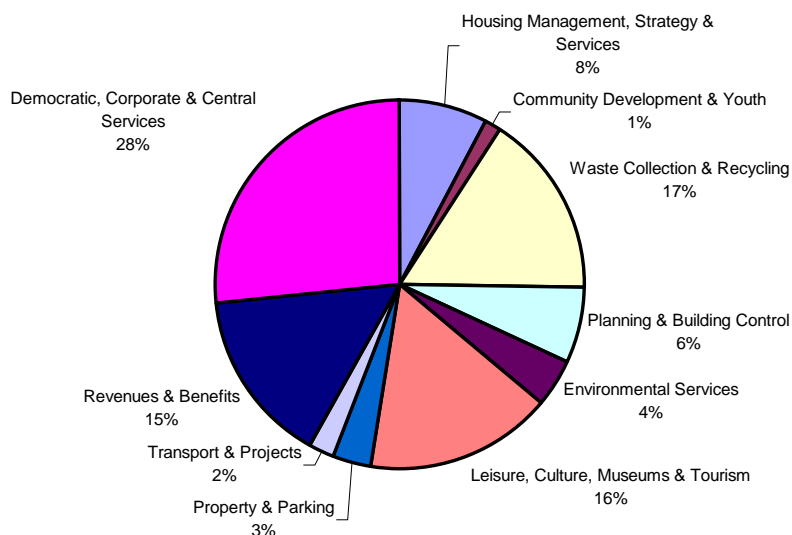
Income and Expenditure Account for 2006/07

The Council's gross cost of services in 2006/07 was £81.78m, with service income of £65.15m leading to net expenditure of £16.63m. The Income and Expenditure Account provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

NET EXPENDITURE OF SERVICE 2006/07

| | 2006/07 Gross Expenditure £000 | 2006/07 Gross Income £000 | 2006/07 Net Expenditure £000 |
|--|---|------------------------------------|---------------------------------------|
| Housing Management, Strategy and Services | 26,020 | (24,734) | 1,286 |
| Community Development and Youth | 543 | (298) | 245 |
| Waste Collection and Recycling | 3,354 | (659) | 2,695 |
| Planning and Building Control | 2,366 | (1,287) | 1,079 |
| Environmental Services | 801 | (83) | 718 |
| Leisure, Culture, Museums and Tourism | 3,036 | (321) | 2,715 |
| Property and Parking | 2,951 | (2,412) | 539 |
| Transport and Projects | 363 | (9) | 354 |
| Revenues and Benefits | 36,702 | (34,140) | 2,562 |
| Democratic, Corporate and Central Services | 5,646 | (1,214) | 4,432 |
| Total | 81,782 | (65,157) | 16,625 |

Net Expenditure of Services 2006/07



Revenue Financing

Revenue Financing of £16.483m came from:

| Net Operating Expenditure | | |
|----------------------------------|---------------|--------------|
| | £000 | % |
| Council Tax (1) | 6,594 | 40.0 |
| Revenue Support Grant (2) | 8,189 | 49.7 |
| Non Domestic Rates (3) | 1,581 | 9.6 |
| Collection Fund Surplus (4) | 119 | 0.7 |
| Total | 16,483 | 100.0 |

- (1) The Council Tax income is paid to the Council by the residents of the district. However, only 13% of the Council Tax collected is retained by the district, of which 10% is for its own use, and 3% is to meet the precepts of the various town and parish councils, 73% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) Non-Domestic Rates are collected by the Council from businesses in the district. However, the amounts collected are then paid into a national pool maintained by the Government who then re-distributes them.
- (4) The Council accounts for all Non-Domestic Rates and Council Tax in a Collection Fund. When there is a surplus on the fund, generally as a result of higher collection rates than forecast or due to a higher rate of increase in the tax base than forecast, the surplus is shared between the precepting authorities in proportion to their precepts. The £119k represents the Council's share of the prior year surplus.

The Housing Revenue Account

The Council maintains a housing stock of around 4,700 houses and flats. The income and expenditure from this account is included in the Income and Expenditure Account, but is kept separate from the General Fund and is maintained in an account called the "Housing Revenue Account" (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved a surplus of £185k in 2006/07 compared to a budgeted deficit of £90k. The main reasons were savings and increased income as follows:

- Increased rental income;
- Reduced consultant costs; and
- Increased income from leaseholders and a reduction in provision for leaseholders' bad debt.

These were partially offset by:

- Increased expenditure on repairs and maintenance; and
- An increase in the 'negative subsidy' (monies that the HRA has to pay to the Government).

Investment in Major Projects

The Council invested £11.144m in major projects in 2006/07, the most significant of which were:

- Investments of £4.7m in the acquisition of properties to progress the Dover Town Investment Zone regeneration project; and
- £4.48m for Housing Revenue Account property projects, particularly to achieve the Government's Decent Homes standard by 2010.

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

- £4.7m grant from SEEDA for DTIZ;
- £3.2m Major Repairs Allowance grant from the Government;
- £1.1m capital receipts from the sale of assets, (mainly council houses); and
- £0.9m revenue financing from the HRA.

Overall the capital programme is within budget and fully financed. However, a declining trend in council house sales continues to limit the Council's ability to finance new projects.

Treasury Management

The Council is pro-active in its cash management and in September 2002 it adopted the CIPFA Code of Practice on Treasury Management.

As at 31 March 2007 the Council had over £22m managed by the Council's fund manager, Investec. The Council also has day-to-day cash balances which it manages in-house, and these averaged over £6m in 2006/07. Offsetting these, the Council has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank.

The Council retains the services of 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 enquiries.

During 2006/07 there have been no major changes in investments or treasury management activities.

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 | 2006 £000 | 2007 £000 |
|--|------------------|------------------|
| Value of land and property | 295,325 | 320,546 |
| Investments and cash in bank | 22,355 | 26,302 |
| Money owed to the Council | 5,739 | 6,319 |
| Money owed by the Council | (12,652) | (13,531) |
| Loans outstanding | (4,006) | (4,004) |
| Long-term liabilities | (56,178) | (59,200) |
| Total assets less total liabilities | 250,583 | 276,432 |
| Financed by: | | |
| Revenue balances | (8,375) | (8,510) |
| Reserves and revaluation account | (188,038) | (213,783) |
| Deferred premiums and grants | (11) | (7) |
| Capital financing | (54,159) | (54,132) |
| Total equity | (250,583) | (276,432) |

Financial Health and Performance

The performance of the HRA and the capital programme are outlined above.

The General Fund budgeted for a surplus of £447k. The outturn shows a surplus of £1.293m, a favourable variance of £845k. This variance was mainly due to one-off savings on Housing and Council Tax Benefits, some slippage in expenditure and a one-off saving in pension provisions. The underlying variance was £195k favourable, which represents just over 1% of the net budget requirement and was due to a number of variations in income and expenditure. As a result, it has been possible to transfer £1.3m to earmarked reserves for specific projects and purposes and maintain a General Fund balance of £2.545m at the year-end. It is proposed that a further £300k will be applied in 2007/08 to resource approved items of revenue expenditure which have slipped from 2006/07 to 2007/08. This still leaves an underlying balance in excess of the £2m target.

The Council's auditor publishes an annual assessment on the Council's use of resources. The 2006 judgement concluded that the Council was performing at level 3 out of 4, which is defined as "Consistently above minimum requirements – performing well".

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (Section 151 of the Local Government Act 1972). (In this authority, that officer is the Head of Finance and ICT);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES

The Head of Finance and ICT is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the code of practice').

In the preparation of this Statement of Accounts the Head of Finance and ICT has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Accounting Code of Practice;
- Kept proper accounting records which are up to date; and
- Ensured that reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

HEAD OF FINANCE AND ICT'S CERTIFICATE

I certify that the accounts, as set out, fairly state the financial position of the Council at 31 March 2007.



Mike Davis CPFA
Head of Finance and ICT
Dover District Council
28th June 2007

Acceptance of Accounts
By Chairman of the Governance Committee



Councillor Ian Ward
28th June 2007

STATEMENT OF INTERNAL CONTROL

For the period 1 April 2006 to 31 March 2007

SCOPE OF RESPONSIBILITY

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

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

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

In addition, Dover District Council's Head of Governance (Monitoring Officer), Head of Finance and ICT (S151 Officer) and the Head of the Audit Partnership have been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee, to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

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

PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The basis of this system of internal control has been in place at Dover District Council for the year ended 31 March 2007, and up to the date of the approval of the annual report and accounts.

THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment are summarised below:

Establishing and monitoring of the authority's objectives

A Corporate Plan setting out the Council's objectives for the period 2006/07 to 2011/12 is available on the Council's website. Progress towards the achievement of the objectives will be monitored through the Service Planning process, Performance Management Framework, Performance Report, the Major Regeneration Projects Board, and through other internal review.

Policy and decision-making

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

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

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

The Constitution itself is subject to annual review and this was last undertaken between January and March 2007. Council approved the revised Constitution at its meeting on 16 May 2007.

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

Compliance

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

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

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

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

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

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

Economic, effective and efficient use of resources.

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

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

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

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

Financial Management

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

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

In particular, the process includes:

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

Effectiveness of Internal Audit

As part of the wider annual review of the System of Internal Control, the Executive is to undertake a review of the effectiveness of the system of internal audit. This review was undertaken by the Head of Governance (Monitoring Officer) and the Head of Finance and ICT (Section 151 Officer). The review concluded that an effective system of internal audit is provided through the East Kent Audit Partnership and the opinion of the Head of the Audit Partnership in her annual report can be relied upon. The full details of the review will be reported to the Governance (Audit) Committee, alongside this document as it is a key element of the review of the system of internal control.

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. The review also considered the effectiveness of the Council's Governance (Audit) Committee, which has been operating separately from the Scrutiny Committees for a year. The review concluded that the Governance (Audit) Committee was effective and added value to the internal control system.

The Internal Audit Team reports to the Head of the Audit Partnership, who in turn reports to the Head of Governance (Monitoring Officer) and operates under a Charter, which defines its relationship with the Chief Executive, Corporate Management Team and the Governance

Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Authority to the Corporate Management Team and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

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

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

Performance Management

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

Key performance information is made available on the Council's website throughout the year.

REVIEW OF EFFECTIVENESS

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

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

At a corporate level the Constitution, the Financial Procedure Rules and the Contract Procedure Rules have all been subject to review. The Council awaits a Kent-wide version of the Contract Procedure Rules for consideration. The Council will consider the revised Members' Code of Conduct for adoption in July 2007.

Both the Cabinet and the Governance Committee (which has the responsibility for discharging the functions of an Audit Committee) receive quarterly updates from the Head of the Audit Partnership on the assurance that can be placed against various systems and processes during the year, along with an annual assessment at the year end.

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

Based on the work undertaken by the Internal Audit Section during the year, the Head of the Audit Partnership considers that positive steps are being taken in all those areas where a Nil

or Limited Assurance had been given, in order to raise that assurance level to Adequate or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work, current risk assessments and the Heads of Service Assurance Statements, the Head of the Audit Partnership places an Adequate Assurance on the systems of internal control in place. (Definitions of assurance levels follow the signatures at the end of this statement).

IMPROVEMENTS DURING THE YEAR

The Council has been implementing an improvement plan, which resulted from the Employer of the Future Review, the Investors in People assessment, residual actions from the Comprehensive Performance Assessment review, which was undertaken in June 2004, as well as identifying further areas for improvement. The improvements are in respect of Governance, Performance, Organisational Culture, Communications and Internal Control.

High Priority

The Chief Executive led a facilitated event with Corporate Management Team members to review the vision, key corporate objectives, governance and leadership direction, standards and values. A Leader as Coach management development programme is now being delivered to Heads of Service, Managers and Team Leaders across the Council.

Corporate and Service Planning continues to develop to ensure that performance targets for services, teams and individuals support the successful delivery of Council priorities. The PPR process is now clearly aligned to corporate and service objectives.

Service plans clearly reflect the Council's priorities and are focused on core objectives and include SMART targets.

The Council provided the evidence required to achieve Level 3 rating for CPA Use of Resources.

A separate Governance (Audit) Committee has been formed and has effectively operated during 2006/07.

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

The Scheme of Delegation for Chief Officers has been updated.

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

Achieved desired Gershon efficiency savings (cashable and non-cashable).

Medium Priority

Home working has continued to be introduced to improve staff retention and improve efficiency and is a demonstrable success.

Disability and Equality Schemes have been adopted with particular focus on addressing our disability, gender and race duties.

Consultation processes with staff and stakeholders has improved.

SIGNIFICANT INTERNAL CONTROL ISSUES

On the basis of Audit work throughout the year reviewing the Council's processes, the Statements produced by the Heads of Service and reviewed by the Council's Corporate Management Team, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

Areas for further improvement or development

High Priority

To further embed risk management across the Council. This will be achieved by providing appropriate training for Members and Officers.

To further improve the Council's debtors internal control/risk management system.

To review and further develop the Council's Business Continuity Plans.

Medium Priority

As appropriate, ethics training will be provided to officers and Members as part of the roll-out of the revised Code of Conduct.

Changes to the Contract Procedure Rules (when adopted) will need to be communicated to staff and embedded into work processes.

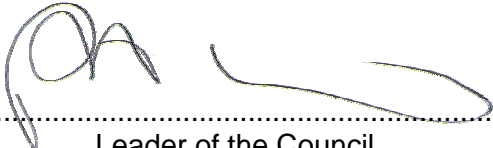
Low Priority

The Register of Disclosure will be periodically monitored by the Head of Governance (Monitoring Officer) to ensure sign-off by relevant managers.

COMMITMENT

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

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

Signed: 
Leader of the Council

Date: 21 June 2007

Signed: 
Chief Executive

Date: 21 June 2007

Independent auditor's report to the Members of Dover District Council

Opinion on the financial statements

I have audited the financial statements of Dover District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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

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

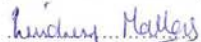
Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the authority as at 31 March 2007 and its income and expenditure for the year then ended.

 (Lindsey Mallors, District Auditor)

Date 28/9/07

Address: Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN

STATEMENT OF ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2006/2007

GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2007. The Accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice 2006. The Code is based on both approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standard (FRSs) approved by the Accounting Standards Board and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is a historical cost basis modified by the revaluation of certain categories of assets.

ACCRUALS OF INCOME AND EXPENDITURE

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

VALUE ADDED TAX

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

EXCEPTIONAL ITEMS

The Council accounts for exceptional items in accordance with FRS3.

INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. Intangible fixed assets are included in the balance sheet at historic cost. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

TANGIBLE FIXED ASSETS

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

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

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

Surpluses or losses arising from any revaluation of assets are credited or debited to the Fixed Asset Restatement Account. Revaluations of fixed assets are undertaken on a 5-year rolling programme. Material changes to asset valuations will be adjusted in the interim period, as they occur.

The value at which each category of assets is included in the balance sheet is reviewed annually, and where there is reason to believe that its value has changed materially during the accounting period (impairment), the valuation has been adjusted accordingly.

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

DEPRECIATION

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

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

| | |
|-------------------|----------------|
| Buildings | Up to 80 years |
| Infrastructure | Up to 40 years |
| Plant & Equipment | Up to 12 years |
| Motor vehicles | Up to 10 years |
| Intangible Assets | Up to 5 years |

CHARGES TO REVENUE FOR FIXED ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation.

DEFERRED CHARGES

Deferred charges represent expenditure which may be capitalised under statutory provisions, but do not represent tangible fixed assets on our balance sheet. Deferred charges incurred have been written off as expenditure to the relevant service revenue expenditure account in the year.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies in these accounts.

INVESTMENTS

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

LEASES

Operating Leases

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

Finance Leases

The Council has no finance leases.

OVERHEADS AND SUPPORT SERVICES

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

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

PENSION COSTS

These accounts reflect the full implementation of FRS17. This means that the accounts recognise the net pension liability and a pensions reserve in the balance sheet and entries in the Consolidated Revenue Account for movements in the liability relating to the defined benefit scheme. The accounts show reconciling entries back to contributions payable for Council Tax purposes.

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

Full details can be found on page 49.

PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

STOCKS

Stocks are included in the balance sheet at the lower of cost or net realisable value.

SINGLE EUROPEAN CURRENCY (The Euro)

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

CONTINGENT LIABILITIES

Contingent liabilities are defined as possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

GROUP ACCOUNTS

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of

group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

This Council has determined that it has no interests in subsidiaries, associates or joint ventures.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2007

This Account includes both General Fund and Housing Revenue Account activities and summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

| Restated 2005/06 Net Expenditure | | 2006/07 Gross Expenditure | 2006/07 Gross Income | 2006/07 Net Expenditure |
|--|--|---------------------------------|----------------------------|-------------------------------|
| £000 | | £000 | £000 | £000 |
| | On its services the Council spent: | | | |
| 1,028 | Central Services | 2,102 | (1,442) | 660 |
| 8,397 | Cultural, Environmental and Planning Services | 12,547 | (3,426) | 9,121 |
| (78) | Highways, Roads and Transport Services | 2,579 | (2,058) | 521 |
| 33 | Housing Services | 60,242 | (57,756) | 2,486 |
| 117 | Other Services | 788 | (125) | 663 |
| 2,361 | Corporate and Democratic Core | 2,112 | (80) | 2,032 |
| 923 | Non-distributed Costs | 1,412 | (270) | 1,142 |
| 12,781 | NET COST OF SERVICES | 81,782 | (65,157) | 16,625 |
| | 61 (Gain) or loss on disposal of fixed assets | | | 0 |
| | Amounts due to Precepting Authorities: | | | |
| 1,222 | - Town and Parish Councils (Page 60) | | | 1,357 |
| 44 | - River Stour Drainage Board (Note 3) | | | 47 |
| 405 | Interest payable and similar charges | | | 405 |
| 1,423 | Amounts payable to Housing Capital receipts pool (Note 33) | | | 1,558 |
| (894) | Interest and Investment Income | | | (1,424) |
| 1,800 | Pensions interest cost and expected return on assets (Page 51) | | | 1,390 |
| (48) | Exceptional Item (Note 4) | | | 0 |
| 16,794 | NET OPERATING EXPENDITURE | | | 19,958 |
| | Income from Collection Fund | | | |
| (6,180) | - Council Tax Income (Page 59) | | | (6,594) |
| (140) | - Collection Fund Surplus (Page 59) | | | (119) |
| (3,045) | Government Grants (not attributable to specific services) | | | (8,189) |
| (5,698) | Distribution from Non-Domestic Rate pool | | | (1,581) |
| 1,731 | TOTAL DEFICIT FOR THE YEAR | | | 3,475 |

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

| Restated 2005/06 £000 | | 2006/07 £000 |
|-----------------------------|--|-----------------------|
| 1,731 | Deficit for the year on the Income and Expenditure Account | 3,475 |
| (1,941) | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 1) | (3,426) |
| (210) | (Increase)/decrease in General Fund Balance for the Year | 49 |
| <u>(2,384)</u> | General Fund Balance brought forward | <u>(2,594)</u> |
| <u>(2,594)</u> | General Fund Balance carried forward | <u>(2,545)</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

| Restated 2005/06 £000 | | 2006/07 £000 |
|-----------------------------|---|------------------------|
| 1,731 | Deficit on the Income and Expenditure Account for the year | 3,475 |
| (8,526) | Surplus arising on revaluation of fixed assets | (22,964) |
| (14) | Movement in Collection Fund surplus | 0 |
| (40) | Capital receipts – Right to Buy discounts repaid | (30) |
| <u>2,458</u> | Actuarial (gains)/losses on pension fund assets and liabilities | <u>(6,330)</u> |
| <u>(4,391)</u> | Total recognised gains for the year | <u>(25,849)</u> |

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

| Restated as at 31 March 2006 £000 | | Note | As at 31 March 2007 | |
|--|--|------------|---------------------|------------------|
| | | | £000 | £000 |
| 0 | Intangible fixed assets | 15 | 0 | 11 |
| | Tangible fixed assets | 16-18 | | |
| | Operational assets: | | | |
| 239,845 | -council dwellings | | 258,356 | |
| 39,507 | -other land and buildings | | 40,364 | |
| 1,441 | -vehicles, plant and equipment | | 1,082 | |
| 7,220 | -infrastructure assets | | 6,818 | |
| 557 | -community assets | | 513 | 307,133 |
| 6,756 | Non-operational assets | | | 13,402 |
| 295,326 | Total fixed assets | | | 320,546 |
| 0 | Deferred Charges | 30 | | 0 |
| 4 | Long-term investments | 20 | | 4 |
| 340 | Long-term debtors | 21 | | 346 |
| 295,670 | Total long-term assets | | | 320,896 |
| | Current assets: | | | |
| 197 | -stock and work in progress | 22 | 261 | |
| 5,739 | -debtors | 23 | 6,319 | |
| 21,813 | -investments | 24 | 25,383 | |
| 0 | -cash at bank | | 81 | 32,044 |
| | Current liabilities: | | | |
| (3,003) | -short-term borrowing | 25 | (3,003) | |
| (8,473) | -creditors | 26 | (10,050) | |
| (218) | -receipts in advance | | (251) | |
| (959) | -bank overdraft | | 0 | (13,304) |
| 310,766 | Total assets less current liabilities | | | 339,636 |
| (4,006) | Long-term borrowing | 27 | (4,004) | |
| (5,157) | Capital contributions deferred | 19 | (14,160) | |
| (320) | Provisions | 29 | 0 | |
| (50,700) | Pensions liability | Page 50 | (45,040) | (63,204) |
| 250,583 | Total assets less liabilities | | | 276,432 |
| | Financed by: | | | |
| (230,033) | Fixed asset restatement account | 31 | | (250,495) |
| (54,159) | Capital financing account | 32 | | (54,132) |
| (11) | Deferred capital receipts | 28 | | (7) |
| 50,700 | Pensions reserve | Page 51 | | 45,040 |
| (3,233) | Usable capital receipts reserve | 33 | | (3,132) |
| (5,472) | Earmarked reserves | 35 | | (5,196) |
| (8,375) | Revenue balances | 36 | | (8,510) |
| (250,583) | Total Equity | | | (276,432) |

CASH FLOW STATEMENT

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

| 2005/06 £000 | | 2006/07 £000 | £000 |
|-----------------|---|-----------------|-----------|
| | REVENUE ACTIVITIES | | |
| | Cash outflows: | | |
| 14,476 | Cash paid to and on behalf of employees | 15,693 | |
| 48,987 | Other operating cash payments | 29,037 | |
| 14,345 | Housing Benefit paid out | 13,998 | |
| 24,459 | National Non-Domestic Rate payments to National Pool | 28,844 | |
| 42,690 | Precepts paid | 44,904 | |
| 1,423 | Payments to the Capital Receipts Pool | 1,558 | |
| 146,380 | | | 134,034 |
| | Cash inflows: | | |
| (6,039) | Rents (after rebates) | (6,155) | |
| (40,676) | Council Tax receipts | (42,958) | |
| (2,758) | National Non-Domestic Rates received from National Pool | (1,874) | |
| (23,856) | Non-Domestic Rate receipts | (28,801) | |
| (5,698) | Revenue Support Grant | (8,189) | |
| (33,423) | DWP grants for benefits | (32,435) | |
| (869) | Other Government grants (note 41) | (785) | |
| (5,825) | Cash received for goods and services | (14,641) | |
| (28,803) | Other operating cash receipts | (345) | |
| (147,947) | | | (136,183) |
| (1,567) | Revenue Activities Net Cash Flow | | (2,149) |
| | RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| | Cash outflows: | | |
| 406 | Interest paid | 405 | |
| | Cash inflows | | |
| (943) | Interest received | (1,279) | |
| | | | (874) |
| | CAPITAL ACTIVITIES | | |
| | Cash outflows | | |
| 6,487 | Purchase of fixed assets | 9,943 | |
| 0 | Purchase of long-term investments | 0 | |
| 780 | Other capital cash payments | 948 | |
| | Cash inflows | | |
| (1,925) | Sale of fixed assets | (2,564) | |
| (513) | Capital grants received | (9,923) | |
| 0 | Other capital cash receipts | 0 | |
| | | | (1,596) |
| 2,725 | Net cash (inflow)/outflow before financing | | (4,619) |
| | MANAGEMENT OF LIQUID RESOURCES | | |
| (1,598) | Net increase/(decrease) in short-term term deposits | 3,570 | |
| (645) | Net increase/(decrease) in other liquid resources | 6 | |
| | | | 3,576 |
| | FINANCING | | |
| | Cash outflows | | |
| 4 | Repayments of amounts borrowed | 3 | |
| | Cash inflows | | |
| 0 | New loans raised | 0 | |
| 0 | New short-term loans | 0 | 3 |
| 486 | Net (Increase)/Decrease in Cash | | (1,040) |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCES

| Restated 2005/06 £000 | Note | 2006/07 £000 | 2006/07 £000 |
|-----------------------------|---------|-----------------|--|
| 1,731 | | | 3,475 |
| | | | (Surplus) or deficit for year in the Income and Expenditure Account |
| | | | Amounts included in the Income and Expenditure required by statute to be excluded in determining the Movement on the General Fund |
| 0 | 15 | (1) | |
| (1,118) | 18 | (2,062) | |
| 58 | Page 54 | (225) | |
| 280 | 19 | 346 | |
| (558) | 30 | (301) | |
| (61) | | 0 | |
| (720) | 34 | (670) | |
| | | | Additional items required by statute in determining the movement on the General Fund Balance |
| 0 | | 0 | |
| 166 | 18 | 917 | |
| (1,423) | 33 | (1,558) | |
| | | | Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year |
| 888 | Page 54 | 185 | |
| 0 | | 0 | |
| 173 | | 56 | |
| 335 | 35 | (1,403) | |
| 47 | 35 | (52) | |
| (8) | 35 | 1,342 | |
| (1,941) | | | (3,426) |
| (210) | | | 49 |
| | | | Increase in General Fund Balance for the Year |
| (2,384) | | | (2,594) |
| (2,594) | | | (2,545) |
| | | | General Fund Balance carried forward |

2. EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This is detailed in the explanatory foreword of this statement.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with Generally Accepted Accounting Practice, the movement on the General Fund Balance is also an important aspect of the Council's stewardship.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are included in the Statement of Movement on the General Fund Balance.

3. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY

In accordance with the Internal Drainage Boards (Finance) Regulations 1992 the River Stour (Kent) Internal Drainage Board is empowered to make a special levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage district. Authorities are required under the Local Government Finance Act 1988 to provide the revenue from the non-agricultural sector in place of drainage rates levied on that sector prior to 1 April 1990. The levy for 2006/07 was £47k (£44k in 2005/06).

4. EXCEPTIONAL ITEM

In 2005/06 the Council received a dividend payment from the Board of Liquidators for the Bank of Credit and Commerce International (BCCI) of £48k. No exceptional items were incurred/received in 2006/07.

5. TRADING OPERATIONS

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

| 2005/06 Surplus/ (Deficit) £000s | Trading Service | Note | Expenditure £000s | 2006/07 Income £000s | Surplus/ (Deficit) £000s |
|---|----------------------------|------|----------------------|----------------------------|--------------------------------|
| 679 | Car Parks – surface paying | (a) | 499 | 1,344 | 845 |
| (50) | White Cliffs Careline | (b) | 383 | 247 | (136) |

- (a) The Council operates 40 off-street car parks in the towns and villages of the District (of these, 16 are free car parks, the costs of which are excluded from the above data). Included in these 40 car parks is the closed multi-storey car park plus one other which is managed on behalf of a third party. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (b) The White Cliffs Careline is the Council's centrally based alarm service offering emergency support and backup to people in need.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so the recharges that have been made result in a surplus to the accounts. As a result, the accounts for car parks – surface paying show a surplus of £845k that would be reduced to £731k if the cost of capital charges had been made.

6. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend on services for which it has no specific powers, but which benefits some or all of the Authority's taxpayers.

A review of this expenditure has been carried out this year and it has found that the Council has incurred no expenditure within this area this year.

It was also found that although the Council has reported expenditure within this area over previous years, the expenditure did not fall under discretionary expenditure.

7. EXPENDITURE ON PUBLICITY

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

| | 2005/06 £000 | 2006/07 £000 |
|-----------------------------|-----------------|-----------------|
| General Publicity | 170 | 175 |
| Tourism Initiatives | 74 | 54 |
| Tourist Information Centres | 80 | 95 |
| Staff Recruitment | 62 | 105 |
| Total | 386 | 429 |

8. LEASES

The Council uses IT equipment, car parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2006/07 was £51k (£78k in 2005/06).

LEASING

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

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

Operating Leases

As at 31 March 2007 the Council was committed to making payments of £38k under operating leases in future financial years:

| | |
|---|--|
| | Vehicles, Plant and Equipment £000 |
| Leases expiring in 2007/08 | 6 |
| Leases expiring between 2008/09 and 2011/12 | 32 |
| Leases expiring after 2011/12 | 0 |
| | <u>38</u> |

9. OFFICERS' EMOLUMENTS

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

| | | |
|-------------------|---------------------|-----------|
| Remuneration Band | Number of employees | |
| | 2005/06 | 2006/07 |
| £50,000-£59,999 | 7 | 4 |
| £60,000-£69,999 | 3 | 5 |
| £70,000-£79,999 | 0 | 0 |
| £80,000-£89,999 | 3 | 2 |
| £90,000-£99,999 | 1 | 0 |
| £100,000 and over | 0 | 1 |
| | <u>14</u> | <u>12</u> |

10. AUDIT FEES

| | | |
|---|-----------------|-----------------|
| | 2005/06 £000 | 2006/07 £000 |
| Statutory inspection | 119 | 151 |
| Certification of grant claims and returns | 33 | 32 |
| Other services | 0 | 1 |
| Total | <u>152</u> | <u>184</u> |

11. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. No such works have been carried out in 2006/07.

12. MEMBERS' ALLOWANCES SCHEME

Totals of allowances paid to Council Members during 2006/07, in accordance with the Local Authorities (Members Allowances) (Amendment) Regulations 2003, are as follows:

| | 2005/06 £000 | 2006/07 £000 |
|----------------------------------|-----------------|-----------------|
| Basic Allowance | 149 | 166 |
| Special Responsibility Allowance | 57 | 91 |
| Travel and Subsistence | 9 | 10 |
| | 215 | 267 |

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

13. RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties and provides the majority of its funding in the form of grants. Details of grants received from Government departments are set out in note 41 to the Cash Flow Statement.

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

| | Receipts £000 | Payments £000 |
|---|------------------|------------------|
| Kent County Council | 667 | 1,414 |
| Kent Police | 1 | 17 |
| Town and Parish Councils | 63 | 72 |
| Deal Museum Trust/Timeball Tower Two members of the District Council were Trustees during 2006/07 | 0 | 2 |
| Betteshanger Social Club The husband of one member of the District Council was a Trustee during 2006/07 | 0 | 1 |
| Dover District Chamber of Commerce One member of the District Council was a member during 2006/07 | 0 | 3 |
| Action with Communities in Rural Kent One member of the District Council was an employee during 2006/07 | 0 | 2 |

| | | |
|--|------------|--------------|
| Deal and Walmer Chamber of Trade Four members of the District Council were members during 2006/07, one of whom was President | 0 | 2 |
| Dover Roman Painted House Trust One member of the District Council was appointed by the Council to be its representative during 2006/07 | 0 | 3 |
| Aylesham and District Community Workshop Trust One member of the District Council was a member during 2006/07 | 0 | 3 |
| Bronze Age Boat Trust One member of the District Council was appointed by the Council to be its representative during 2006/07 | 1 | 0 |
| | 732 | 1,519 |

14. BUILDING CONTROL

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

| | Chargeable Activities 2006/07 £000 | Non-Chargeable Activities 2006/07 £000 | Total 2006/07 £000 |
|-----------------------------|---|---|--------------------------|
| Expenditure | | | |
| Employee Expenses | 304 | 86 | 390 |
| Transport | 10 | 3 | 13 |
| Supplies and Services | 17 | 5 | 22 |
| Central and Support Service | 6 | 75 | 81 |
| Total Expenditure | 337 | 169 | 506 |
| Income | | | |
| Building Regulation Charges | (336) | (3) | (339) |
| Total Income | (336) | (3) | (339) |
| Net Deficit for Year | 1 | 166 | 167 |

Comparatives for 2005/06

| | Chargeable Activities 2005/06 £000 | Non-Chargeable Activities 2005/06 £000 | Total 2005/06 £000 |
|-----------------------------|---|---|--------------------------|
| Expenditure | 372 | 177 | 549 |
| Income | (325) | (2) | (327) |
| Net Surplus for Year | 47 | 175 | 222 |

There is a general duty to break even over a three-year period on chargeable activities. Over the last three years this activity has met this criterion and has been on target.

15. INTANGIBLE FIXED ASSETS

The Council incurred £12k for the purchase of Microsoft Office software licences in 2006/07. This is included as an intangible fixed asset in the balance sheet. The net book value after amortisation of £1k is £11k.

16. INFORMATION ON ASSETS HELD

Tangible fixed assets owned by the Council include the following significant items:

| | Number as at 31.03.06 | Net Book Value as at 31.03.06 £000 | Number as at 31.03.07 | Net Book Value as at 31.03.07 £000 |
|--|-----------------------------|---|-----------------------------|---|
| COUNCIL DWELLINGS | | | | |
| Flats/Houses | 4,725 | 239,845 | 4,665 | 258,356 |
| Council Garages | 955 | 1,663 | 954 | 2,040 |
| OPERATIONAL LAND AND BUILDINGS | | | | |
| Offices: | | | | |
| Whitfield Complex | 1 | 3,494 | 1 | 3,443 |
| Others* | 2 | 137 | 3 | 393 |
| | 3 | 3,631 | 4 | 3,836 |
| Leisure Centres & Pools : | | | | |
| Dover Leisure Centre | 1 | 5,689 | 1 | 5,633 |
| Deal Leisure Centre | 1 | 6,012 | 1 | 6,836 |
| Deal Tennis Centre | 1 | 224 | 1 | 144 |
| | 3 | 11,925 | 3 | 12,613 |
| Other: | | | | |
| Dover Museum | 1 | 5,372 | 1 | 5,319 |
| Depots and Workshops | 15 | 241 | 15 | 240 |
| Cemeteries (sites) | 7 | 48 | 7 | 47 |
| Car Parks | 38 | 3,524 | 38 | 3,594 |
| Public Conveniences | 26 | 1,802 | 25 | 1,716 |
| Sea Defences (kilometres) | 7 | 6,359 | 7 | 6,142 |
| Parks and Open Spaces | 29 | 489 | 29 | 444 |
| Deal Pier | 1 | 574 | 1 | 567 |
| Historic Buildings: | | | | |
| Timeball Tower, Deal | 1 | 148 | 1 | 148 |
| Grand Shaft, Dover | 1 | 1 | 1 | 17 |
| St Martin's Battery | 1 | 0 | 1 | 0 |
| Town Clock, St Peter's Church, Sandwich | 1 | 0 | 1 | 0 |

*Castle Street is now in use and has increased the number of operational offices.

17. VALUATION DISCLOSURE

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

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

18. MOVEMENT OF FIXED ASSETS 2006/07

| | TANGIBLE FIXED ASSETS OPERATIONAL | | | | | | |
|---------------------------------------|--|--------------|---------------|--------------|-----------------|----------------|----------------|
| | Houses | Garages | Other Land | Equip-ment | Infra-structure | Commnty Assets | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value | | | | | | | |
| At 1 April 2006 | 239,842 | 1,962 | 38,561 | 2,297 | 11,091 | 745 | 294,498 |
| Capital expenditure completed in year | 4,483 | 0 | 0 | 90 | 0 | 0 | 4,573 |
| Disposals | (2,455) | (16) | (31) | 0 | 0 | 0 | (2,502) |
| Impairments | (679) | 0 | (82) | 0 | 0 | 0 | (761) |
| Revaluations and Restatements | 17,163 | 94 | 1,287 | 0 | 0 | 0 | 18,544 |
| At 31 March 2007 | 258,354 | 2,040 | 39,735 | 2,387 | 11,091 | 745 | 314,352 |
| Depreciation | | | | | | | |
| At 1 April 2006 | 0 | 0 | (1,017) | (856) | (3,871) | (188) | (5,932) |
| Current year | (3,142) | (108) | (498) | (449) | (402) | (44) | (4,643) |
| Restatements | 3,144 | 108 | 104 | 0 | 0 | 0 | 3,356 |
| At 1 April 2007 | 258,356 | 2,040 | 38,324 | 1,082 | 6,818 | 513 | 307,133 |

Roly Eckhoff House, Roosevelt Road, Dover, has been re-valued from £1.16m to £480k to reflect the emptying of the property pending its re-development as Sheltered Housing, a total impairment of £679k.

The Tennis Centre in Deal was destroyed on 18 January 2007 causing an impairment of £82k (now valued at £144k as an open structure).

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

The Council dwellings are valued in accordance with stock valuation guidelines for resource accounting for the Housing Revenue Account issued by the former Department of the Environment, Transport and the Regions. Depreciation has been charged to the Housing Revenue Account for Council Dwellings and other Housing Reserve Account assets in order to meet Resource Accounting requirements. Details of the Council's non-operational assets are shown below:

TANGIBLE FIXED ASSETS NON-OPERATIONAL

| | Investment Property £000 | Surplus Assets £000 | Assets under Construction £000 | Total £000 |
|---------------------------------------|--------------------------------|---------------------------|--------------------------------------|-----------------------|
| Gross Book Value | | | | |
| At 1 April 2006 | 1,948 | 107 | 4,706 | 6,761 |
| Capital expenditure completed in year | 4,645 | 21 | 917 | 5,583 |
| Disposals | 0 | 0 | 0 | 0 |
| Revaluation and Restatements | 1,065 | 0 | 0 | 1,065 |
| At 31 March 2007 | 7,658 | 128 | 5,623 | 13,409 |
| Depreciation | | | | |
| As at 1 April 2006 | 0 | (5) | 0 | (5) |
| Current year | 0 | (2) | 0 | (2) |
| At 31 March 2007 | 7,658 | 121 | 5,623 | 13,402 |

See note 15 for details of movement on intangible fixed assets.

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

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

| | |
|-------------------------|----------------|
| | £000 |
| Housing Revenue Account | 262,249 |
| General Fund | 58,297 |
| Total | 320,546 |

Depreciation is broken down as follows:

| | |
|-------------------------|--------------|
| | £000 |
| Housing Revenue Account | 3,346 |
| General Fund | 1,301 |
| Total | 4,647 |

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

| | |
|---|-----------------|
| Fixed Assets | 2006/07 £000 |
| Intangible Fixed Assets: | |
| Software Licences | 12 |
| Tangible Fixed Assets: | |
| Council Dwellings | 4,483 |
| Office Buildings | 34 |
| Car Parks | 23 |
| Piers | 57 |
| Other Land and Buildings | 11 |
| Operational Equipment and Vehicles | 125 |
| Sea Defences and Seafront | 92 |
| Environmental Improvements | 99 |
| Land Awaiting Development | 5,126 |
| Surplus Assets | 21 |
| Community Assets | 87 |
| Total Spending on Fixed Assets | 10,170 |
| Capital Expenditure not resulting in Fixed Assets: | |
| Deferred Charges | 874 |
| Private Sector Housing Loans | 100 |
| Total Capital Expenditure to be financed | 11,144 |
| Financed by: | |
| Government Supported Borrowing | 292 |
| Capital Receipts | 1,084 |
| Special Projects Reserve | 102 |
| Direct Revenue Financing | 917 |
| Capital Grants | 5,461 |
| Major Projects Reserve | 3,211 |
| Leisure Centres Reserve | 27 |
| Developer Contribution | 50 |
| Total Financing | 11,144 |

COMMITTED CAPITAL CONTRACTS

As at 31 March 2007 the Council was contractually committed to capital works amounting to £442k in respect of the following projects:

| | £000 | Estimated Completion Date |
|----------------------------|------------|---------------------------------|
| Kingsdown Sea Defences | 102 | March 2008 |
| DTIZ | 122 | 2009/10 |
| Deal Pier | 93 | March 2008 |
| St Margaret's Bay Car Park | 64 | June 2007 |
| Other capital projects | 61 | - |
| | 442 | |

CAPITAL FINANCING REQUIREMENT

| | 2005/06 £000 | 2006/07 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 4,546 | 6,099 |
| Capital Investment: | | |
| Intangible fixed assets | 0 | 12 |
| Operational assets | 6,297 | 4,573 |
| Non-operational assets | 75 | 5,585 |
| Deferred charges and loans | 780 | 974 |
| Sources of Finance: | | |
| Capital receipts | (1,339) | (1,084) |
| Government grants | (795) | (5,461) |
| Major repairs reserve | (3,089) | (3,211) |
| Direct revenue financing | (167) | (917) |
| Special projects reserve | (209) | (102) |
| Other reserves and contributions | 0 | (77) |
| Closing Capital Financing Requirement | 6,099 | 6,391 |

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

| | 2005/06 £000 | 2006/07 £000 |
|---------------------------------|-----------------|-----------------|
| Fixed Assets | 295,326 | 320,546 |
| Long-Term Debtors | 121 | 217 |
| Capital Contributions Deferred | (5,157) | (14,160) |
| Less: Receipts in Advance | 0 | 4,415 |
| Capital Financing Account | (54,158) | (54,132) |
| Fixed Asset Restatement Account | (230,033) | (250,495) |
| | 6,099 | 6,391 |

19. CAPITAL CONTRIBUTIONS – DEFERRED

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Capital Contributions Deferred Account. The grant is then released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charge made for that asset. To negate the effect of this on the Council Tax an adjustment is made in the Statement of Movement on the General Fund Balance.

| | 2005/06 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 5,142 | 5,157 |
| Grants and Contributions received | 295 | 9,349 |
| Grants amortised to services via Income and Expenditure Account | (280) | (346) |
| | 5,157 | 14,160 |

During 2006/07 two significant grants were received from SEEDA (£5.44m) and English Partnerships (£2.15m) for the Dover Town Investment Zone major capital regeneration project. A Government grant of £1.804m was received for allocation to private sector housing renewals and £1.5m is being held in this account, whilst £304k has been included in deferred charges under grants and contributions received. As at 31 March 2007 £4.4m was unapplied.

20. LONG-TERM INVESTMENTS

All investments conform to the Council's approved Treasury Management Strategy Statement.

| | As at 31.03.06 | As at 31.03.07 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Investment fund managed by Investec Asset Management | 0 | 0 |
| Stocks | 4 | 4 |
| Total | 4 | 4 |

21. LONG-TERM DEBTORS

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

Changes during the year were:

| | Outstanding 31.03.06 | Advances in year | Maturing in year | Outstanding 31.03.07 |
|------------------------------------|-------------------------|---------------------|---------------------|-------------------------|
| | £000 | £000 | £000 | £000 |
| Mortgage to: | | | | |
| Housing Associations | 58 | 0 | 0 | 58 |
| Right to Buy Mortgages | 11 | 0 | 4 | 7 |
| Loan to: | | | | |
| Leaseholders | 90 | 0 | 4 | 86 |
| Local Organisations | 63 | 0 | 4 | 59 |
| Assisted Car Purchase Advances | 118 | 0 | 82 | 36 |
| Private Sector Housing Renewals | 0 | 100 | 0 | 100 |
| Total | 340 | 100 | 94 | 346 |

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

Private Sector Housing – The Government has provided financial support to the Council to enable it to provide home improvement loans to individuals and landlords in private sector housing.

22. STOCKS AND WORK IN PROGRESS

| | As at 31.03.06 | As at 31.03.07 |
|--------------------------|-------------------|-------------------|
| | £000 | £000 |
| Stocks: | | |
| Housing Revenue Account | 8 | 8 |
| General Fund | 74 | 71 |
| Work In Progress: | | |
| Rechargeable Works | | |
| Housing Revenue Account | 104 | 104 |
| General Fund | 11 | 78 |
| Total | 197 | 261 |

23. DEBTORS

| | As at 31.03.06 | As at 31.03.07 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Dover District Council Debtors: | | |
| Amounts falling due in one year: | | |
| Housing Rents and Charges | 486 | 449 |
| Government Departments and Inland Revenue | 597 | 1,440 |
| Other Local Authorities | 9 | 24 |
| Sundry Debtors | 3,663 | 3,461 |
| Prepayments | 230 | 282 |
| | 4,985 | 5,656 |
| Less Provision for Bad Debts | (1,421) | (1,641) |
| | 3,564 | 4,015 |
| Collection Fund Debtors: | | |
| Amounts falling due in one year: | | |
| Local Taxpayers | 2,554 | 3,044 |
| Government Departments | 287 | 0 |
| Less Provision for Bad Debts | (668) | (739) |
| | 2,173 | 2,305 |
| Total all Debtors | 5,737 | 6,319 |

PROVISION FOR BAD OR DOUBTFUL DEBTS

The following provisions have been made against possible non-collection of debt. Separate provisions are maintained for non-collection of Business Rates and Council Tax:

| | General Fund | Housing Revenue Account | Total |
|---|--------------|-------------------------|--------------|
| | £000 | £000 | £000 |
| Balance brought forward 01.04.06 | 1,050 | 371 | 1,421 |
| Provision made in year | 183 | 151 | 334 |
| Less amounts written off | (78) | (36) | (114) |
| Balance carried forward 31.03.07 | 1,155 | 486 | 1,641 |

24. SHORT-TERM TERM INVESTMENTS

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

Short-term investments consist of:

| | As at 31.03.06 | As at 31.03.07 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Investment fund managed by Investec Asset Management | 21,155 | 22,087 |
| Bank and Building Societies | 374 | 3,252 |
| Global Treasury Fund | 284 | 44 |
| Total | 21,813 | 25,383 |

At the end of 2006/07 the bank balances included external funding of £2m from English Partnerships towards the Dover Town Investment Zone Regeneration Project.

25. SHORT-TERM TERM BORROWING

| Source of Loan | Range of Interest Rates Payable | Outstanding as at: | |
|-------------------------|---------------------------------|--------------------|--------------|
| | | 31.03.06 | 31.03.07 |
| | % | £000 | £000 |
| Money Market (LOBO) | 4.75 | 3,000 | 3,000 |
| Public Works Loan Board | 2.5 – 4.25 | 3 | 3 |
| | | 3,003 | 3,003 |

Sums payable within one year are shown as short-term term borrowing in the Balance Sheet and amounted to £3m (£3m in 2005/06). The LOBO entered its step-up period on 16 December 2004. The lender of this loan now has the option to change the interest rate charged on this loan after every 6 months. Under the terms of the loan, the Council can choose to repay it if any change to the interest rate is not favourable. For this reason, the LOBO has been classified as a short-term loan on the balance sheet.

26. CREDITORS

| | As at 31.03.06 | As at 31.03.07 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Dover District Council Creditors: | | |
| Government departments | 1,619 | 1,280 |
| Other local authorities | 16 | 16 |
| Housing rents | 117 | 94 |
| Sundry creditors – revenue | 3,580 | 5,147 |
| Sundry creditors – capital | 487 | 710 |
| | 5,819 | 7,247 |
| Collection Fund Creditors: | | |
| Amounts falling due in one year: | | |
| Local taxpayers | 1,138 | 1,206 |
| Government departments | 1,516 | 1,597 |
| | 2,654 | 2,803 |
| Total all Creditors | 8,473 | 10,050 |

27. LONG-TERM BORROWING

| Source of Loan | Range of Interest Rates Payable % | Outstanding as at | |
|---|---|-------------------|--------------|
| | | 31.03.06 | 31.03.07 |
| | | £000 | £000 |
| Public Works Loan Board | 2.5 – 7.38 | 4,006 | 4,004 |
| | | 4,006 | 4,004 |
| The maturity profile of the PWLB is: | | 31.03.06 | 31.03.07 |
| | | £000 | £000 |
| | 1 to 2 years | 3 | 1 |
| | 2 to 5 years | 2 | 2 |
| | 5 to 10 years | 1 | 0 |
| | Over 10 years | 4,000 | 4,001 |
| | | 4,006 | 4,004 |

28. DEFERRED CAPITAL RECEIPTS

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

| | |
|--|------------|
| Balance brought forward as at 1 April 2006 | £000 11 |
| Less: Principal repayments | (4) |
| Balance carried forward as at 31 March 2007 | 7 |

29. PROVISIONS

| | Balance as at 31.03.06 | Receipts in year | Applied In year | Balance as at 31.03.07 |
|-------------------|---------------------------|---------------------|--------------------|---------------------------|
| | £000 | £000 | £000 | £000 |
| Section 38 | 5 | 0 | (5) | 0 |
| Uninsured losses | 20 | 0 | (20) | 0 |
| Long leaseholders | 295 | 0 | (295) | 0 |
| Total | 320 | 0 | (320) | 0 |

Section 38/Uninsured Losses – provisions for Section 38 and uninsured losses have been in the Council's accounts for a number of years with very little movement. It is viewed that these provisions are no longer required and the balances have been reversed and credited back to relevant service revenue accounts.

Long Leaseholders – this provision was set up to meet potential costs relating to leaseholder properties. Following a review it has been decided that this provision is no longer required and the balance has been released back to the Housing Revenue Account.

30. DEFERRED CHARGES

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

| | 2005/06 £000 | 2006/07 £000 |
|--|-----------------|-----------------|
| Capital Expenditure | | |
| Home improvement grants | 691 | 760 |
| Grants/contributions to local organisations* | 89 | 117 |
| | <u>780</u> | <u>877</u> |
| Grants/contributions received | (222) | (576) |
| Total deferred charges | 558 | 301 |
| Written off to revenue in year | (558) | (301) |
| Net book value of assets at 31 March | 0 | 0 |

*The 2006/07 contributions to local organisations include £3k relating to 2005/06.

31. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account represents the change in the value of the Council's fixed assets due to revaluations, restatements and expenditure on fixed assets that does not increase their value.

Movements on the account during 2006/07 are detailed below:

| | |
|--|-----------------------|
| | £000 |
| Balance brought forward 1 April 2006 | 230,033 |
| Revaluations and restatements | 22,964 |
| Disposal of fixed assets | <u>(2,502)</u> |
| Balance carried forward as at 31 March 2007 | <u>250,495</u> |

32. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amount provided for depreciation in addition to that required to be charged to revenue to repay the principal element of external loans.

| | |
|---|----------------------|
| | £000 |
| Balance brought forward as at 1 April 2006 | 54,159 |
| Add: | |
| Capital financing | |
| - reserves applied | 3,340 |
| - revenue applied | 917 |
| - capital receipts applied | 1,084 |
| Allocation of grant from Capital Contributions Deferred Account | 346 |
| | <u>59,846</u> |
| Less: | |
| Capital asset accounting adjustment | (3,346) |
| General Fund depreciation | (1,302) |
| Impairment of fixed assets | (761) |
| Long-term debtors | (4) |
| Write down of deferred charges | <u>(301)</u> |
| Balance carried forward as at 31 March 2007 | <u>54,132</u> |

33. USABLE CAPITAL RECEIPTS RESERVE

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

| | | |
|--|----------------|---------------------|
| | £000 | £000 |
| Balance brought forward as at 1 April 2006 | | 3,233 |
| Add: | | |
| Receipts in Year: | | |
| - Sales – General Fund | 31 | |
| - Dwelling sales – Housing Revenue Account | 2,486 | |
| - Other sales – Housing Revenue Account | 16 | |
| - Mortgage and loan repayments | <u>8</u> | |
| | | 2,541 |
| Less: | | |
| Amounts pooled by central Government | (1,558) | |
| Receipts used to finance capital expenditure | <u>(1,084)</u> | |
| | | (2,642) |
| Balance as at 31 March 2007 | | <u>3,132</u> |

34. MOVEMENT ON PENSIONS RESERVE

The total FRS17 debits and credits are reversed out through this reserve and replaced with an appropriation from the reserve to reconcile back to the taxation requirement, (see page 49 for further pension information).

| | 2005/06 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Pensions costs chargeable to Council Tax | 2,480 | 2,650 |
| Current service costs per actuary | (1,680) | (2,090) |
| Past service costs per actuary | (60) | 0 |
| Curtailments per actuary | (220) | (370) |
| Contributions in respect of unfunded benefits | 560 | 530 |
| Return on assets per actuary | 3,410 | 4,130 |
| Interest cost per actuary | (5,210) | (5,520) |
| | (720) | (670) |

35. CONTRIBUTION TO (FROM) RESERVES

EARMARKED RESERVES

| | Balance as at 01.04.06 £000 | Receipts in year £000 | Applied in year £000 | Balance as at 31.03.07 £000 |
|-------------------------------|-----------------------------------|-----------------------------|----------------------------|-----------------------------------|
| Historic Buildings | 66 | 0 | 0 | 66 |
| Special Projects | 3,794 | 402 | (1,505) | 2,691 |
| Investment Income | 100 | 0 | 0 | 100 |
| Equalisation Reserve | 31 | 0 | (27) | 4 |
| Leisure Centres Equipment | 638 | 3,121 | (3,211) | 548 |
| Local Development Framework | 341 | 150 | (44) | 447 |
| Planning Delivery Grant | 502 | 349 | (401) | 450 |
| Major Events | 0 | 200 | 0 | 200 |
| Corporate Training Initiative | 0 | 40 | 0 | 40 |
| Cluster Preparation | 0 | 100 | 0 | 100 |
| Corporate Review Reserve | 0 | 150 | 0 | 150 |
| Invest To Save | 0 | 400 | 0 | 400 |
| Total | 5,472 | 4,912 | (5,188) | 5,196 |

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

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Capital expenditure financed from the reserve totalled £102k and revenue costs of £1.403m were also met from the special projects reserve. A sum of £400k was transferred to the reserve from General Fund Surpluses in 2006/07. A further amount of £2k was “repaid” from an Invest to Save scheme.

Investment Income Equalisation Reserve – this reserve has been set up to enable any future shortfall in returns to not impact on ongoing budgets.

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

Major Repairs Reserve – the Government grants the Council a Major Repairs Allowance to assist in the financing of the Housing Revenue Account capital programme and for the repayment of HRA debt. Any amount not spent in one year is placed in the Major Repairs Reserve for future years' housing capital expenditure. The Major Repairs Reserve for 2006/07 was £3.759m of which £3.211m was used to finance housing capital expenditure. The balance of £548k will be used in future years to meet the Government's Decent Homes target.

Local Development Framework – this reserve has been created to hold the monies set aside to fund the local development framework. A sum of £50k has been transferred to the reserve from the General Fund and a further £100k from the Planning Delivery Grant.

Planning Delivery Grant – the Planning Delivery grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2007 represents the unspent grant that will be utilised in future years.

Major Events – the Open Golf Championship is held annually at one of a limited number of championship-standard UK links courses, one of which is Royal St. Georges at Sandwich. The Championship might be expected to take place at Sandwich once a decade. The Council is also investigating the possibility of various events being staged (for example to celebrate the centenary of Bleriot's flight across the Channel). The major events reserve has been established to ensure that the Council is able to meet the costs it will incur if these events take place within the district.

Corporate Training Initiative – the Council is engaged in a major training initiative which is likely to result in a significant increase in training costs in 2007/08.

Cluster (joint working) – the Council is engaged with partner authorities in seeking to exploit opportunities to provide/procure services jointly, thus saving costs and enhancing resilience. However, it is recognised that there are likely to be initial start-up costs arising from such initiatives. This reserve has been established to ensure that the Council is able to make initial investments that secure longer-term joint working benefits and savings.

Corporate Review Reserve – the Council is reviewing the provision of health care to staff. It is possible that savings will be generated but there is a period of staff consultation in 2007/08, the costs of which are to be met from this reserve.

Invest to Save – the Invest to Save reserve has been established to finance projects where there is a clear payback, typically within five years. Any such payback will be generated by reductions in the budget of the service benefiting from the investment and will be used to repay the Invest to Save reserve.

36. REVENUE BALANCES

| | Balance as at 01.04.06 | Net Movement in Year | Balance as at 31.03.07 |
|-------------------------------------|---------------------------|-------------------------|---------------------------|
| | £000 | £000 | £000 |
| General Fund | 2,594 | (49) | 2,545 |
| Housing Revenue Account | 5,551 | 185 | 5,736 |
| Collection Fund (DDC proportion) | 231 | (2) | 229 |
| Total | 8,376 | 134 | 8,510 |

37. CONTINGENT LIABILITIES

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

38. PRIVATE FINANCE INITIATIVE

Dover District Council, together with nine other Kent district and city councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called "Better Homes Active Lives".

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail, older people.

The PFI contract with Kent Community Partnerships (KCP), a special purpose vehicle wholly owned by Housing 21, will be held by KCC, and the participation of the district and city councils will be controlled through a "back-to-back" agreement with KCC.

Dover District Council's main contribution towards the scheme is through the provision of Roly Eckhoff House, which will be leased to KCC for 99 years for a nominal annual rent. In exchange, Dover District Council will receive nomination rights over the new units to be built on the site of Roly Eckhoff House. The nomination rights will be for the first 30 years of the project.

The contracts between KCC and KCP, and the "back-to-back" agreements, are expected to be signed during June 2007. At 31 March 2007 the only material impact upon Dover District Council has been the cost of decanting the former tenants from Roly Eckhoff House, special project development costs and an impairment on the value of Roly Eckhoff House on the balance sheet.

39. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

| Restated 2005/06 £000 | (Surplus)/Deficit per: | 2006/07 £000 |
|---|--|------------------|
| 1731 | Income and Expenditure Account | Page 23 3,475 |
| (88) | Collection Fund | Page 59 21 |
| <u>1643</u> | Net Surplus | <u>3,496</u> |
| Non-Cash Transactions: | | |
| (1,118) | Depreciation, amortisation and impairment | (2,063) |
| 280 | Capital Contributions Deferred | 346 |
| (558) | Deferred Charges | (301) |
| (720) | Pension cost adjustment | (670) |
| (1423) | Housing Capital Receipts | (1,558) |
| 0 | Contributions to/from Provisions | 320 |
| (61) | Gain on sale of fixed assets | 0 |
| 166 | Direct Revenue Financing | 917 |
| 58 | Excess depreciation charged to the HRA over Major Repairs Allowance | (225) |
| 0 | Trading Account recharges to non-revenue accounts | (556) |
| 15 | Roundings | 0 |
| Items on an accruals basis: | | |
| 9 | Increase/(Decrease) in Stock and Work in Progress | 64 |
| 1,598 | Increase/(Decrease) in Debtors | 581 |
| 458 | (Increase)/Decrease in Creditors | (1,356) |
| 131 | (Increase)/Decrease in Receipts in Advance | (33) |
| Items classified elsewhere in the cash flow: | | |
| 537 | Servicing of Finance | 874 |
| (4,830) | Capital Activities | 1,594 |
| 2,243 | Management of Liquid Resources | (3,576) |
| (4) | Financing | (3) |
| <u>(1,576)</u> | Net Cash outflow from Revenue Activities | <u>(2,149)</u> |

40. ANALYSIS OF MOVEMENT OF LIQUID INVESTMENTS

| | As at 31.03.06 £000 | As at 31.03.07 £000 | Net Movement £000 |
|----------------------------------|---------------------------|---------------------------|-------------------------|
| Investec Asset Management | 21,156 | 22,087 | 931 |
| Banks and Building Societies | 374 | 3,252 | 2,878 |
| Global Treasury Fund | 284 | 44 | (240) |
| Net Cash (Inflow)/Outflow | <u>21,814</u> | <u>25,383</u> | <u>3,569</u> |

41. ANALYSIS OF GOVERNMENT GRANTS

| 2005/06 £000 | | 2006/07 £000 | £000 |
|-----------------|---------------------------------------|-----------------|---------------|
| 5,698 | Revenue Support Grant | | 8,189 |
| | DSS Grants for Rebates | | |
| 25,053 | Rent Allowances | 25,389 | |
| 7,627 | Council Tax Benefits | 6,052 | |
| 743 | Administration | 993 | |
| | | | 32,434 |
| 0 | Housing Subsidy | | |
| 180 | National Non-Domestic Rate Collection | 153 | |
| 689 | Other | 632 | |
| | | | 785 |
| 39,990 | Total Government Grants | | 41,408 |

42. ANALYSIS OF BALANCE OF CASH

| | As At 31.03.06 £000 | As At 31.03.07 £000 | Net Movement £000 |
|---------------------------------|---------------------------|---------------------------|-------------------------|
| Bank (Overdraft)/Balance | (959) | 81 | 1,040 |

43. ANALYSIS OF CHANGES IN FINANCING

| | As At 31.03.06 £000 | As At 31.03.07 £000 | Net Movement £000 |
|-----------------------------------|---------------------------|---------------------------|-------------------------|
| Short-term Borrowing | 3,003 | 3,003 | 0 |
| Public Works Loan Board | 4,006 | 4,004 | 2 |
| Net Cash (Inflow)/ Outflow | 7,009 | 7,007 | 2 |

44. MOVEMENT IN NET DEBT

| | As At 31.03.06 £000 | As At 31.03.07 £000 | Net Movement £000 |
|------------------------|---------------------------|---------------------------|-------------------------|
| Cash in hand | 0 | 308 | 308 |
| Cash overdrawn | (959) | 0 | 959 |
| Short-term investments | 21,813 | 25,383 | 3,570 |
| Short-term borrowing | (3,003) | (3,003) | 0 |
| Long-term investments | 4 | 0 | 0 |
| Long-term borrowing | (4,006) | (4,004) | 2 |
| | 13,849 | 18,688 | 4,839 |

Reconciliation of Net Debt

| | £000 |
|------------------------------------|---------------|
| Opening net debt at 1 April | 13,849 |
| Increase in cash balance | 1,267 |
| Increase in short-term investments | 3,570 |
| Decrease in long-term borrowing | 2 |
| | 18,688 |

PENSION ARRANGEMENTS

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

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

In 2006/07 the Council paid an employer's contribution of £2.674m representing 28.50% of employees' pensionable pay into Kent County Council's Superannuation Fund (2005/06 £2.541m, 26.29%), which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last review being at 31 March 2004.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2006/07 these amounted to £645k representing 6.85% of pensionable pay (2005/06 £636k, 6.58%).

The Fund's actuary has advised that the current service costs to be charged to the Income and Expenditure Account in the year in accordance with FRS17 are £2.09m (2005/06 £1.68m). There are no past service costs for the year (2005/06 £60k). Curtailments and settlements equate to £370k (2005/06 £220k).

The actuary has also advised that the expected return on employer assets for the year to 31 March 2007 is £4.13m representing 44.0% of the payroll (2005/06 £3.41m, 35.3%). Interest on the pension scheme liabilities for the year is £5.52m (2005/06 £5.21m).

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

PENSION COMMITMENTS

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

The accounts show a liability of £45.04m as at 31 March 2007 (£50.7m as at 31 March 2006). Whilst this figure represents a substantial long-term liability, it is comparable with all other districts within the Kent scheme. The deficit will vary in accordance with the investment values of the fund as influenced by national economic conditions, principally through the stock market.

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by Kent County Council in accordance with the Local Government Pension Scheme 1997 as amended.

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

The latest formal valuation of the scheme was carried out as at 31 March 2004, with the next formal valuation due as at 31 March 2007. In addition, the actuaries have considered the

effect of contributions paid into and, estimated benefits paid from, the Fund by Dover District Council and its employees. Therefore, to facilitate the calculations the actuaries have used the following items of data:

- The individual membership data submitted for the previous formal valuation as at 31 March 2004;
- The individual pensioner data in respect of LGPS unfunded pensions as at 31 January 2007;
- The latest numbers of employees, deferred pensioners and pensioners as at 31 December 2006;
- Employer and employee contributions up to 31 December 2006;
- The actual split of fund assets as at 31 December 2006;
- Actual fund returns from 1 April 2006 up to 31 December 2006; and
- Any new early retirements from 1 April 2006 to the latest available date of 31 January 2007 on unreduced pensions which are not anticipated in the normal employer service cost.

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

| | 31 March 2006 % per annum | 31 March 2007 % per annum |
|---|------------------------------|------------------------------|
| Price increases | 3.1% | 3.2% |
| Salary increases | 4.6% | 4.7% |
| Pension increases | 3.1% | 3.2% |
| Proportion of employees opting to take a commuted sum | 0% | 25% |
| Discount rate | 4.9% | 5.4% |

| Assets (Whole Fund) | Expected Return at 31.03.06 (% per annum) | Expected Return at 31.03.07 (% per annum) | Value at 31.03.07 £000 |
|---------------------|--|--|---------------------------|
| Equities | 7.4% | 7.8% | 1,786,100 |
| Bonds | 4.6% | 4.9% | 316,400 |
| Property | 5.5% | 5.8% | 260,400 |
| Cash | 4.6% | 4.9% | 184,200 |
| Total | | | 2,547,100 |

| Net Pension Assets for Dover District Council as at | 31 March 2006 £000 | 31 March 2007 £000 |
|---|-----------------------|-----------------------|
| Estimated Employee Assets (A) | 62,520 | 65,920 |
| Present value of scheme liabilities | (102,830) | (101,450) |
| Present value of un-funded liabilities | (10,390) | (9,510) |
| Total Value of Liabilities (B) | (113,220) | (110,960) |
| Net Pension Liability (A) – (B) | (50,700) | (45,040) |

| Movement in Surplus/Deficit During the Year | Year to 31.03.06 £000 | Year to 31.03.07 £000 |
|--|--------------------------------------|--------------------------------------|
| Surplus/(deficit) at beginning of the year | (47,522) | (50,700) |
| Current service cost | (1,680) | (2,090) |
| Employer contributions | 2,480 | 2,650 |
| Contributions in respect of un-funded benefits | 560 | 530 |
| Other income | 0 | 0 |
| Other outgoings (e.g. expenses, etc.) | 0 | 0 |
| Past service costs | (60) | 0 |
| Impact of settlements and curtailments | (220) | (370) |
| Net return on assets | (1,800) | (1,390) |
| Actuarial gains/(losses) | (2,458) | 6,330 |
| Surplus/(deficit) at end of year | (50,700) | (45,040) |

| Amount Charged to Operating Profit | Year to 31.03.06 £000 | Year to 31.03.07 £000 |
|---|--------------------------------------|--------------------------------------|
| Service cost | 1,680 | 2,090 |
| Past service costs | 60 | 0 |
| Curtailments and settlements | 220 | 370 |
| Decrease in irrecoverable surplus | 0 | 0 |
| Total Operating Charge (A) | 1,960 | 2,460 |

| Amount Credited to Other Finance Income | Year to 31.03.06 £000 | Year to 31.03.07 £000 |
|--|--------------------------------------|--------------------------------------|
| Expected return on employer assets | 3,410 | 4,130 |
| Interest on pension scheme liabilities | (5,210) | (5,520) |
| Net Return (B) | (1,800) | (1,390) |
| Net Revenue Account Cost (A) – (B) | 3,760 | 3,850 |

| Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL) | Year to 31.03.06 £000 | Year to 31.03.07 £000 |
|--|--------------------------------------|--------------------------------------|
| Actual return less expected return on pension scheme assets | 9,860 | (420) |
| Experience gains and losses arising on the scheme liabilities | (668) | 610 |
| Changes in assumptions underlying the present value of the scheme liabilities | (11,650) | 6,140 |
| Actuarial gain/(loss) in pension plan | (2,458) | 6,330 |
| Increase/(decrease) in irrecoverable surplus from membership fall and other factors | 0 | 0 |
| Actuarial gain/(loss) recognised in STRGL | (2,458) | 6,330 |

| History of Experience Gains and Losses | Year to 31.03.04 £000 | Year to 31.03.05 £000 | Year to 31.03.06 £000 | Year to 31.03.07 £000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Difference between the expected and actual return on assets | 6,364 | 1,965 | 9,860 | (420) |
| Value of assets | 45,724 | 49,601 | 62,520 | 65,920 |
| Percentage of assets | 13.9% | 4.0% | 15.8% | (0.6%) |
| Experience gains/(losses) on liabilities | 561 | (7,947) | (668) | 610 |
| Present value of liabilities | 72,786 | 97,124 | 113,220 | 110,960 |
| Percentage of the present value of liabilities | 0.8% | (8.2%) | (0.6%) | 0.5% |
| Actuarial gains (losses) recognised in STRGL | 6,925 | (20,705) | (2,458) | 6,330 |
| Present value of liabilities | 72,786 | 97,124 | 113,220 | 110,960 |
| Percentage of the present value of liabilities | 9.5% | (21.3%) | (2.2%) | 5.7% |

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

HOUSING REVENUE ACCOUNT

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

HRA INCOME AND EXPENDITURE ACCOUNT

| Actual Restated 2005/06 | | Note | Actual 2006/07 |
|-------------------------------|--|------|------------------------|
| £000 | Income | | £000 |
| (14,490) | Dwellings Rents | 8 | (14,757) |
| (320) | Non-Dwelling Rents | | (335) |
| (531) | Charges for Services and Facilities | | (572) |
| (474) | Contributions towards expenditure - Supporting People | | (266) |
| (230) | Contributions towards expenditure - Leaseholders | | (296) |
| 82 | Net Change in Bad Debt Provision | 11 | (144) |
| <u>(15,963)</u> | Total Income | | <u>(16,370)</u> |
| | Expenditure | | |
| 4,278 | Repairs and Maintenance | | 4,531 |
| 3,897 | Supervision and Management | | 3,630 |
| 56 | Rent, Rates, Taxes and other charges | | 73 |
| 3,720 | Negative Subsidy Entitlement (including MRA) | 9 | 4,344 |
| 150 | Negative Subsidy Entitlement transferable to the General Fund | | 0 |
| 3,090 | Depreciation and Impairment of Fixed Assets | 3/7 | 4,025 |
| <u>15,191</u> | Total Expenditure | | <u>16,603</u> |
| (772) | Net Cost of HRA Services per authority Income and Expenditure Account | | 233 |
| 97 | HRA Share of Corporate and Democratic Core | | 69 |
| <u>(675)</u> | Net Cost of HRA Services | | <u>302</u> |
| (3) | Amortisation of Premiums and Discounts | | (3) |
| (523) | Interest and Investment Income | | (522) |
| 45 | Pension interest costs and expected return on pensions assets | | 35 |
| <u>(1,156)</u> | (Surplus)/Deficit for the year on HRA Services | | <u>(188)</u> |

STATEMENT OF MOVEMENT ON THE HRA BALANCE

| Restated 2005/06 £000 | | Note | 2006/07 £000 |
|-----------------------------|---|------|-----------------|
| (1,156) | (Surplus)/deficit for the year on the HRA Income and Expenditure Account | | (188) |
| 44 | Amount required by statute to be credited to the HRA balance for the year | | (677) |
| 224 | Net additional amount required by statute to be debited to the HRA balance for the year | | 680 |
| | (Increase)/decrease in the Housing Revenue Account balance | | (185) |
| (4,663) | Housing Revenue Account surplus bought forward | | (5,551) |
| (5,551) | Housing Revenue Account surplus carried forward | | (5,736) |

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year.

| Restated 2005/06 £000 | | Note | 2006/07 £000 |
|-----------------------------|--|------|-----------------|
| 0 | Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements | 7 | (679) |
| 44 | Net charges made for retirement benefits in accordance with FRS17 | 12 | 2 |
| <u>44</u> | | | <u>(677)</u> |
| | Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year | | |
| 58 | Transfer to/(from) the Major Repairs Reserve | 3 | (225) |
| 166 | Capital expenditure funded by the HRA | 6 | 905 |
| <u>224</u> | | | <u>680</u> |
| <u>268</u> | Net additional amount required by statute to be debited/(credited) to the HRA balance for the year | | <u>3</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2006/07

| | Stock at 01.04.06 | Sales | Transfers*/ Disposals | Additions/ Transfers | Stock at 31.03.07 |
|------------------|----------------------|-----------|--------------------------|-------------------------|----------------------|
| Houses/bungalows | 2,901 | 17 | 2 | 0 | 2,882 |
| Flats | 1,824 | 10 | 31 | 0 | 1,783 |
| Total | 4,725 | 27 | 33 | 0 | 4,665 |

* Transfer of Roly Eckhoff Sheltered Housing Scheme to land awaiting development as part of a countywide Public Finance Initiative scheme.

Total Value of Assets

| | 01.04.06 £000 | 31.03.07 £000 |
|----------------------------|------------------|------------------|
| Operational assets | | |
| - dwellings | 239,844 | 258,356 |
| - garages | 1,963 | 2,040 |
| - other land and buildings | 186 | 205 |
| - equipment | 475 | 380 |
| Non-operational assets | 798 | 1,268 |
| | 243,266 | 262,249 |

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2006 was £533m. The difference between the vacant possession and balance sheet value of dwellings reflects the economic cost of providing social housing.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance which is transferred to the 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. The balance available in the reserve for allocation in future years at 31 March 2007 is £548k (31 March 2006 £638k).

Major Repairs Reserve

| | 2005/06 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Balance as at 1 April | (579) | (638) |
| Major Repairs Allowance: | | |
| Depreciation | (3,090) | (3,346) |
| Transfer to/from Major Repairs Reserve | (58) | 225 |
| Transfer from reserve for capital expenditure | | |
| - 2006/07 | 0 | 3,211 |

| | | |
|----------------------------|--------------|--------------|
| - 2005/06 | 3,089 | 0 |
| Balance at 31 March | (638) | (548) |

4. SUMMARY OF CAPITAL EXPENDITURE

| | 2005/06 £000 | 2006/07 £000 |
|--------------------------------|-----------------|-----------------|
| Capital expenditure: | | |
| Dwellings | 4,854 | 4,483 |
| Housing computer system | 120 | 0 |
| Total | 4,974 | 4,483 |
| Financed by: | | |
| Capital receipts | 258 | 180 |
| Direct revenue financing | 166 | 905 |
| Major Repairs Reserve | 3,088 | 3,211 |
| Government Supported Borrowing | 1,462 | 187 |
| | 4,974 | 4,483 |

5. SUMMARY OF CAPITAL RECEIPTS

| | 2005/06 £000 | 2006/07 £000 |
|--------------------------------------|-----------------|-----------------|
| Receipts from sales during the year: | | |
| Dwelling sales | 2,160 | 2,486 |
| Other HRA sales | 50 | 16 |
| Sub total | 2,210 | 2,502 |
| Amount pooled to Government * | (1,423) | (1,558) |
| | 787 | 944 |

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

6. DIRECT REVENUE FINANCING

The Council undertook improvement works to existing Housing Revenue Account properties and partly financed these from its Housing Revenue Account.

7. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised that there was one impairment during the year. This was in respect of the Roly Eckhoff sheltered housing scheme which has been closed and transferred to land awaiting development (£679k). It is intended that this site will form part of a countywide Private Finance Initiative Scheme during 2007/08.

8. 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 2007 was £61.82, compared with £59.88 at 31 March 2006.

9. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than its notional expenditure, resulting in a payment of subsidy to the Government of £4.344m in 2006/07 (£3.721m in 2005/06). Details are shown below:

| | 2005/06 £000 | 2006/07 £000 |
|-------------------------|---------------------|---------------------|
| Rents | (12,948) | (13,809) |
| Interest on Receipts | (58) | (17) |
| | <u>(13,006)</u> | <u>(13,826)</u> |
| Less: | | |
| Management Allowance | 1,864 | 1,956 |
| Maintenance Allowance | 4,178 | 4,396 |
| Major Repairs Allowance | 3,148 | 3,121 |
| Prior Year Adjustment | 95 | 9 |
| | <u>9,285</u> | <u>9,482</u> |
| Subsidy Paid | <u>3,721</u> | <u>4,344</u> |

10. RENT ARREARS

The position for rent arrears is shown below:

| March 2006 | | | | March 2007 | | | |
|----------------------------|-----------------------------|------------------------------|-------------------------|----------------------------|-----------------------------|------------------------------|-------------------------|
| Former Tenant Arrears £000 | Current Tenant Arrears £000 | Housing Repairs Arrears £000 | Total Rent Arrears £000 | Former Tenant Arrears £000 | Current Tenant Arrears £000 | Housing Repairs Arrears £000 | Total Rent Arrears £000 |
| 101 | 395 | 139 | 635 | 216 | 338 | 161 | 715 |

11. PROVISION FOR BAD DEBTS

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

| | £000 |
|---|-------------------|
| Balance brought forward as at 01.04.06 | 371 |
| Provision made in the year* | 151 |
| Less amounts written off | (35) |
| Balance carried forward as at 31.03.07 | <u>487</u> |

*Following a review of the accounts a provision of £295k relating to leaseholders has been written back to the Housing Revenue Account. Outstanding costs in relation to leasehold properties (£85k) are now included in the provision for bad debt. The net change in the provision for 2006/07 is £144k.

12. FRS17 AND THE HOUSING REVENUE ACCOUNT

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

| | 2005/06 £000 | 2006/07 £000 |
|------------------------------|-----------------|-----------------|
| Actual contributions paid | 337 | 342 |
| Reverse actual contributions | (337) | (342) |
| Current service costs | 192 | 268 |
| Past service costs | 12 | 0 |

| | | |
|--|------------|------------|
| Curtailments | 44 | 75 |
| Interest on pension scheme liabilities | 130 | 138 |
| Return on employer assets | (85) | (103) |
| Transfer to/from pensions reserve | 44 | 2 |
| Charge to HRA | 337 | 380 |

13. BACKLOG MAINTENANCE

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

THE COLLECTION FUND

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

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2006/07

| 2005/06 £000 | Note | 2006/07 £000 |
|--|------|-----------------|
| INCOME | | |
| 41,171 | 1 | 43,286 |
| 24,027 | 2 | 28,946 |
| 6,619 | 3 | 7,002 |
| 71,817 | | 79,234 |
| EXPENDITURE | | |
| Precepts and Demands: | | |
| 34,004 | | 35,858 |
| 2,216 | | 2,319 |
| 6,180 | | 6,594 |
| 4,299 | | 4,542 |
| Collection Fund surplus paid out: | | |
| 139 | | 119 |
| 761 | | 655 |
| 50 | | 43 |
| 95 | | 83 |
| | | 50,213 |
| Non-Domestic Rates: | | |
| 23,870 | 2 | 28,792 |
| 157 | | 154 |
| | | 28,946 |
| (42) | 4 | 96 |
| 71,729 | | 79,255 |
| (88) (Surplus)/ Deficit for the Year | | |
| (1,659) | | 21 |
| (1,747) | | (1,747) |
| (1,747) Surplus as at 31 March 2007 | | |
| | | (1,726) |

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

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

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

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

| Band | Estimated number of taxable properties after discount | Proportion of Band D charge | Band D equivalent dwellings |
|--------------------------------------|---|-----------------------------|-----------------------------|
| Dis A | 4.50 | 5/9 | 2.50 |
| A | 5,115.00 | 6/9 | 3,410.00 |
| B | 13,740.80 | 7/9 | 10,687.29 |
| C | 11,422.15 | 8/9 | 10,153.02 |
| D | 6,095.05 | 1 | 6,095.05 |
| E | 3,637.10 | 11/9 | 4,445.34 |
| F | 1,994.45 | 13/9 | 2,880.87 |
| G | 1,285.95 | 15/9 | 2,143.25 |
| H | 45.65 | 2 | 91.30 |
| Less adjustment for collection rates | | | 97.80% |
| Council Tax Base 2006/07 * | | | 39,030.64 |

*Tax Base 2005/06 was 38,771.34

Estimated income from this tax base was £49.313m including Town and Parish Council precepts of £1.358m. Actual income was £50.288m, an increase of £0.975m.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Under arrangements for uniform business rates the Council collects Non-Domestic Rates for its district based on rateable values multiplied by a uniform rate in the

pound. The non-domestic rate multiplier for 2006/07 was 42.6p for qualifying properties of less than £15,000 rateable value and 43.3p for all others. (2005/06 41.5p and 42.2p respectively) The aggregate rateable value for the Council's district as at 31 March 2007 was £76.447m (£76.152m as at 31 March 2006).

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

The contribution for the Pool was calculated as follows:

| | 2005/06 £000 | 2006/07 £000 |
|--|----------------------|----------------------|
| Gross Amount | 24,475 | 29,135 |
| Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief | | |
| Less: Discretionary Relief | (96) | (93) |
| Reductions for charitable occupation, non-profit making bodies and hardship | | |
| Losses in Collection: Bad and doubtful debts | (85) | (91) |
| Overpayments: Interest on repayments | (267) | (5) |
| NNDR Income | <u>24,027</u> | <u>28,946</u> |
| Costs of Collection: Allowance for collecting rates | (157) | (154) |
| Net Contribution to NNDR Pool | <u>23,870</u> | <u>28,792</u> |

3. TRANSFERS FROM THE GENERAL FUND

Where Council Tax benefit has been granted, an amount equal to the benefit subsidy payable to the authority's General Fund, plus the proportion that is not subsidised, is transferred into the Collection Fund from the authority's General Fund. The transfer from the General Fund in 2006/07 was £7.002m (£6.619m in 2005/06).

4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

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

| | NNDR £000 | Community Charge £000 | Council Tax £000 | Total Tax £000 |
|------------------------------------|-------------------|-----------------------------|------------------------|----------------------|
| Brought forward 01.04.06 | 62 | 2 | 604 | 668 |
| Add: Provision made in year | 91 | - | 96 | 187 |
| Less: Amounts written off | (51) | (2) | (63) | (116) |
| Provision 31.03.07 | <u>102</u> | <u>0</u> | <u>637</u> | <u>739</u> |

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

Sir Ernest Bruce Charles (Charity No. 1021750)

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

| SIR ERNEST BRUCE CHARLES | 2005/06 | 2006/07 |
|---------------------------------|---------------|---------------|
| | £ | £ |
| Income | 971 | 1,079 |
| Expenditure | (3,263) | 0 |
| Surplus/(Deficit for Year) | (2,292) | 1,079 |
| Fund Balance 1 April | 68,838 | 66,546 |
| Fund Balance 31 March | 66,546 | 67,625 |
| Represented by: | | |
| Investments | 64,382 | 65,461 |
| Bank | 2,164 | 2,164 |
| | 66,546 | 67,625 |

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

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

| CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK | 2005/06 | 2006/07 |
|--|----------------|----------------|
| | £ | £ |
| Income | 1,278 | 746 |
| Expenditure | (1,278) | (746) |
| Surplus/(Deficit for Year) | 0 | 0 |
| Fund Balance 1 April | 230,599 | 230,559 |
| Fund Balance 31 March | 230,599 | 230,559 |
| Represented by: | | |
| Dwellings | 55,000 | 55,000 |
| Land and Other Buildings | 175,559 | 175,559 |
| | 230,559 | 230,559 |

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

GLOSSARY OF FINANCIAL TERMS

ACCOUNTS

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RESERVE

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

CAPITAL RECEIPTS

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

CREDITORS

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

DEBTORS

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

DEFERRED CHARGES

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

DEPRECIATION

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

FIXED ASSETS

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

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

OPERATIONAL ASSETS

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

NON-OPERATIONAL ASSETS

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

GENERAL FUND

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

PRIOR YEAR ADJUSTMENTS

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

PROVISIONS

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

REVENUE SUPPORT GRANT

A general grant paid by central Government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Income and Expenditure Account.

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

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

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