Statement
Of
Accounts

2011/12

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

This foreword provides a brief summary of the Council’s financial performance over the last year and its year-end position at 31 March 2012.

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

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. A Glossary of Financial Terms is provided on pages 87 to 92.

2. CHANGES IN ACCOUNTING AND PRESENTATION

This is the second year the accounts have been prepared under International Financial Reporting Standards (IFRS).

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in the treatment of Heritage Assets. A Heritage Asset is an asset that is held and maintained principally for its contribution to knowledge or culture, e.g. historic buildings and museum collections. Where the Council holds information on their cost or value, they are recognised on the Balance Sheet. Where the Council does not hold information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, such details as a Council holds are included in the notes to the financial statements (see note 7 on page 39).

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Statement of Accounts includes the following financial statements and associated notes - the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund.

(a) Explanatory Foreword (pages 2 to 9)

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

(b) Statement of Responsibilities for the Statement of Accounts (page 11)

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

(c) Core Financial Statements (pages 12 to 70)

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

- **Movement in Reserves Statement (page 12)**

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

- **Comprehensive Income and Expenditure Statement (page 14)**

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

- **Balance Sheet (page 15)**

  The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services.

- **Cash Flow Statement (page 16)**

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

- **Notes to the Core Financial Statements (pages 17 to 70)**

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

(d) **Supplementary Financial Statements (pages 71 to 83)**

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

- **Collection Fund (page 71 to 74)**

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

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

- **The Housing Revenue Account (page 75 to 81)**

  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.

- **Charities Administered by Dover District Council (page 82 to 83)**

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

(e) **Independent Auditors' Report (page 84 to 86)**

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

(f) **Glossary (pages 87 to 92)**

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

SUMMARY OF THE 2011/12 FINANCIAL YEAR

Dover District Council provides a variety of services for residents, local businesses and its tenants. Spending is split between revenue (as shown in the Comprehensive Income and Expenditure Statement) and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from council tax, national non-domestic rates, government grants, fees and charges, use of reserves 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.

Comprehensive Income and Expenditure Statement for 2011/12

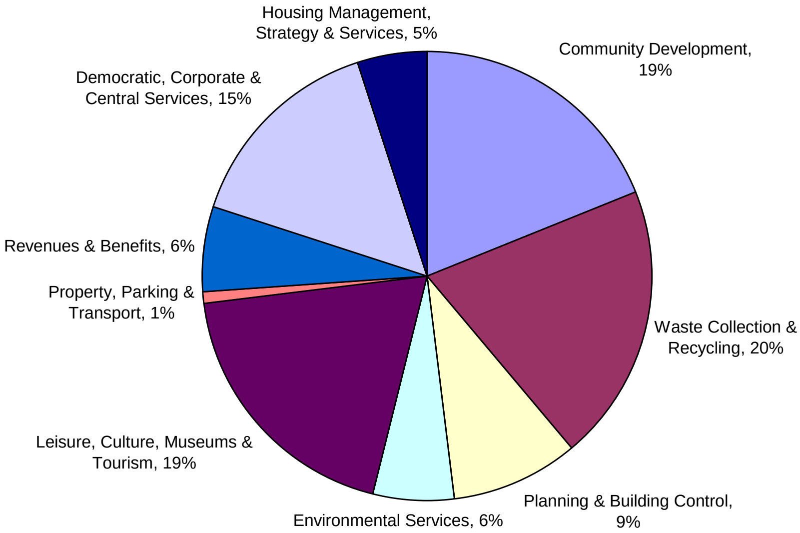
The Council's gross cost of services in 2011/12 was £185m, with gross service income of £77m leading to net expenditure of £108m. However, the expenditure includes a number of capital accounting adjustments including the revaluation of assets and depreciation that are not chargeable to the council tax payer. The Comprehensive Income and Expenditure Statement 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 on services 2011/12

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Community development	3,522	(531)	2,991
Waste collection and recycling	7,147	(3,913)	3,234
Planning and building control	2,113	(673)	1,440
Environmental services	1,152	(165)	987
Leisure, culture, museums and tourism	4,077	(1,102)	2,975
Property, parking and transport	3,154	(3,058)	96
Revenues and benefits	48,884	(47,840)	1,044
Democratic, corporate and central services	3,186	(828)	2,358
Housing strategy and services	1,775	(908)	867
	75,010	(59,018)	15,992
Local Authority Housing (HRA)[1]	19,843	(18,308)	1,535
HRA Self Financing Determination[1]	90,473	0	90,473
Total	**185,326**	**(77,326)**	**108,000**
Adjustments for items not chargeable to the council tax payer			(93,037)
Surplus for the year			33
Revenue Financing Required			**14,996**

[1] The most significant single transaction in 2011/12 is the HRA Self Financing Determination of £90.47m. This one-off transaction overshadows the summary of recurrent service expenditure. It is therefore excluded from the chart below and explained in the section on the Housing Revenue Account.

Percentage Allocation of Net Expenditure



Revenue Financing

Revenue financing of £15m came from:

	£000	%
Council tax [1]	6,395	42.6
Revenue Support Grant [2]	1,915	12.8
Non-domestic rates [3]	6,195	41.3
Council Tax Freeze Grant [4]	160	1.1
New Homes Bonus [5]	331	2.2
Total	**14,996**	**100.0**

(1) Council tax is paid by the residents of the district to the Council. However, only 14.2% of the council tax collected was retained by the district, of which 10.9% was for its own use as 3.3% was to meet the precepts of the various town and parish councils. 71.7% was 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 Central Government based on their assessment of local authorities' requirements.

(3) National non-domestic rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government for redistribution back to authorities, pro-rata to population.

(4) In order to encourage councils not to increase their council tax rates in 2011/12 Central Government awarded councils that held their rates at 2010/11 levels a grant to the value of 2.5% of their council tax income.

(5) The Government has introduced a New Homes Bonus Scheme which rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2011/12 was £294k. The figure included above of £331k includes the first instalment of the 2012/13 grant awarded under the scheme.

General Fund

The latest approved budget was a deficit of £121k. The outturn was a surplus of £91k, a saving of £212k. After allowing budget carry forwards of £58k the surplus is reduced to £33k. This gives an underlying General Fund Balance of £2.25m.

Housing Revenue Account (HRA)

The Council maintains a housing stock of 4,450 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

Two major events affected the HRA in 2011/12. The first was East Kent Housing Ltd taking over the management of the housing stock of Canterbury, Dover, Thanet and Shepway Councils from 1 April 2011 levying a management fee for their services.

The second was Housing Finance Reform that (with effect from 1 April 2012) brought the existing subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. From 2012/13 onwards our subsidy payment to Central Government will be replaced with loan repayment instalments.

The reform will provide additional funds to invest in existing stock and future housing initiatives. At year end £2.5m was transferred into a Housing Initiatives Reserve for these purposes.

In 2011/12 the HRA achieved an increase in the HRA balance (before the £2.5m transfer to reserves) of £1,243k compared to the original budget that forecast an increase of £516k. The main reasons for the variance are as follows:

- An increase in dwelling rents due to reduced void levels and lower than budgeted right-to-buy sales;
- Reduced income from leaseholders due to lower than budgeted proportion of rechargeable major works; and
- Reduced spend on the Capital Works Programme.

Investment in Major Projects

The Council invested £7.4m in major projects in 2011/12, the most significant of which were:

- £1.8m in respect of works to progress the development of Dover Town Investment Zone and the surrounding area;
- £3.7m for Housing Revenue Account property projects;
- £302k on grants and loans for private sector housing;
- £106k grant towards the building of sports and leisure facilities in Aylesham;
- £486k on the building of the new tennis centre in Deal;
- £435k on Disabled Facility Grants;
- £167k on coast protection works; and
- The remainder has been spent on a number of smaller projects.

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

- £2.3m grants from external bodies including Homes and Communities Agency, South East England Development Agency (now HCA), Kent County Council, Department of Communities and Local Government, Environment Agency and other government departments;
- £3.2m Major Repairs Allowance grant from the Government;
- £737k capital receipts;
- £499k funding from Housing Revenue Account direct revenue financing;
- £267k funding from General Fund direct revenue financing; and
- £94k funding from other reserves.

Overall, the capital programme is within budget; however, a low level of funding sources including low council house sales continues to limit the Council's ability to finance new projects. Towards the end of 2011/2012 the Government announced initiatives to encourage additional Right to Buy sales. It is too early to judge the effect of these initiatives. The new HRA Self Financing system may be a source of funding for suitable initiatives.

Treasury Management

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

At 31 March 2012 the Council had over £12m managed by the Council's fund manager, Investec. In addition investment balances and day-to-day cash balances managed in house averaged approximately £6m in 2011/12.

The Council has just over £94m of borrowing from the Public Works Loans Board (PWLB), which includes £90m of borrowing undertaken in 2011/12 for payment of the Self-Financing Determination under Housing Finance Reform. The Council also has a £3m LOBO (Lender's Option, Borrower's Option) with KA Financz AG (formally Commerzbank).

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 advice.

In October 2008 Icelandic banks were placed in administration. At the time the Council held a £1m investment with the Icelandic bank Landsbanki, made on 26/11/07 for a period of one year in compliance with the Council's approved policy for treasury management.

The Winding Up Board announced in March 2012 that it anticipated that recoveries in Landsbanki would exceed the book value of recognised priority claims by around ISK 121bn, taking into account the sale of its holding in Iceland Foods. Estimated recoveries are some 9% higher than the value of priority claims and it is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

In February 2012 the Council received a distribution of approximately one third of its deposit and following the Iceland Foods sale, the Landsbanki Winding Up Board authorised a further distribution to priority creditors in May 2012. This takes the total amount distributed to approximately 43%.

In 2010/11 an impairment was charged to the General Fund based on the calculated discounted assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. These calculations have been revised for 2011/12 based on current forecasts of cash flows from the investment. This has resulted in a reversal of some of the 2010/11 impairment in the 2011/12 Comprehensive Income and Expenditure Account.

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	**2011 £000**	**2012 £000**
Value of land, property and other assets	235,165	229,252
Investments held and cash at bank	20,099	22,422
Money owed to DDC for goods and services	7,549	5,909
Loans owed to DDC (short and long term)	2,381	2,608
Money owed by DDC for goods and services	(13,047)	(11,688)
Loans owed by DDC (short and long term)	(7,960)	(99,197)
Grants for assets received but not yet used	(1,653)	(604)
Share of pension scheme liabilities owed by DDC	(42,646)	(57,419)
Total Assets less Total Liabilities	**199,888**	**91,283**
Financed by:		
Usable reserves[1]	15,954	18,683
Unusable reserves[2]	183,934	72,600
Net Worth of Council	**199,888**	**91,283**

[1] Usable reserves are made up of:

Capital receipts and grants	1,744	1,986
Revenue balances	10,833	9,623
Earmarked reserves	3,377	7,074
	15,954	**18,683**

[2] Unusable reserves mainly comprise revaluations of assets from their original purchase value and the Pensions Reserve. The main reason for the reduction in unusable reserves in 2011/12 relates to Housing Finance Reform due to the £90m undertaken for the process, the offsetting impact can be seen in Loans owed by DDC.

Changes in Service Provision

On 11 January 2011 East Kent Housing Ltd (EKH) was incorporated with Companies House as a private company limited by guarantee. EKH is the trading name for the East Kent ALMO that has been set up jointly with Canterbury, Dover, Shepway and Thanet Councils to manage the housing stock for all four authorities. EKH became a live entity and began trading on 1 April 2011, when staff from all authorities transferred into the new ALMO under TUPE arrangements.

On 1 February 2011 the ICT, Revenue & Benefits and Customer Service operations were subject to a change in method of service provision, and are now being provided as part of shared service undertakings. The year 2011/12 was the first full year of service under this new method. The objective of the change in this service was to find savings through the pooling of resources with other authorities and to take advantage of the efficiencies, economies and resilience this amalgamation brings.

Pension Fund

The Council is a member of the Local Government Pension Scheme administered by Kent County Council. This Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits). IAS19 does not have an impact on the level of employer contribution rates paid by the Council. The Employers' contributions are determined by triennial valuations by the actuary, based on the Funds' actual investment strategy. The next valuation is due on 31 March 2013.

The net liability at 31 March 2012 was £57.4m (£42.6m at 31 March 2011). The increase in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. The liabilities are valued using a real discount rate based on corporate bond yields in excess of expected inflation. Corporate bond yields have steadily fallen during the year leading to an increase in liabilities. In addition, there has also been a significant reduction in equity values during the 2011/12 financial year.

Further information relating to the pension scheme is included in note 13.

Medium Term Financial Plan

The Council's Medium Term Financial Plan (MTFP) 2012/13 – 2014/15 was approved in March 2012. The main features of the MTFP are:

- Balanced General Fund budget for 2012/13;
- Reduction in budget from 2011/12 to 2012/13 of £500k;
- Prudent General Fund balances maintained in 2012/13;
- Savings target of £500k for 2013/14 and a further £500k for 2014/15 required;
- Ring-fenced Housing Revenue Account Reserves of over £10m;
- Financed 2012/13 capital programme;
- Continued progress on the shared service agenda;
- Significant risks and budget volatility in 2013/14 and 2014/15.

The Future

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

- Development and regeneration of the local economy:
- Localisation of Council Tax Benefit;
- Business Rates Retention Scheme;
- Welfare Reform and the transfer to Universal Credit;
- Potential further cuts in government funding;
- On-going impact of the economic climate;
- Implications of the Localism Act.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance, Housing and Community's Responsibilities

The Director of Finance, Housing and Community is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code).*

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance, Housing and Community has also:

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

By signing the Statement of Accounts, the Director of Finance, Housing and Community is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

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

Signed:

Mike Davis CPFA
Director of Finance, Housing and Community

Dated: 27 Sepember 2012

Signed:

Councillor Trevor Bartlett
Chairman, Governance Committee

Dated: 27 September 2012

MOVEMENT IN RESERVES STATEMENT

	Note	2010/11 General Fund (GF) £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,197**	**7,958**	**3,861**	**319**	**756**	**1,007**	**16,098**	**232,673**	**248,771**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		3,393	(77,943)					(74,550)	0	(74,550)
Other comprehensive income & expenditure								0	25,667	25,667
Total Comprehensive Income & Expenditure		**3,393**	**(77,943)**	**0**	**0**	**0**	**0**	**(74,550)**	**25,667**	**(48,883)**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation and amortisation of non-current assets	4	1,564			2,230			3,794	(3,794)	0
Impairment of non-current assets	4	5,559	82,319					87,878	(87,878)	0
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA 3		(922)		922			0	0	0
MRA transferred to fund capital expenditure					(3,125)			(3,125)	3,125	0
Capital grants and contributions	15	(1,115)					(89)	(1,204)	1,204	0
Changes in the value of Investment Properties	5	(312)	37					(275)	275	0
Revenue expenditure funded from capital under statute	11	279						279	(279)	0
(Gain) or loss on disposal of non-current assets	8	(93)	(246)			1,034		695	(695)	0
Revaluation gain		(10)						(10)	10	0
Adjustments under statutory provisions relating to soft loans	0	445						445	(445)	0
Impairment of financial instruments	0	(231)						(231)	231	0
Net charges made for retirement benefits	13	(10,636)	(1,746)					(12,382)	12,382	0
Council tax income regulatory adjustment	14	19						19	(19)	0
Capital expenditure charged to revenue	10	(21)	(849)					(870)	870	0
Employee benefits – accrued annual leave	16	(16)						(16)	16	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	17	435				(435)		0	0	0
Capital receipts applied	10					(529)		(529)	529	0
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**(740)**	**650**	**0**	**27**	**70**	**(89)**	**(82)**	**(48,801)**	**(48,883)**
Transfers to or (from) earmarked reserves	18	768		(830)				(62)	62	0
Increase or Decrease in Year		**28**	**650**	**(830)**	**27**	**70**	**(89)**	**(144)**	**(48,739)**	**(48,883)**
Balance at 31 March		**2,225**	**8,608**	**3,031**	**346**	**826**	**918**	**15,954**	**183,934**	**199,888**

MOVEMENT IN RESERVES STATEMENT

2011/12

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,225**	**8,608**	**3,031**	**346**	**826**	**918**	**15,954**	**183,934**	**199,888**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(1,085)	(91,997)					(93,082)	0	(93,082)
Other comprehensive income & expenditure								0	(15,523)	(15,523)
Total Comprehensive Income & Expenditure		**(1,085)**	**(91,997)**	**0**	**0**	**0**	**0**	**(93,082)**	**(15,523)**	**(108,605)**
Adjustments between Accounting Basis & Funding Basis under Regulations										
Depreciation and amortisation of non-current assets	4	1,493			1,486			2,979	(2,979)	0
Impairment of non-current assets	4	2,555	5,618					8,173	(8,173)	0
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA 3		(1,741)		1,741			0	0	0
MRA transferred to fund capital expenditure					(3,227)			(3,227)	3,227	0
Capital grants and contributions	15	(1,248)					(293)	(1,541)	1,541	0
Changes in the value of Investment Properties	5	(106)						(106)	106	0
Revenue expenditure funded from capital under statute	11	59						59	(59)	0
(Gain) or loss on disposal of non-current assets	8	(311)	(67)			1,787		1,409	(1,409)	0
Revaluation gain		(1)						(1)	1	0
Adjustments under statutory provisions relating to soft loans	0	(60)						(60)	60	0
Self Financing Determination	36		90,473					90,473	(90,473)	0
Net charges made for retirement benefits	13	(195)	(530)					(725)	725	0
Council tax income regulatory adjustment	14	(37)						(37)	37	0
Capital expenditure charged to revenue	10	(267)	(499)					(766)	766	0
Employee benefits – accrued annual leave	16	12						12	(12)	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	17	515				(515)		0	0	0
Capital receipts applied	10					(737)		(737)	737	0
Net Increase or Decrease before Transfers to/from Earmarked Reserves		**1,324**	**1,257**	**0**	**0**	**535**	**(293)**	**2,823**	**(111,428)**	**(108,605)**
Transfers to or (from) earmarked reserves	18	(1,291)	(2,500)	1,197	2,500			(94)	94	0
Increase or Decrease in Year		**33**	**(1,243)**	**1,197**	**2,500**	**535**	**(293)**	**2,729**	**(111,334)**	**(108,605)**
Balance at 31 March		**2,258**	**7,365**	**4,228**	**2,846**	**1,361**	**625**	**18,683**	**72,600**	**91,283**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000	Continuing Operations	Note No	2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
12,214	(11,061)	1,153	Central Services to the Public		11,963	(10,564)	1,399
5,027	(1,249)	3,778	Cultural and Related Services		4,464	(1,166)	3,298
8,046	(2,449)	5,597	Environmental and Regulatory Services		9,812	(4,835)	4,977
3,962	(1,589)	2,373	Planning and Development Services		3,535	(1,370)	2,165
3,349	(2,590)	759	Highways and Transport Services		1,330	(2,333)	(1,003)
5,559	0	5,559	Exceptional item – revaluation (gain) or loss on GF stock	36	2,555	0	2,555
14,819	(17,434)	(2,615)	Local Authority Housing (HRA)		19,843	(18,308)	1,535
82,319	0	82,319	Exceptional item – revaluation (gain) or loss on HRA stock	36	0	0	0
0	0	0	Exceptional item – Self-Financing Determination	36	90,473	0	90,473
38,591	(36,632)	1,959	Other Housing Services		39,470	(38,488)	982
2,510	(264)	2,246	Corporate and Democratic Core		1,729	(263)	1,466
524	0	524	Non-distributed costs		153	0	153
(12,833)	0	(12,833)	Exceptional item – pension capitalised gain & settlements	36	0	0	0
164,087	**(73,268)**	**90,819**	**Net Cost of Services**		**185,327**	**(77,327)**	**108,000**
			Other Operating Expenditure:				
		(339)	(Gain) or loss on disposal of fixed assets	8			(378)
			Amounts due to precepting authorities:				
		1,832	– Town and Parish Councils				1,920
		59	– River Stour Drainage Board Levy				58
		435	Contribution of Housing Capital Receipts to Central Government Pool	17			515
			Financing and Investment Income & Expenditure:				
		405	Interest payable and similar charges				406
		(520)	Interest and investment income				(529)
		(275)	Changes in the value of Investment Properties	5			(106)
		8	Impairment of Icelandic investment	0			(110)
		(1,115)	Capital Grant Contributions	15			(1,152)
		2,135	Pensions interest cost & expected return on assets	13			1,410
		(286)	Exceptional item	36			0
			Taxation & Non-specific Grant Income:				
		(8,203)	Demand on the Collection Fund	14			(8,353)
		(1,486)	Government grants (not attributable to specific services)	15			(2,405)
		(8,919)	National Non-Domestic Rate distribution	15			(6,195)
		74,550	**(Surplus) or Deficit on Provision of Services**				**93,081**
		(4,544)	(Surplus) or deficit arising on revaluation of fixed assets	27			38
		29	(Surplus) or deficit on revaluation of available-for-sale financial assets	0			(12)
		(21,152)	Actuarial (gains) or losses on pension fund assets and liabilities	13			15,498
		(25,667)	**Other Comprehensive Income & Expenditure**				**15,524**
		48,883	**Total Comprehensive Income & Expenditure**				**108,605**

CONSOLIDATED BALANCE SHEET

Restated 1 Apr 2010	Restated 31 Mar 2011			31 March 2012	
£000	£000		Notes	£000	£000
237,996	157,255	Council dwellings		153,563	
60,300	58,211	Land and buildings		57,226	
1,194	1,222	Vehicles, plant and equipment		1,118	
7,825	7,700	Infrastructure assets		7,665	
354	220	Community assets		204	
826	1,875	Assets under construction		1,606	
1,761	1,737	Surplus assets not held for sale		0	
310,256	**228,220**	**Property, Plant and Equipment**	4		**221,382**
4,113	4,113	Heritage Assets	7	4,113	
2,545	2,667	Investment property	5	2,567	
23	56	Intangible assets	4	66	
783	822	Long term investments	12	415	
1,579	2,381	Soft loans	12	2,608	
729	639	Long term debtors	19	392	
(68)	(66)	Less provision for bad debts	19	(66)	
9,704	**10,612**	**Long Term Assets**			**10,095**
21,126	16,640	Short term investments	12	18,576	
128	109	Stocks in hand		137	
14,272	9,100	Short term debtors	19	7,642	
(2,052)	(2,124)	Less provision for bad debts	19	(2,059)	
3,356	2,637	Cash and cash equivalents	20	3,431	
0	0	Assets held for sale	6	987	
36,830	**26,362**	**Current Assets**			**28,714**
(3,213)	(634)	Bank overdraft	20	(1,334)	
(10,127)	(125)	Short term borrowing	12	(1,078)	
(7,800)	(11,186)	Short term creditors	21	(9,707)	
(86)	(70)	Provisions – employee benefits	16	(82)	
(1,205)	(1,791)	Receipts in advance	22	(1,899)	
(22,431)	**(13,806)**	**Current Liabilities**			**(14,100)**
(7,103)	(7,201)	Long term borrowing	12	(96,785)	
(2,305)	(1,653)	Capital grants received in advance	24	(604)	
(76,180)	(42,646)	Pensions liability	13	(57,419)	
(85,588)	**(51,500)**	**Long Term Liabilities**			**(154,808)**
248,771	**199,888**	**Net Assets**			**91,283**
2,197	2,225	General Fund balance		2,258	
7,958	8,608	Housing Revenue Account balance		7,365	
3,861	3,031	Earmarked reserves	18	4,228	
319	346	Housing Revenue Account reserves	18	2,846	
756	826	Usable capital receipts reserve	17	1,361	
1,007	918	Capital grants unapplied	23	625	
16,098	**15,954**	**Reserves Available to Fund Services**			**18,683**
13,770	17,893	Revaluation reserve	27	17,554	
165	136	Available-for-sale financial instruments reserve	12	148	
296,248	210,098	Capital adjustments account	25	113,779	
(1,434)	(1,647)	Financial adjustments account	12	(1,587)	
1	0	Deferred capital receipts		0	
189	170	Collection Fund adjustment account	14	207	
(86)	(70)	Employee adjustment account	16	(82)	
(76,180)	(42,646)	Pensions reserve	13	(57,419)	
232,673	**183,934**	**Reserves Unavailable to Fund Services**			**72,600**
248,771	**199,888**	**Net Worth**			**91,283**

CASH FLOW STATEMENT

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
3,356		Cash & cash equivalents - at 1 April	2,637	
(3,213)		*less cash overdraft*	(634)	
	143			2,003
(2,637)		Cash & cash equivalents - at 31 March	(3,431)	
634		*less cash overdraft*	1,334	
	(2,003)			(2,097)
	(1,860)	**Net (increase) or decrease in Cash & Cash Equivalents**		(94)
	74,551	**Net deficit on Income & Expenditure**		93,082
		Non-cash transactions:		
(1,565)		Depreciation and amortisation	(1,493)	
(87,593)		Impairments	(8,067)	
12,382		Pension adjustments	725	
339		Revaluation gain	378	
69		Financial instruments adjustments	157	
(2,203)		Transfer to/from earmarked reserves	(1,486)	
	(78,571)			(9,786)
		Items on an accruals basis:		
(19)		Increase or (decrease) in stock and work in progress	28	
(990)		Increase or (decrease) in debtors	(541)	
(92)		Increase or (decrease) in long term debtors	(247)	
(118)		Movement in provision for bad debts	68	
(3,539)		(Increase) or decrease in creditors	2,161	
(585)		(Increase) or decrease in receipts in advance	(108)	
16		Employee benefits reserve	(12)	
(19)		Collection Fund adjustment account	37	
	(5,346)			1,386
		Adjustments re financing activities:		
(279)		Revenue expenditure funded from capital	(59)	
1,115		Capital grant contributions	1,248	
	836			1,189
	(8,530)	**Net Cash Flows from Operating Activities**		**85,871**
		Investing activities:		
5,880		Purchase of property, plant, equipment, etc.	6,097	
804		Other payments for investing activities	167	
(8,600)		Proceeds from long and short term investments	(7,308)	
4,000		Purchase of long and short term investments	8,500	
(1,033)		Proceeds from the sale of non-current assets	(1,787)	
(183)		Movement in capital grants	(113)	
	868	**Net Cash Flows from Investing Activities**		5,556
		Financing activities:		
9,901		Net movement in short & long term borrowing	(90,536)	
(4,099)		Net movement in Collection Fund cash position	(985)	
	5,802	**Net Cash Flows from Financing Activities**		(91,521)
	(1,860)			**(94)**

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 - based on International Financial Reporting Standards. The Code is based on a hierarchy of approved accounting standards:

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

The accounting convention adopted for the preparation of these accounts is principally historical cost, modified for the revaluation of certain categories of assets and financial instruments.

(b) Qualitative Characteristics of Financial Information

- Relevance - in accordance with IAS 8 (Accounting Polices, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- Reliability – the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- Comparability - the accounts contain comparative information about the Council so that performance may be compared with a prior period.
- Comprehensibility – although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.

- Materiality – an item of information is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

(c) **Accounting Concepts**

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

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

Income and expenditure of goods and services provided or received by the end of the financial year are accrued ensuring income and expenditure is accounted for in the period to which it relates. An exception to this principle is car parking penalty charge notices which are accounted for on the day of receipt. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

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

(e) **Cash and Cash Equivalents**

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

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

The Council is a billing authority and as such is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, Kent Police Authority and Kent and Medway Towns Fire Authority, for council tax and the government for national non-domestic (business) rates.

As such the accounts only show the amount owed by and to taxpayers in respect of our council tax. Major precepting authorities are shown as net debtors or creditors on the Balance Sheet. Similarly the accounts only show the net debtor or creditor in respect of national non-domestic (business) rates received and paid over to the Government.

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

(g) **Provisions**

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

Provisions are recognised when:

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

(h) **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(i) **Contingent Liabilities**

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

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

(j) **Debt Write-Off**

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

(k) Employee Benefits

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

<u>Benefits Payable during Employment</u>

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

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

<u>Termination Benefits</u>

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

In the event of notice of termination being served on an employee the costs of such termination are accrued to the year that the notice is served.

<u>Post-Employment Benefits</u>

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

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

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was 31 March 2010 and changes to contribution rates as a result of that valuation took effect from 1 April 2011. The next formal valuation of the Pension Fund for funding purposes is due on 1 March 2013.

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

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the accounts are authorised for issue.

The authorised for issue date can be either:

- When the responsible Financial Officer certifies that the accounts present a 'true and fair view' which should be by no later than the 30 June; or
- When the accounts are approved by Members and published with the audit opinion and certificate which should be by no later than 30 September.

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

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

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

(m) **Exceptional Items**

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

Prior Period Adjustments

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

(n) **Financial Instruments**

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

Financial Assets

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

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

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

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

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's borrowings this means that interest charged to the Comprehensive Income and Expenditure Statement represents the amounts payable for the year in accordance with the loan agreements.

(o) **Foreign Currency Transactions**

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

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

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(q) **Long Term Contracts**

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

(r) **Leases**

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

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

A definition of a lease includes hire purchase arrangements.

Finance Leases

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

Operating Leases

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

(s) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

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

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

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

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

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

Land and Buildings

The Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years.

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

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

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

Vehicles, Plant and Equipment

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

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are footpaths and signage.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation. These assets are subject to straight line deprecation over a period of up to 40 years.

Community Assets

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

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

Assets under Construction

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

(v) Investment Property

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

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

Investment property is not subject to depreciation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

These are assets held principally for their contribution to knowledge or culture and meet the definition of a heritage asset. Heritage Assets may be either tangible or intangible with historical, artistic or scientific qualities and must be carried at valuation, reflecting the fact that exchanges are uncommon.

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

Heritage Assets are not subject to depreciation.

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2011/12* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

(u) **Reserves**

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

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

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

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

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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

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

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

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

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

The Council continues to face a significant financial challenge brought about by the Coalition Government's budget deficit reduction programme and the economic climate, as well as some specific government-led initiatives that will impact on the Council's finances.

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

- Further expected cuts in government grant funding will not be significantly different to that reflected in the Council's Medium Term Financial Strategy;
- The cost of the localised council tax support scheme can largely be met, if not in full, by the grant from the Department for Work and Pensions;

- The Council will not be significantly better off or worse under the Business Rates Retention Scheme than under the current formula government grant funding arrangements;
- The New Homes Bonus Scheme where councils receive finances for the delivery of new homes in their area will continue in its current form until at least 2015/16; and
- Income from the Council's major income streams will not fall significantly further than current income levels.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The annual depreciation charge for buildings would increase if useful lives had to be reduced.
Property, Plant and Equipment	Asset valuations are calculated on a 5-year cycle with the exception of Housing Revenue Account dwellings and garages which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.5m change in the balance sheet values, equating to approximately £350 per dwelling.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	obligations of approximately £2m.
Bad Debts Provisions	The Council has bad debt provisions of £2m for HRA, benefit overpayment, council tax (DDC share) and general debtors. This is approximately 30% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. SEGMENTAL REPORTING

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

The services are broken down as follows:

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

Segmental Analysis

	2010/11							
	Chief Executive	Finance, Housing & Community	Regeneration & Development	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income:								
Fees, charges and other service income	6	1,101	1,187	5,849	358	1,534	17,434	27,469
Interest and investment income	0	22	0	0	0	0	194	216
Government grants and contributions	0	47,324	5	82	10	0	0	47,421
Total Income	**6**	**48,447**	**1,192**	**5,931**	**368**	**1,534**	**17,628**	**75,106**
Expenditure:								
Employee expenses	754	3,935	2,218	4,229	1,446	1,556	1,087	15,225
Premises	0	11	122	1,566	5	0	879	2,583
Transport	6	51	43	132	17	28	27	304
Supplies and services	279	5,217	576	1,650	682	108	529	9,041
Third party payments	0	825	(9)	5,730	0	160	8,406	15,112
Housing Benefits and Council Tax Benefits	0	43,841	0	0	0	0	12	43,853
Support service recharges	235	(1,851)	581	(384)	(467)	(319)	1,650	(555)
Depreciation, amortisation and impairments	0	684	230	1,273	1	0	2,230	4,418
Total Expenditure	**1,274**	**52,713**	**3,761**	**14,196**	**1,684**	**1,533**	**14,820**	**89,981**
Net Cost of Services	**1,268**	**4,266**	**2,569**	**8,265**	**1,316**	**(1)**	**(2,808)**	**14,875**

Segmental Analysis

	2011/12							
	Chief Executive	Finance, Housing & Community	Regeneration & Development	Environment & Corporate Assets	Governance	Shared Services (DDC-Hosted)	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Income:								
Fees, charges and other service income	7	821	934	8,500	338	1,765	18,308	30,673
Interest and investment income	0	7	0	0	0	0	198	205
Government grants and contributions	0	48,300	3	115	14	0	0	48,432
Total Income	**7**	**49,128**	**937**	**8,615**	**352**	**1,765**	**18,506**	**79,310**
Expenditure:								
Employee expenses	679	1,477	2,044	3,011	1,422	1,663	(185)	10,111
Premises	11	8	113	1,505	7	0	887	2,531
Transport	7	16	42	99	18	21	(2)	201
Supplies and services	172	1,637	487	1,270	665	94	369	4,694
Third party payments	(106)	3,346	1	7,925	0	177	11,161	22,504
Housing Benefits and Council Tax Benefits	0	46,041	0	0	0	0	29	46,070
Support service recharges	55	(1,296)	623	295	(503)	(189)	478	(537)
Depreciation, amortisation and impairments	0	160	238	1,207	1	0	1,486	3,092
Total Expenditure	**818**	**51,389**	**3,548**	**15,312**	**1,610**	**1,766**	**14,223**	**88,666**
Net Cost of Services	**811**	**2,261**	**2,611**	**6,697**	**1,258**	**1**	**(4,283)**	**9,356**

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

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

	2010/11 £000	2011/12 £000
Cost of services in service analysis	**14,875**	**9,356**
Add: Amounts not reported to management		
HRA reform refinancing	0	90,473
Revaluation loss on HRA stock	82,319	5,618
Revaluation loss on General Fund assets	5,559	2,554
Pension capitalised gain (settlements)	(2,941)	0
Pension capitalised gain (re RPi to CPI change)	(9,892)	0
Special Projects, incl. restructuring – reported separately in Medium Term Financial Plan	705	61
Less: Amounts not included in Comprehensive Income and Expenditure Statement		
Direct revenue financing	(22)	(267)
Less: Items included in other operating expenditure		
Investment income received	216	205
Net Cost of Services in the Comprehensive Income & Expenditure Statement	**90,819**	**108,000**

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

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

2010/11 Service Analysis	2010/11 Not Reported to Management	2010/11 Not Included in Comp Inc & Exp Statement	2010/11 Corporate Amounts	2010/11 Total		2011/12 Service Analysis	2011/12 Not Reported to Management	2011/12 Not Included in Comp Inc & Exp Statement	2011/12 Corporate Amounts	2011/12 Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Income:					
27,469	9	0	0	27,478	Fees, charges & other service income	30,673	0	0	0	30,673
216	0	0	304	520	Interest & investment income	205	0	0	324	529
0	0	0	8,203	8,203	Income from council tax	0	0	0	8,353	8,353
47,421	0	0	11,520	58,941	Government grants/contributions	48,432	0	0	9,752	58,184
0	0	0	1,033	1,033	Disposal of non-current assets	0	0	0	1,787	1,787
75,106	**9**	**0**	**21,060**	**96,175**	**Total Income**	**79,310**	**0**	**0**	**20,216**	**99,526**
					Expenditure:					
15,225	566	0	2,135	17,926	Employee expenses	10,111	0	0	1,410	11,521
2,583	9	0	0	2,592	Premises	2,531	17	0	0	2,548
304	0	0	0	304	Transport	201	0	0	0	201
9,041	13	(22)	0	9,032	Supplies & services	4,694	0	(267)	0	4,427
15,112	103	0	0	15,215	Third party payments	22,504	33	0	0	22,537
0	0	0	405	405	Interest payments	0	0	0	406	406
0	0	0	1,891	1,891	Precepts & levies	0	0	0	1,977	1,977
43,853	0	0	0	43,853	Housing & council tax benefits	46,070	0	0	0	46,070
(555)	22	0	0	(533)	Support service recharges	(537)	11	0	0	(526)
4,418	0	0	8	4,426	Depreciation, amortisation & impairments	3,092	0	0	(109)	2,983
0	0	0		0	HRA reform refinancing	0	90,473	0	0	90,473
0	87,878	0	0	87,878	Revaluation (gains)/losses	0	8,172	0	0	8,172
0	(275)	0	0	(275)	Investment Property Revaluations	0	(106)	0	0	(106)
0	(12,833)	0	0	(12,833)	Pensions cap'd gains/settlem'ts	0	0	0	0	0
0	0	0	(286)	(286)	Exceptional item	0	0	0	0	0
0	0	0	435	435	Housing capital receipts pool	0	0	0	515	515
0	0	0	695	695	Disposal of non-current assets	0	0	0	1,409	1,409
89,981	75,483	(22)	5,283	170,725	**Total Expenditure**	88,666	98,600	(267)	5,608	192,607
14,875	**75,474**	**(22)**	**(15,777)**	**74,550**	**(Surplus) or Deficit on the Provision of Services**	**9,356**	**98,600**	**(267)**	**(14,608)**	**93,081**

4. **PROPERTY, PLANT AND EQUIPMENT**

Movement on Balances 2010/11	**Council Dwellings £000**	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture and Equipment £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2010	237,996	62,333	3,507	12,909	688	1,761	826	320,020
Additions – expenditure in year	4,160	0	227	145	0	0	1,152	5,684
Additions – transfer from WIP	0	0	0	5	0	0	(103)	(98)
Revaluation increases or decreases recognised in the Revaluation reserve	0	3,833	0	0	0	0	0	3,833
Revaluation increases or decreases recognised in the (surplus) or deficit on the provision of services	(84,383)	(6,284)	0	0	0	0	0	(90,667)
De-recognition – transfers	0	114	0	0	(114)	0	0	(0)
Disposals	(518)	0	0	0	0	(24)	0	(542)
At 31 March 2011	**157,255**	**59,996**	**3,734**	**13,059**	**574**	**1,737**	**1,875**	**238,230**
Accumulated Depreciation & Impairments								
At 1 April 2010	0	(2,034)	(2,313)	(5,083)	(334)	0	0	(9,764)
Depreciation charge	(2,065)	(1,191)	(199)	(276)	(20)	0	0	(3,751)
Other movements in depreciation and impairments	2,065	1,440	0	0	0	0	0	3,505
Subtotal	**0**	**(1,785)**	**(2,512)**	**(5,359)**	**(354)**	**0**	**0**	**(10,010)**
Net Book Value								
At 31 March 2011	157,255	58,211	1,222	7,700	220	1,737	1,875	228,220
At 31 March 2010	237,996	60,300	1,194	7,825	354	1,761	826	310,256

Movement on Balances 2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2011	157,255	59,996	3,734	13,059	574	1,737	1,875	238,230
Additions – expenditure in year	3,727	2,005	0	241	0	0	550	6,523
Additions – transfer from WIP		819	0	0	0	0	(819)	0
Revaluation increases or decreases recognised in the Revaluation reserve		7	0	0	0	0	0	7
Revaluation increases or decreases recognised in the surplus or deficit on the provision of services	(7,005)	(2,630)	0	0	0	0	0	(9,635)
De-recognition – other			0	0	0	(987)	0	(987)
Disposals	(414)	(59)	0	0	0	(750)	0	(1,223)
At 31 March 2012	**153,563**	**60,138**	**3,734**	**13,300**	**574**	**0**	**1,606**	**232,915**
Accumulated Depreciation and Impairment At 1 April 2011		(1,785)	(2,512)	(5,359)	(354)	0	0	(10,010)
Depreciation charge	(1,387)	(1,178)	(105)	(276)	(15)	0	0	(2,961)
Disposals	1,387	32	0	0	0	0	0	1,419
Other movements in depreciation and impairment	0	18	0	0	0	0	0	18
Subtotal	**0**	**(2,913)**	**(2,617)**	**(5,635)**	**(369)**	**0**	**0**	**(11,534)**
Net Book Value								
At 31 March 2012	153,563	57,226	1,118	7,665	204	0	1,606	221,382
At 31 March 2011	157,255	58,211	1,222	7,700	220	1,737	1,875	228,220

Depreciation and Amortisation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – up to 80 years;
- Infrastructure – up to 40 years;
- Vehicles, plant, furniture & equipment – up to 12 years; and
- Intangible assets – up to 5 years.

Depreciation is calculated on a straight line basis.

Tangible Non-current Assets and Depreciation

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

	2010/11 £000	2011/12 £000
General Fund	1,532	1,475
Housing Revenue Account	2,224	1,486
Total	**3,756**	**2,961**

Intangible Non-Current Assets

	2010/11 £000	2011/12 £000
Opening Net Book Value	23	56
Additions – transferred from WIP	41	0
Additions – expenditure in year	30	28
Amortisation – General Fund	(32)	(18)
Amortisation – HRA	(6)	0
Closing Net Book Value	**56**	**66**

Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies.

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2011. Housing Revenue Account dwellings and garages were valued as at 31 December 2011 and the valuation was valid for the 3 months to 31 March 2012.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. In liaison with the Council's Senior Valuer it was determined that the revaluation of properties and land held for regeneration has resulted in impairment due to a general fall in prices. The total amount impaired is £2.6million.

In addition an impairment of £7m has been charged to the Housing Revenue Account which is due to a general fall in value

	2010/11 £000	2011/12 £000
General Fund		
General gain/(loss) on other land and buildings	(6,275)	(2,630)
Write back depreciation	716	31
Total charged to the General Fund	**(5,559)**	**(2,599)**
Housing Revenue Account		
General gain/(loss) on housing stock	(84,383)	(7,005)
Write back depreciation	2,065	1,387
Total charged to the HRA	**(82,318)**	**(5,618)**
Total charged to Property, Plant & Equipment	**(87,877)**	**(8,217)**
Impairments charged to Revaluation Reserve	0	44
Total charged to Income & Expenditure Account	**(87,877)**	**(8,173)**

5. **INVESTMENT PROPERTIES**

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

	2010/11 £000	2011/12 £000
Rental income from investment property	221	274
Direct operating expenses arising from investment property	(80)	(22)
Net gain or loss	**141**	**252**

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

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

	2010/11 £000	2011/12 £000
Balance at start of the year	2,545	2,667
Revaluation gains from fair value adjustments	418	165
Revaluation losses from fair value adjustments	(144)	(61)
Disposals	(152)	(204)
Balance at end of year	**2,667**	**2,567**

6. **ASSETS HELD FOR SALE**

	2010/11 £000	2011/12 £000
Balance at start of year	0	0
Assets newly classified as held for sale	0	987
Revaluation loss	0	0
Assets sold	0	0
Balance outstanding at year end	**0**	**987**

7. **HERITAGE ASSETS**

The requirement to separately disclose Heritage Assets on the Council's Balance Sheet resulted in the reclassification and revaluation of existing assets and the introduction of assets previously not included within the accounts classed as Heritage assets. As a result the Council has restated its Balance Sheet as at 1 April 2010 and 31 March 2011. The restatement resulted in the introduction of the asset class Heritage Assets and adjustments to Land and Buildings, Infrastructure Assets, Community Assets, the Capital Adjustment Account and the Revaluation Reserve.

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

	At 1 April 2010 £000	At 31 March 2011 £000	At 31 March 2012 £000
Historic Buildings	196	196	196
Works of Art	68	68	68
Museum Collections	1,982	1,982	1,982
Town Hall Artefacts	1,543	1,543	1,543
Memorials and Statues	324	324	324
Total	**4,113**	**4,113**	**4,113**

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

	2010/11 £000	2011/12 £000
Net Book Value		
HRA right-to-buy	444	371
HRA other sales	74	796
General Fund sales	176	242
Total	**694**	**1,409**
Sales Proceeds		
HRA right-to-buy	(601)	(712)
HRA other sales	(196)	(531)

General Fund sales	(263)	(565)
Total	**(1,060)**	**(1,808)**
Less admin fees	27	21
Gain or Loss on Disposal	**(339)**	**(378)**

9. **COMMITTED CAPITAL CONTRACTS**

At 31 March 2012 the Authority was contractually committed to capital expenditure amounting to £363k in respect of the following projects:

Project	**Contractor**	**Total commitment £000**	**Estimated completion date**
Replacement call management system	Rostrum	12	May 2012
Flood defence works for at risk properties in the Dover area	Whitehouse Construction	56	June 2012
Procurement of a Committee Document Management System & E-Petition System	Modern Mindsets	12	June 2012
Preparation of a project appraisal report for Walmer to Kingsdown / Oldstairs Bay beach management	Halcrow	10	Aug 2012
Relocate Dover Visitor Information Centre to the museum	Cornwell / various	126	June 2012
Building of transport & hydrological computer simulation models	GVA Grimley	126	Oct 2012
Other capital projects	Various	21	
Total		**363**	

10. **CAPITAL EXPENDITURE AND FINANCING**

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

	Restated 2010/11 £000	**2011/12 £000**
Opening Capital Financing Requirement	**7,232**	**7,516**
Capital Investment:		
Plant, property and equipment	5,713	6,523
Intangible assets	30	28
Revenue expenditure funded by capital	1,707	587
Private sector housing loans	1,257	239
HRA Self-Financing Determination	0	90,473
Sources of Finance:		
Capital receipts	(529)	(737)
Government grants	(3,276)	(2,309)

Other grants – Tennis Foundation	(400)	0
Major repairs reserve	(3,125)	(3,227)
Direct revenue financing	(871)	(766)
Section 106 funding	(133)	0
Special projects reserve	(43)	(35)
Other reserves	(46)	(59)
Closing Capital Financing Requirement	**7,516**	**98,233**
Explanation of Movements:		
Increase in underlying need to borrow (supported by government financial assistance)	(187)	0
Increase in underlying need to borrow (unsupported by government financial assistance)	(97)	(90,717)
	(284)	**(90,717)**

11. **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

	2010/11		**2011/12**	
	£000	**£000**	**£000**	**£000**
Gross expenditure:				
Home improvement grants	402		63	
Disabled facilities grants	680		435	
Land contamination testing	25		19	
Coastal protection	22		56	
Grants/contributions to organisations	578		14	
		1,707		587
Grants & contributions received:				
Regional Housing Board Grant	(378)		(18)	
Disabled Facilities Grant subsidy	(430)		(435)	
Land contamination testing	(25)		(19)	
Coastal protection	(22)		(56)	
Grants/contributions from other organisations	(573)		0	
		(1,428)		(528)
Total		**279**		**59**

12. INTEREST AND INVESTMENTS

Icelandic Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £1m deposited with Landsbanki at an interest rate of 6.17% and a maturity date of 26 November 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

In March 2012, the Winding Up Board announced that it anticipated recoveries in Landsbanki would exceed the book value of recognised priority claims by around ISK 121bn, taking into account the sale of its holding in Iceland Foods. Estimated recoveries are some 9% higher than the value of priority claims and it is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

Following the Iceland Foods sale, the Landsbanki Winding Up Board authorised a further distribution to priority creditors on 24 May 2012. This takes the total amount distributed to approximately 43%.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 100p in the £.

December 2012	7%	December 2016	7%
December 2013	7%	December 2017	7%
December 2014	7%	December 2018	7%
December 2015	7%	December 2019	8.8%

Recovery is subject to the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

In 2010/11 an impairment was charged to the General Fund based on the calculated discounted assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. These calculations have been revised for 2011/12 based on current forecasts of cash flows from the investment. This has resulted in a reduction of £110k of the impairment in the 2011/12 Comprehensive Income and Expenditure Account.

In accordance with the IFRS based code and advice from CIPFA part of the investment has been impaired as above.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account reflects adjustments for soft loans and LOBO. The Impairment and accrued interest for the Landsbanksi investment was charged to the General Fund in 2010/11.

	2010/11 £000	2010/11 £000	2011/12 £000	2011/12 £000
Opening balance				
LOBO (Dresdner Bank)	100		100	
Soft loans	1,102		1,547	
Impairment	232		0	
		1,434		1,647
Movement during the year				
Soft loans	445		(60)	
Impairment (Landsbanki)	(232)		0	
		213		(60)
Balance at 31 March		**1,647**		**1,587**

SOFT LOANS

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

	2010/11 £000	2011/12 £000
Opening balance	1,579	2,381
Advances in year	1,317	238
Repayments in year	(70)	(71)
Financial instruments adjustments	(445)	60
Closing balance	**2,381**	**2,608**

AVAILABLE FOR SALE RESERVE

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

Available for sale reserve	2010/11 £000	2011/12 £000
Opening balance	165	136
Unrealised profit:		
Certificate of deposits	7	2
Fixed securities	(36)	10
Closing balance	**136**	**148**

Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments; and
- market risk - the possibility that losses may arise due to changes in interest rates and market prices.

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

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

Credit Risk

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

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

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

Short Term Investments

	2010/11 £000	2011/12 £000
Investments managed by Investec	12,613	12,811
In-house managed investments	4,027	5,558
Icelandic impaired investment	0	200
Deposit held in Icelandic Krona	0	7
Total	**16,640**	**18,576**

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

The Council's investment portfolio as at 31 March 2012 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating
Internal Investments:			
Lloyds	17.12.2012	3,000	UK ‘AAA’
Nat West	27.04.2012	1,500	UK ‘AAA’
Nat West	23.11.2012	1,000	UK ‘AAA’
Total Internal Investments		**5,500**	
External Investments:			
Certificates of Deposit			
National Australia Bank	12.04.2012	1,100	Australia 'AAA'
Nordea Group	12.04.2012	1,900	Sweden 'AAA'
Barclays Bank	26.04.2012	1,200	UK 'AAA'
Royal Bank of Scotland	09.05.2012	1,100	UK 'AAA'
Nationwide	01.06.2012	1,100	UK 'AAA'
Bank of Nova Scotia	07.06.2012	1,900	Canada 'AAA'
Rabobank	10.08.2012	1,200	Netherlands 'AAA'
HSBC Securities	23.11.2012	1,400	UK 'AAA'
Rabobank	25.01.2013	700	Netherlands ‘AAA’
Fixed Interest Securities			
European Bank of Reconstruction		309	‘AAA’
UK Gilt Inflation Bonds		616	UK AAA’
Deposits			
Bank of Nova Scotia		10	Canada 'AAA'
Rabobank		10	Netherlands 'AAA'
GBP Cash – Settled Balance		176	UK AAA’
Total External Investments		**12,721**	
Cash and Cash Equivalents:			
Cash at bank	Instant Access	3	UK ‘AA-‘
Nat West	Instant Access	3,384	UK ‘AA-‘
Santander UK	Instant Access	0	UK ‘AA-‘
Bank of Scotland	Instant Access	4	UK ‘AA-‘
Money Market Fund (RBS)	Instant Access	40	UK ‘AAA’
Total Cash and Cash Equiv		**3,431**	

In addition the Council has £610k deposited with the Icelandic Bank Landsbanki as detailed above.

Liquidity Risk

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

	2010/11	2011/12
	£000	**£000**
Cash and cash equivalents	2,637	3,431
Less than 1 year	16,640	18,576
More than 1 year	822	415
Total	**20,099**	**22,422**

All trade and other payables creditors are due to be paid in less than one year.

Market Risk

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

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

Foreign Exchange Risk

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls.

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

Interest Rate Risk

The Council received interest of £355k on its investments of £22m achieving an average interest rate of 1.22%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £220k in the interest received.

Cash Equivalents

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. The Council has decided that any internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value).

Market Valuation

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

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2012. The calculations are made with the following assumptions:

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

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

Balance as at:	**31 March 2011**		**31 March 2012**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
<u>Short term Assets</u>				
Cash held by external fund manager	12,613	12,613	12,811	12,811
Deposits with banks and building societies	4,027	4,045	5,558	5,593
Landsbanki	0	0	207	207
Total Short Term Investments	16,640	16,658	18,576	18,611
Debtors	3,037	3,037	3,861	3,861
Cash and liquid assets	2,634	2,634	3,431	3,431
Total short term assets	22,311	22,329	25,868	25,903
<u>Long term Assets</u>				
Long Term Debtors	125	125	148	148
Stocks	13	13	12	12
Landsbanki	809	809	403	403
Soft Loans	2,381	2,381	2,608	2,608
Total long term assets	3,328	3,328	3,171	3,171
Total Financial Assets	**25,639**	**25,657**	**29,039**	**29,074**

Balance as at:	31 March 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Liabilities				
Accrued Interest	125	125	157	157
PWLB repayments due	0	0	912	912
Lawn Tennis Association Loan	0	0	9	9
Total Short Term Borrowing	125	125	1,078	1,078
Bank Overdraft	634	634	1,334	1,334
Provisions – employee benefits	70	70	82	82
Creditors	10,571	10,571	8,696	8,696
Total Short Term Liabilities	11,400	11,400	11,190	11,190
Long Term Liabilities				
PWLB – maturity	4,001	4,949	4,000	5,735
PWLB – EIP	2	2	0	0
PWLB – Annuity	0	0	89,561	80,417
LOBOs	3,101	3,464	3,101	3,265
Market loans	0	0	0	0
Lawn Tennis Association Loan	97	97	122	122
Total Long Term Liabilities	7,201	8,512	96,784	89,539
Total Financial Liabilities	**18,601**	**19,912**	**107,974**	**100,729**

Maturity Analysis

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

	31 March 2011		31 March 2012	
	£000	£000	£000	£000
	Principal	Carrying Amount	Principal	Carrying Amount
PWLB	4,003	4,086	4,000	4,084
PWLB – HRA Self Financing	0	0	90,473	90,504
Market debt	0	0	0	0
Lawn Tennis Association Loan	97	97	131	131
LOBO	3,001	3,143	3,001	3,143
Creditors	10,571	10,571	8,696	8,696
Bank Overdraft	634	634	1,334	1,334
Provisions – employee benefits	70	70	82	82
Total	**18,376**	**18,601**	**107,717**	**107,974**
Less than 1 year	11,281	11,406	11,033	11,190
Between 1 and 2 years	7	7	2,837	2,837
Between 2 and 5 years	19	19	6,095	6,095
Between 5 and 10 years	32	32	11,526	11,526
More than 10 years	7,137	7,137	76,226	76,326
Total	**18,376**	**18,601**	**107,717**	**107,974**

13. PENSION COSTS

Employees of Dover District Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the Local Government Pension Scheme Regulations 1997 as amended. Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. The next formal valuation is due on 31 March 2013.

The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 (employee benefits) are given below:

Transactions Relating to Retirement Benefits

	2010/11 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	2,591	1,411
Past service costs	(9,892)	0
Curtailments and settlements	(2,928)	(83)
Financing and Investment Income and Expenditure		
Expected return on pension assets	(4,636)	(4,374)
Pensions interest cost	6,771	5,784
Charge to the Surplus or Deficit on the Provision of Services	**(8,094)**	**2,738**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	21,152	(15,498)
Total charges to the Comprehensive Income and Expenditure Statement	**13,058**	**(12,760)**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	8,094	(2,738)
Actual amount charged to the General Fund for pensions in the year		
Employers' contributions payable to scheme	3,697	2,866
Retirement benefits payable to pensioners	591	597
Contribution (From) or To Pensions Reserve	**12,382**	**725**

As required under IAS 19 the valuation method used is the projected unit method of valuation. With this method where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

Settlements

As a result of the transfer of staff to East Kent Housing during the year, liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £466k.

Actuarial Gain/Loss

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was a loss of £15.498m in 2011/12 and a gain of £21.152m in 2010/11.

Assets and Liabilities in Relation to Retirement Benefits

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

Liabilities	2010/11 £000	2011/12 £000
Opening balance at 1 April	140,217	110,327
Current service costs	2,591	1,411
Interest cost	6,771	5,784
Actuarial gains / (losses)	(16,755)	12,696
Gains or losses on curtailments	13	383
Liabilities extinguished on settlements	(8,552)	(3,771)
Benefits paid	(4,180)	(4,863)
Past service costs	(9,892)	0
Contributions from scheme participants	705	484
Unfunded pension payments	(591)	(597)
Closing balance at 31 March	**110,327**	**121,854**

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

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

Assets	2010/11 £000	2011/12 £000
Opening balance at 1 April	64,037	67,681
Expected rate of return	4,636	4,374
Actuarial gains or (losses)	4,397	(2,802)
Employer contributions	4,288	3,463
Contributions by scheme participants	705	484
Benefits paid	(4,771)	(5,460)
Payment of bulk transfer values	(5,611)	(3,305)
Closing balance at 31 March	**67,681**	**64,435**

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

The actual return on scheme assets in the year: gain of £1.573m (2010/11: gain of £5.7m).

Net Pension Liability

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

	2010/11 £000	2011/12 £000
Present value of funded obligation	102,337	113,351
Fair value of scheme assets (bid price)	67,681	64,435
Sub-total	34,656	48,916
Present value of unfunded obligation	7,990	8,503
Net Pension Liability	**42,646**	**57,419**

Reconciliation of Opening & Closing Surplus or Deficit

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

Surplus or Deficit	**2010/11 £000**	**2011/12 £000**
Opening balance at 1 April	(76,180)	(42,646)
Current service costs	(2,591)	(1,411)
Employer's contributions	3,697	2,866
Unfunded pension payments	591	597
Past service costs	9,892	0
Other finance income	(2,135)	(1,410)
(Losses) or gains on curtailments	2,928	83
Actuarial gains or (losses)	21,152	(15,498)
Closing balance at 31 March	**(42,646)**	**(57,419)**

Breakdown of Assets Held by Pension Fund shown at Fair Value

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

	31 March 2011		**31 March 2012**	
Assets	**Fund Value £000**	**Percentage of Fund %**	**Fund Value £000**	**Percentage of Fund %**
Equities	51,437	76%	47,682	74%
Gilts	677	1%	644	1%
Bonds	8,122	12%	6,444	10%
Property	6,091	9%	5,799	9%
Cash	1,354	2%	2,577	4%
Target Return Portfolio	0	0%	1,289	2%
Total	**67,681**	**100%**	**64,435**	**100%**

Scheme History

	2007/08 £000	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**
Present value of liabilities	(99,380)	(96,160)	(140,217)	(110,327)	(121,854)
Scheme assets	59,210	47,540	64,037	67,681	64,435
Surplus or (deficit) in the scheme	**(40,170)**	**(48,620)**	**(76,180)**	**(42,646)**	**(57,419)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £57m has a substantial impact on the net worth of the Authority as recorded in the Balance

Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(17.4)	(33.0)	21.0	6.5	(4.3)
Experience gains and losses on liabilities	**0.6**	**0.1**	**0.9**	**2.9**	**(0.2)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2010.

The financial assumptions used for the purposes of IAS 19 calculations are given below:

	2010/11	2011/12
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.8 Years	20.0 Years
Women	23.9 Years	24.0 Years
Longevity at 65 for future pensioners		
Men	21.9 Years	22.0 Years
Women	25.8 Years	25.9 Years
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%
Rate of inflation – RPI	3.5%	3.3%
Rate of inflation – CPI	2.7%	2.5%
Rate of increase in salary	5.0%	4.7%
Rate of increase in pension	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.4%	6.3%
Gilts	4.4%	3.3%
Bonds	5.5%	4.6%
Property	5.4%	4.3%
Cash	3.0%	3.0%
Target return portfolio	n/a	4.7%
Expected return on assets	6.9%	5.8%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The valuation of the Council's retirement benefit liabilities as at 31 March 2012 assumes members will exchange half their commutable pension for cash at retirement.

Projected Pension Expense for the Year to 31 March 2013

These projections are based on the Actuary's assumptions as at 31 March 2012:

	2012/13 Projection £000
Service costs	1,755
Interest cost	5,546
Return on assets	(3,666)
Total	**3,635**
Employer's contributions	2,664

Further Information

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

14. COUNCIL TAX INCOME

	2010/11 £000	**2011/12 £000**
District council's council tax	6,390	6,396
Parish councils' council tax	1,832	1,920
Prior year's actual accumulated Collection Fund surplus	(189)	(170)
Current year's actual Collection Fund surplus	170	207
Total	**8,203**	**8,353**

15. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income

	2010/11		2011/12	
	£000	£000	£000	£000
National non-domestic rate distribution		8,919		6,195
General government grants:				
Revenue Support Grant	1,295		1,915	
Area Based Grant	191		0	
Council Tax Freeze Grant	0		160	
New Homes Bonus	0		330	
		1,486		2,405
Total non-specific grant income		**10,405**		**8,600**

Capital Grants & Contributions

	2010/11	2011/12
	£000	£000
SEEDA	0	853
Tennis Foundation	400	0
Section 106	133	0
Environment Agency	150	240
Growth Point	419	373
Other	102	75
	1,204	**1,541**
Less movement on unapplied capital grants	(89)	(293)
Grant included in Net Cost of Services	0	(96)
Total capital grant contributions	**1,115**	**1,152**

Credited to Services

	2010/11	2011/12
	£000	£000
Rent Allowance Subsidy	24,164	25,785
Council Tax Benefit Subsidy	9,296	9,414
Benefit Administration Grant	549	502
Council Tax Administration Grant	459	419
Non-HRA Rent Rebate Subsidy	277	116
HRA Rent Rebate Subsidy	10,464	11,067
Discretionary Housing Payment Contribution	52	70
Revenue & Benefits Administration Grant	34	0
Disabled Facilities Grant Subsidy	430	532
Concessionary Fares Special Grant	350	29
NNDR Cost of Collection Allowance	164	155
Local Benefits Scheme Subsidy	7	10
Homelessness Grant	120	182
Renovation Grants	378	19
Capital Grants to Organisations	573	0
Coast Protection Grant	21	56
Crime and Disorder Grant	34	36
Other	49	40
Total	**47,421**	**48,432**

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found in note 23 on page 63.

16. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees 2010/11	2011/12
£50,000-£54,999	25	14
£55,000-£59,999	1	10
£60,000-£64,999	2	1
£65,000-£69,999	2	3
£70,000-£74,999	2	0
£75,000-£79,999	0	2
£80,000-£84,999	7	4
£85,000-£119,999	0	0
£120,000-£124,999	1	1
	40	**35**

Exit Packages

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

2010/11 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	11	1	12	£90,958	£12,700
20-40	4	-	4	£78,975	£29,100
40-60	1	-	1	£17,779	£26,000
60-80	-	-	-	-	-
80-100	2	-	2	£87,946	£100,200
100-150	-	-	-	-	-
150-200	1	-	1	£64,991	£125,800
Total	**19**	**1**	**20**	**£340,649**	**£293,800**

2011/12 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	3	2	5	£49,531	£1,200
20-40	-	-	-	-	-
40-60	1	-	1	£52,815	-
Total	**4**	**2**	**6**	**£102,346**	**£1,200**

Senior Officers' Emoluments

Under the new Accounts and Audit Regulations 2009, the Authority is required to include additional remuneration information in the Statement of Accounts about the senior officers, as shown below. These employees are included in the banding table; however, for the note there is an additional inclusion of the employer's pension contributions.

2010/11 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	121	3	0	124	17	141
Head of Finance & ICT (S.151 Officer)	78	3	0	81	11	92
Head of Governance (Monitoring Officer)	78	3	0	81	11	92
Head of Property, Leisure & Waste Management	72	3	6	81	11	92
Head of Housing, Culture & Community Safety	78	3	0	81	11	92
Head of Development & Public Protection	72	3	5	80	11	91
Head of Business & Community Transformation *	81	3	0	84	11	95
	580	**21**	**11**	**612**	**83**	**695**

* Head of Business & Community Transformation was transferred to East Kent Housing on 1 April 2011

The above posts were also re-titled with effect 1 April 2011 and have been presented for 2011/12 in the same corresponding order, with the addition of a new post, Head of Inward Investment below:

2011/12 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	121	3	0	134	18	142
Dir of Finance, Housing & Comm (S.151 Officer)	81	3	0	84	10	94
Dir of Governance (Monitoring Officer)	81	3	0	84	10	94
Dir of Environment & Corp Assets	78	0	6	84	10	94
Dir of Housing, Culture & Community Safety *	67	0	0	67	0	67
Dir of Community & Development	77	0	1	78	10	88
Head of Inward Investment	72	0	4	76	10	86
	577	**9**	**11**	**607**	**68**	**665**

* The Director of Housing, Culture and Community Safety was made redundant on 6 April 2011. The above Salary figure includes the exit package paid to the employee.

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

Under the IFRS Code Dover District Council is required to accrue for untaken annual leave at the end of the accounting period. At the end of 2011/12 this was estimated to be £82k (£70k in 2010/11).

17. CAPITAL RECEIPTS

Usable Capital Receipts

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

	2010/11 £000	2011/12 £000
Balance at 1 April	756	826
Usable capital receipts received	1,034	1,787
	1,790	2,613
Less: usable capital receipts applied		
Expenditure on non-current assets	(529)	(737)
Pooled housing capital receipts	(435)	(515)
Balance at 31 March	**826**	**1,361**

Pooling of Housing Capital Receipts

In accordance with the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,* local authorities are required to pool a proportion of their capital receipts from the sale of Housing Revenue Account assets. For the financial year 2011/12 £515k has been paid to the DCLG in relation to capital pooling requirements (£435k in 2010/11).

18. EARMARKED RESERVES

General Fund Earmarked Reserves:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special projects	771	565	(95)	1,241
Local Development Framework	298	-	(32)	266
Housing & Planning Delivery Grant	172	-	(33)	139
Major events	188	20	(73)	135
Cluster preparation	469	118	(72)	515
Invest to Save	8	20	-	28
Benefits overpayments	259	38	-	297
On-street parking	2	19	-	21
ICT equipment & servers	73	214	-	287
Concessionary fares	162	-	(162)	-
Iceland investment	450	-	(450)	-
Elections	144	17	(62)	99
Private sector housing	35	93	-	128
Backfunding equalisation	-	250	-	250
New homes bonus	-	147	-	147
Business Rates & Council Tax	-	612	-	612
Deal Tennis Centre Equipment	-	5	-	5
Carry Forward	-	58	-	58
Total	**3,031**	**2,176**	**(979)**	**4,228**

Special Projects – this sum is held in reserve to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2011/12 totalled £95k of which £35k was for capital projects and £60k was for revenue projects. A contribution to the reserve from the General Fund of £565k has been made to offset the revenue expenditure associated with the Delivering Effective Services restructure funded from the reserve in 2010/11.

Local Development Framework – this reserve has been created to hold the monies set aside to fund the Local Development Framework.

Housing and Planning Delivery Grant – Housing and Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2012 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 involved in various events being staged (e.g. the Olympic Torch event). The Major Events Reserve has been established to assist the Council in meeting the costs it will incur as these events take place within the district.

Cluster Preparation (Joint Working) – the reserve was established from a combination of Performance Reward Grant (PRG) received and income from VAT refunds. An element of the reserve has been set aside to fund commitments from the PRG scheme for Crime & Disorder Reduction Partnerships and Private Sector Housing.

The Council is engaged with partner authorities in seeking to exploit opportunities to provide/procure services jointly, thus saving costs and enhancing resilience. The balance of this reserve is allocated to assist the Council in being able to make initial investments that secure longer-term joint working benefits and savings.

Invest to Save – the reserve holds payback generated by reductions in the budget services benefiting from investment from the Special Projects Reserve.

Benefits Overpayments – recovery of benefits overpayments is difficult to forecast. Contributions to this reserve were made in 2007/08, 2008/09 and 2011/12. The reserve is applied as required to smooth out any fluctuations in performance.

On-Street Parking Reserve – is the ring-fenced parking surplus that is used to fund highways, transport and environmental schemes within the district.

ICT Equipment & Servers – this reserve has been established to smooth out the budgeting impact of replacing ICT equipment, servers and software upgrades.

Concessionary Fares – this reserve was established to mitigate the estimated impact of Concessionary Fares appeals. No further use of this reserve is anticipated and so the balance has been transferred to create the Business Rates & Council Tax Benefits Reserve (see below).

Iceland Investment Reserve – this reserve was established to set aside funds to reduce the impact of the risk of losses on the Icelandic Investment. Following the impairment of the value of the investment in the 2010/11 accounts, and the recent court hearings, it is anticipated that no further use of this reserve will be required and so the balance has been transferred to create the Business Rates & Council Tax Benefits Reserve (see below).

Elections – this reserve has been established to smooth the budgetary impact of the election cycle.

Private Sector Housing – this reserve has been set up to smooth the impact of Housing surveys required on a 4-yearly basis and to allocate the balance of additional Homelessness grant received in 2011/12 and expected in 2012/13 for related projects in the future.

Backfunding Equalisation Reserve – this reserve has been set up to smooth any impact of increased backfunding contributions required from future actuarial valuations or to provide additional support to fund any losses from the Icelandic Investment if required.

New Homes Bonus – this reserve was established to set aside half the grant received in 2011/12 from the New Homes Bonus scheme to support future pressures and projects relating to any significant areas of property development.

Business Rates & Council Tax Benefits Reserve – this reserve has been established to assist in offsetting the potential additional costs to the Council of the current proposals relating to the retention of business rates and the revised council tax benefit scheme.

Deal Tennis Centre Equipment – this reserve has been set up to hold the agreed annual contribution from DDC to support the costs of future equipment replacement.

Carry Forward – this reserve has been set up to hold budgets approved for carry forward in accordance with the process approved in the Medium Term Financial Plan.

Housing Revenue Account:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Major Repairs Reserve	0	(3,227)	3,227	0
Tenant's Compact Reserve	(346)	0	0	(346)
Housing Initiatives	0	(2,500)	0	(2,500)
Total	**(346)**	**(5,727)**	**3,227**	**(2,846)**

Major Repairs Reserve – the housing subsidy includes a grant in the form of a Major Repairs Allowance that 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.

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

Housing Initiatives Reserve – to provide a source of funding for initiatives arising due to additional financing available due to Housing Finance Reform.

19. DEBTORS

Long Term Debtors	**31 March 2011 £000**	**31 March 2012 £000**
Housing association mortgages	18	0
Loans to:		
Leaseholders [1]	67	113
Local organisations	40	35
Other:		
Housing benefit debtors [2]	514	244
Total	**639**	**392**

[1] **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.

[2] **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over several years. This debtor represents the value of housing benefit outstanding at 31 March 2010 which is expected to be recovered after one year.

Short Term Debtors	**31 March 2011 £000**	**31 March 2012 £000**
General Fund		
Housing benefit claimants (current & former)	431	432
Central government	1,929	270
Local authorities	1,456	1,591
Payments in advance	394	263
Other debtors	3,356	4,268
	7,566	6,824
Collection Fund		
Council tax payers (district council's share)	440	445
Central government	1,094	373
	1,534	818
Total	**9,100**	**7,642**

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

The movement in debtors is largely due to a reduction in debts owed by Central Government. These include a reduction in General Fund debts due to the overpayment of benefits subsidies by Central Government in 2011/12 (a creditor of £61k) instead of an underpayment in 2010/11 (a debtor of £1.385m within the comparative figures above). There is also a reduction in net Collection Fund debts owed by Central Government in respect of NDR overpaid to it by the Council. These overpayments arise from payments being made to Central Government based on an estimate of gross NDR collectible from businesses, while changes in rateable value during the year have resulted in lower amounts becoming due for collection from some of them. Central Government will refund this amount on submission of the audited NDR3 form in the next financial year.

Provision for Bad Debts	**Council Tax £000**	**General Debtors £000**	**Housing Benefits £000**	**HRA £000**	**Total £000**
Balance at 1 April 2010	267	200	1,244	409	2,120
Write-offs	(128)	(9)	(117)	(62)	(316)
Contribution to provision	80	106	117	83	386
Balance at 31 March 2011	**219**	**297**	**1,244**	**430**	**2,190**
Write-offs	(21)	(56)	113	(56)	(20)
Contribution to provision	24	(73)	(59)	63	(45)
Balance at 31 March 2012	**222**	**168**	**1,298**	**437**	**2,125**

The provision for bad debts in respect of council tax represents the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 73.

Disclosure Requirements under IAS 32 (Financial Instruments: Presentation)

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

Age of Debt

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

	At 31 March 2011			At 31 March 2012		
Age of debt	**General Debtors £000**	**HRA £000**	**Total £000**	**General Debtors £000**	**HRA £000**	**Total £000**
< 1 month	391	226	617	1,142	207	1,349
1 – 3 months	225	150	375	95	128	223
3 – 6 months	96	222	318	62	62	124
6 – 12 months	82	56	138	30	96	126
1 year +	118	241	359	118	367	485
Total	**912**	**895**	**1,807**	**1,447**	**860**	**2,307**

Collectability of Debt

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

20. CASH & CASH EQUIVALENTS

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

	2010/11 £000	**2011/12 £000**
Cash held by Authority	3	3
Bank call accounts	2,634	3,428
Total Cash and Cash Equivalents	**2,637**	**3,431**
Bank overdraft	(634)	(1,334)
Total	**2,003**	**2,097**

21. SHORT TERM CREDITORS

As at 31 March	**2010/11 £000**	**2011/12 £000**
General Fund		
Government departments	(4,094)	(4,118)
Other local authorities	(1,471)	(278)
Housing tenants	(100)	(180)
Other creditors – revenue	(4,598)	(3,420)
Other creditors – capital	(508)	(1,030)
	(10,771)	(9,026)
Collection Fund		
Local authorities	(313)	(568)
Local tax payers (DDC's share)	(102)	(113)
	(415)	(681)
Total	**(11,186)**	**(9,707)**

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

The movement in creditors is largely due to monies accrued in 2010/11 for redundancy payments and actuarial strain in respect of the Delivering Effective Services restructure, the initial costs of setting up the payroll service with KCC, street lighting repairs and maintenance (KCC) and the appeal provision for the concessionary bus fares claim by Stagecoach.

22. RECEIPTS IN ADVANCE

As at 31 March	**2010/11** **£000**	**2011/12** **£000**
Government departments	(241)	(350)
Other local authorities	(262)	(456)
Other	(1,288)	(1,093)
Total	**(1,791)**	**(1,899)**

23. CAPITAL GRANTS UNAPPLIED

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

	2010/11 **£000**	**2011/12** **£000**
Balance at 1 April	**1,007**	**918**
Contributions received	907	96
Applied to capital projects	(996)	(389)
Balance at 31 March	**918**	**625**

24. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2010/11 **£000**	**2011/12** **£000**
Balance at 1 April	**2,305**	**1,653**
Contributions received	1,847	412
Applied to capital projects	(2,496)	(1,461)
Grant repaid	(3)	0
Balance at 31 March	**1,653**	**604**

25. CAPITAL ADJUSTMENT ACCOUNT

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

	2010/11 £000	2011/12 £000
Balance at 1 April	**(296,248)**	**(210,098)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	3,762	2,961
Amortisation of intangible assets	32	18
Revaluation losses on property, plant and equipment	87,878	8,173
Revaluation gains on property, plant and equipment	0	(1)
Revenue expenditure funded from capital under statute	279	59
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	695	1,407
Adjusting amounts written out of the Revaluation Reserve	(430)	(299)
Net written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(529)	(737)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,125)	(3,227)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,115)	(1,152)
Application of grants to capital financing from the Capital Grants Unapplied Account	(89)	(389)
Receipt of capital income from long term debtors	(1)	0
Capital expenditure charged against the General Fund and HRA balances	(870)	(766)
Capital expenditure charged against Earmarked Reserves	(62)	(94)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(275)	(106)
Exception item – Self-Financing Determination Loan	0	90,473
Balance at 31 March	**(210,098)**	**(113,779)**

26. DEVELOPER CONTRIBUTIONS

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

	2010/11 £000	2011/12 £000
Balance at 1 April	**719**	**631**
Contributions received	170	67
Transfers to third parties	(28)	(13)
Applied to capital	(133)	0
Applied to revenue	(97)	(86)
Balance at 31 March	**631**	**599**

27. REVALUATION RESERVE

The revaluation reserve records unrealised revaluation gains arising (since 1 April 2007) from holding operational land and buildings. The balance on the reserve is reduced when assets with accumulated gains are revalued downwards or impaired and the gains lost; used in the provision of services and the gains consumed through depreciation; and disposed and the gains realised. Accumulated gains pre-dating 1 April 2007 were transferred to the Capital Adjustment Account.

	2010/11 £000	2011/12 £000
Balance at 1 April	13,770	17,893
Revaluation gains	4,561	7
Revaluation losses	(8)	(45)
Revaluations relating to disposals written out	0	(2)
Historic cost deprecation written out to the capital adjustments account	(430)	(299)
Balance at 31 March	**17,893**	**17,554**

28. RELATED PARTY TRANSACTIONS

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

One Member failed to provide a return. Following a review of their previous return and their Declaration of Interest Statement, in the opinion of the Authority, their return would not be material.

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

Organisation	Value	Details
Gazen Salts Nature Reserve	£4,500	1 Member was appointed Trustee by Sandwich Town Council.
Deal Town Council	£5,000	4 Members were also Town Councillors.
Sandwich Toll Bridge Fund	£24,064	Members of Sandwich Town Council are by definition Trustees of this Fund, through this, 2 Members of Dover District Council are Trustees.
Dover, Deal & District Citizens Advice Bureau	£97,000	One Member is a Trustee of this local charity.
Action with Communities in Rural Kent	£2,500	One Member was appointed as Representative Member by Dover District Council.

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

The Council is joint owner of East Kent Housing Ltd, an arms length management organisation, owning 25% of the company. 2011/12 was the first year of operation.

In 2011/12 payment of £2,279,300 was made to East Kent Housing in respect of management fees. This fee was reduced by £106,798 being DDC's share of the EKH surplus in excess of its ongoing working capital requirements. The net fee was £2,172,502.

Charges from DDC to East Kent Housing in respect of services supplied totalled £403,730. EKH paid a further £953,176 for reimbursement of salaries paid by DDC in respect of EKH staff.

Balances due to/from East Kent Housing at 31 March 2012 were £44,585 and £358,508 respectively.

29. MEMBERS' ALLOWANCES

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

	2010/11 £000	2011/12 £000
Basic Allowance	189	179
Special Responsibility Allowance	116	92
Members' National Insurance Contributions	10	9
Total	**315**	**280**

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

30. **AUDIT COMMISSION FEES**

The Council's auditors are the Audit Commission, an independent body responsible for ensuring that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2010/11.

	2010/11 £000	2011/12 £000
External audit services	116	108
Statutory inspection	0	7
Certification of grant claims and returns	35	44
Total	**151**	**159**

31. **CONTINGENT LIABILITIES**

Personal Search Fees

Personal search fees were discontinued following a change in legislation in 2010. Charging prior to this change is currently the subject of litigation. This is a national issue and Dover District Council awaits the outcome of the legal process.

Munich Municipal Insurance (MMI)

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into “run-off”. At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years’ insurance cover will be met from the company’s assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims. As at 31 March 2012 the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £182,782 less £50,000. The situation will be subject to on-going reviews and any change to MMI’s solvency and the effect on the Council’s potential liability will be reflected in future accounts.

East Kent Housing Pension Deficit

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

East Kent Housing Ltd’s pension liability has increased from £1.7 million to £5.1 million at 31 March 2012. However, the company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension contributions.

Revised future contribution rates will not be set until 2014/15, meaning that the company should be able to meet its current pension obligations at least up to that point. The impact of any increase to its future contribution rate may have to be assessed within the context of future management fees.

32. PRIVATE FINANCE INITIATIVE

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £4.48 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2012 was considered remote.

33. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2012. No events have occurred that require changes to the accounting statements.

34. CHANGE IN PROVISION OF SERVICES

EAST KENT HOUSING

East Kent Housing Ltd (EKH) is the trading name for the East Kent ALMO that has been set up jointly with Canterbury, Dover, Shepway and Thanet Councils to manage the housing stock for all four authorities.

EKH was incorporated with Companies House on 11 January 2011 as a private company limited by guarantee. Each of the authorities holds equal shares in the company and has equal control over the entity. EKH did not become a live entity and begin trading until 1 April 2011, when staff from all authorities transferred into the new ALMO under TUPE arrangements.

ICT, HOUSING BENEFITS & REVENUE & CUSTOMER SERVICES

On 1 February 2011 the ICT, Revenue & Benefits and Customer Service operations were subject to a change in method of service provision, and are now being provided as part of shared service undertakings. The year 2011/12 was the first full year of service under this new method.

The objective of the change in this service was to find savings through the pooling of resources with other authorities and to take advantage of the efficiencies and economies this amalgamation brings. The main accounting change is that expenditure is now shown as a management fee from the new body, East Kent Services (hosted by Thanet District Council), rather than the direct charges against the respective expenditure codes.

Operation	**Management Fee**
ICT	£ 494,556
Revenues & Benefits	£2,575,036
Customer Services	£ 270,831
Total	**£3,340,423**

35. **INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council, together with Canterbury City Council, Shepway District Council and Thanet District Council, jointly owns East Kent Housing Ltd (EKH), an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four authorities' council housing stock. For financial accounting purposes, EKH is regarded as being a joint venture under joint control and each authority holds an equal 25% share in the company.

Under the Code authorities with interests in joint ventures shall prepare Group Accounts in addition to their single entity accounts, unless their interest is considered not material. This Council considers that its' interest in EKH is not material and that Group Accounts do not need to be prepared.

The financial (unaudited) results of EKH for 2011/12 and the Council's share are as follows:

	East Kent Housing Ltd	DDC share (25%)
	£000	£000
Turnover	8,625	2,156
Expenses	(8,341)	(2,085)
Operational profit	284	71
Profit/(loss) after taxation	(1,350)	(338)
Other comprehensive income and (expenditure)	(3,277)	(819)
Total comprehensive income and (expenditure)	(4,627)	(1,157)
Non-current assets	-	-
Current assets	1,518	380
Current liabilities	(1,079)	(270)
Non-current liabilities	(5,066)	(1,267)
Profit and loss reserve	(439)	(110)
Pensions reserve	5,066	1,267

Note 28, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2011/12. Note 31, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

36. **EXCEPTIONAL ITEMS**

Net Cost of Services – Revaluation Loss on GF / HRA Stock

In 2010/11 revaluation losses of £82,319k were charged to the Housing Revenue Account. £63,864k was as a result of the regional variation in Existing Use Value – Social Housing (EUV-SH) from 45% to 32%. This adjustment applies to all south-east authorities that maintain a Housing Revenue Account. The remaining revaluation loss of £18,455k was due to a general fall in value.

In 2010/11 revaluation losses of £5,559k, mainly relating to the Leisure Centres and Museum, charged to the General Fund were classed as Exceptional. In 2011/12 revaluation losses of £2,555k, in relation to Dover Town Investment Zone properties, charged to the General Fund have been classed as Exceptional.

Net Cost of Services – Self-Financing Determination

From 1 April 2012 the Housing Subsidy system, under which this Council made an annual negative subsidy payment, was replaced by a system of self-financing with repayment of debt and related interest.

The Settlement Payment Determination 2012 set out the amount each local authority was to pay to/receive from the Secretary of State in order to exit the subsidy system. For Dover District Council the payment to the Secretary of State was £90,473k. This payment was required by the 28 March 2012 and was financed by a 30-year repayment loan from the Public Works Loan Board.

In accordance with guidance our payment to Central Government has been recorded on the face of the Comprehensive Income and Expenditure Statement and has been reversed out through the Movement in Reserves Statement as the transaction is defined by statute to be capital expenditure.

Net Cost of Services – Pension Capitalised Gains

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing the Authority's liabilities in the Pension Fund in 2010/11 by £9.892m.

In addition, as a result of the East Kent Services transfer of staff to Thanet District Council during 2010/11, liabilities were settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement was £2.941m.

Financing and Investment Income & Expenditure

In 2010/11 claims to HMRC in respect of leisure services, bulky waste and excess car parking charges were agreed and settled totalling £151k with a further £147k received as interest due on these overpayments. From this income, an amount of £12k was been paid to professional advisors who assisted in submitting the claims.

37. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted. There are no new standards that have been issued, but not yet adopted, relevant to this Council.

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Income		
		Council tax:		
	(49,818)	Billed to council tax payers	(49,790)	
	(9,230)	Council tax benefits	(9,336)	
(59,048)				(59,126)
		Non-domestic rates:		
	(29,463)	Billed to NNDR payers	(31,507)	
	-	Exceptional item	-	
(29,463)				(31,507)
(88,511)		**Total Income**		**(90,633)**
		Expenditure		
		Precepts and demands:		
	42,121	Kent County Council	42,161	
	5,575	Kent Police Authority	5,580	
	2,732	Kent & Medway Fire & Rescue Authority	2,734	
	6,390	Dover District Council	6,396	
	1,832	Town and parish councils	1,920	
58,650				58,791
		Non-domestic rates:		
	29,308	Payment to National Pool	31,355	
	155	Cost of collection allowance	152	
29,463				31,507
905		Council tax written-off		146
(360)		Provision for non-payment of council tax		(29)
88,658		**Total Expenditure**		**90,415**
147		**(Surplus) or Deficit for the Year**		**(218)**
(1,348)		Balance brought forward at 1 April		(1,201)
(1,201)		**Balance Carried Forward at 31 March**		**(1,419)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. COUNCIL TAX

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

Precepts

Authorities who made a precept on the Collection Fund are:

	2010/11 £000	2011/12 £000
Kent County Council	42,121	42,161
Kent Police Authority	5,575	5,580
Kent and Medway Fire & Rescue Authority	2,732	2,734
Dover District Council	6,390	6,396
	56,818	56,871
Parish councils	1,832	1,920
Total	**58,650**	**58,791**

Council Tax Base

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

	2010/11			2011/12		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	7.75	5/9ths	4.31	8.00	5/9ths	4.44
A	5,278.59	6/9ths	3,519.06	5,400.82	6/9ths	3,600.55
B	13,958.45	7/9ths	10,856.57	14,058.12	7/9ths	10,934.09
C	11,876.15	8/9ths	10,556.58	11,829.86	8/9ths	10,515.43
D	6,232.86	9/9ths	6,232.86	6,143.98	9/9ths	6,143.98
E	3,747.60	11/9ths	4,580.40	3,734.60	11/9ths	4,564.51
F	2,046.60	13/9ths	2,956.20	2,065.15	13/9ths	2,982.99
G	1,281.70	15/9ths	2,136.17	1,269.80	15/9ths	2,116.33
H	47.55	18/9ths	95.10	46.40	18/9ths	92.80
	44,477.25		40,937.25	44,556.73		40,955.12
Estimated Collection Rate			98.20%			98.25%
Council Tax Base			**40,200.38**			**40,238.41**

Band D Council Tax

	2010/11 £000	2011/12 £000
Kent County Council	1,047.78	1,047.78
Kent Police Authority	138.68	138.68
Kent & Medway Towns Fire Authority	67.95	67.95
Dover District Council	158.94	158.94
	1,413.35	1,413.35
Parish councils (average)	45.58	47.71
Total	**1,458.93**	**1,461.06**

This basic amount of council tax for a Band D property of £1,461.06 for 2011/12 (£1,458.93 for 2010/11) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specifies an amount of 'rate poundage' of 43.3p (41.4p) for large businesses or 42.6p (40.7p) for small businesses in 2011/12 (2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by Central Government.

Central Government redistributes the sums paid into the Pool back to local authorities on a basis determined by the Secretary of State as part of the Local Government Finance Settlement.

The NNDR income, after relief and provisions of £31.507m (£29.463m) for 2011/12 (2010/11), was based on the total rateable value for the Council's area, which at the year-end was £91.354m (£90.930m in 2010/11).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2010/11			2011/12		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Balance at 1 April	1,909	1,094	3,003	1,549	1,012	2,561
Write-Offs	(905)	(212)	(1,117)	(146)	(55)	(201)
Contribution to Provision	545	130	675	117	795	912
Balance at 31 March	**1,549**	**1,012**	**2,561**	**1,520**	**1,752**	**3,272**

4. COLLECTION FUND SURPLUSES AND DEFICITS

The District Council was required to estimate by 16 January 2012 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, Kent Police Authority, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £0 for 2010/11, so there was no additional payment to preceptors in 2011/12. The actual surplus of £1.419m at 31 March 2012 will be taken into account when estimating the distributable surplus or deficit for 2012/13 (N.B. "Council Tax Cash" in note 5 shows cash surpluses at 31 March 2011 and 31 March 2012, but these surpluses are only due to prepayments on account of the following years' debts). Each of the major precepting authorities' share of the surplus is shown in the table below.

	Surplus at 1 April 2010 £000	Movement in Year £000	Surplus at 31 March 2011 £000	Movement in Year £000	Surplus at 31 March 2012 £000
Kent County Council	(968)	107	(861)	(151)	(1,012)
Kent Police Authority	(128)	14	(114)	(20)	(134)
Kent & Medway Fire & Rescue Authority	(63)	7	(56)	(10)	(66)
Dover District Council	(189)	19	(170)	(37)	(207)
Total	**(1,348)**	**147**	**(1,201)**	**(218)**	**(1,419)**

5. **ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES**

Each of the major precepting authorities' share of the arrears, pre-payments / refunds and other balances, together with the balances in respect of NNDR, is shown in the table below:

		KCC £000	KPA £000	KMFRA £000	DDC £000	Gov't £000	Total £000
At 31 March 2011	Council tax arrears	2,229	295	145	440		3,109
	Council tax provision for bad debts	(1,111)	(147)	(72)	(219)		(1,549)
	Council tax prepayments & refunds	(519)	(69)	(34)	(102)		(724)
	Council tax cash	262	35	17	51		365
	Collection Fund surplus or deficit	(861)	(114)	(56)	(170)		(1,201)
	NNDR pool					722	722
	NNDR arrears					2,235	2,235
	NNDR provision for bad debts					(1,012)	(1,012)
	NNDR prepayments & refunds					(851)	(851)
	NNDR cash					(1,094)	(1,094)
	Total	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2012	Council tax arrears	2,172	287	141	445		3,045
	Council tax provision for bad debts	(1,084)	(144)	(70)	(222)		(1,520)
	Council tax prepayments & refunds	(551)	(72)	(36)	(113)		(772)
	Council tax cash	475	63	31	97		666
	Collection Fund surplus or deficit	(1,012)	(134)	(66)	(207)		(1,419)
	NNDR pool					461	461
	NNDR arrears					2,609	2,609
	NNDR provision for bad debts					(1,752)	(1,752)
	NNDR prepayments & refunds					(945)	(945)
	NNDR cash					(373)	(373)
	Total	**0**	**0**	**0**	**0**	**0**	**0**

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.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2010/11 £000		Note	2011/12 £000
	Income		
(16,228)	Dwellings rents	10	(17,078)
(433)	Non-dwelling rents		(428)
(304)	Tenant charges for services and facilities		(288)
(262)	Leaseholder charges for services and facilities		(242)
(156)	Contributions towards expenditure		(271)
(17,383)	**Total Income**		**(18,307)**
	Expenditure		
3,669	Repairs and maintenance		3,301
2,739	Supervision and management		3,324
122	Rent, rates, taxes and other charges		113
5,386	Negative subsidy payable to Secretary of State	11	5,941
12	Rent rebate subsidy limitation – transfer to General Fund	12	29
0	Exceptional Item – Self-Financing Determination	13	90,473
2,230	Depreciation and impairment of fixed assets	5	1,486
82,319	Revaluation loss on HRA stock	9	5,618
23	Debt management expenses		48
83	Increase in impairment of debtors	15	64
96,583	**Total Expenditure**		**110,397**
79,200	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		92,090
502	HRA share of corporate and democratic core		315
(1,730)	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		(397)
77,972	**Net Cost of HRA Services**		**92,008**
(246)	(Gain) or loss on sales of HRA non-current assets		(67)
37	Income / expenditure in relation to Investment Properties		0
(194)	Interest and investment income		(198)
374	Pension interest costs and expected return on pensions assets	16	254
77,943	**(Surplus) or Deficit for the year on HRA Services**		**91,997**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2010/11 £000		£000	2011/12 £000	£000
(7,958)	Balance on the HRA at the end of the previous year			**(8,608)**
77,943	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		91,997	
	Adjustments between Accounting Basis and Funding under Statute:			
(82,319)	Impairment of non-current assets	(5,618)		
(37)	Income/expenditure in relation to Investment Properties	0		
0	Transfer of Self-Financing Determination to Capital	(90,473)		
922	Excess depreciation over Major Repairs Allowance charged to the HRA	1,741		
246	Gain on disposal of non-current assets	67		
1,746	Net charges made for retirement benefits	530		
849	Capital expenditure funded by the HRA	499	(93,254)	
(650)	Net increase before transfers to or from reserves		(1,257)	
0	Transfers to earmarked reserves (note 4)		2,500	
(650)	(Increase) or decrease in year on the HRA Balance			**1,243**
(8,608)	**Balance on the HRA at the End of the Current Year**			**(7,365)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2011/12

	Stock at 1 April 2011	Sales	Transfers/ Disposals	Stock at 31 March 2012
Houses/bungalows	2,852	9	0	2,843
Flats	1,609	2	0	1,607
Total	**4,461**	**11**	**0**	**4,450**

Total Value of Assets

	1 April 2011 £000	31 March 2012 £000
Operational assets:		
Dwellings	157,255	153,563
Garages	2,983	2,881
Other land and buildings	70	78
Equipment	0	0
Non-operational assets:		
Investment properties	351	355
Surplus assets	1,737	0
Assets held for sale	0	987
	162,396	**157,864**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2012 was £480m. The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance that 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 as at 31 March 2012 is £0k (31 March 2011 £0k).

	2010/11 £000	2011/12 £000
Balance as at 1 April	**(319)**	**0**
Major Repairs Allowance:		
Depreciation	(2,230)	(1,486)
Excess Depreciation charge to HRA	(922)	(1,741)
Transfer from reserve for capital expenditure	3,125	3,227
Transfer to Tenants Compact Reserve	346	0
Balance at 31 March	**0**	**0**

4. **OTHER EARMARKED RESERVES**

Tenants Compact

This reserve is earmarked for estate improvement works and had a balance of £346k at 31 March 2012 (£346k 31/3/11)

Housing Initiatives

This reserve has been established to provide funding for investment in housing initiatives including "Affordable Housing" and had a balance of £2.5m at 31 March 2012 (nil at 31 March 2011)

5. **DEPRECIATION AND AMORTISATION**

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £1,486k (2010/11 £2,230k) as detailed below.

	2010/11 £000	**2011/12 £000**
Council dwellings	2,065	1,387
Garages	64	99
Equipment	95	0
Intangible assets	6	0
Total	**2,230**	**1,486**

6. **SUMMARY OF CAPITAL EXPENDITURE**

	2010/11 £000	**2011/12 £000**
Capital expenditure:		
Dwellings	4,160	3,727
Total	**4,160**	**3,727**
Financed by:		
Capital receipts	0	0
Funded by HRA	(848)	(499)
Transfer from Major Repairs Reserve	(3,125)	(3,227)
Government supported borrowing	(187)	0
Transfer from Tenants Compact Reserve	0	(1)
	(4,160)	**(3,727)**

7. **SUMMARY OF CAPITAL RECEIPTS**

	2010/11 £000	**2011/12 £000**
Receipts from sales during the year:		
Dwelling sales	(688)	(712)
Other HRA sales	(109)	(531)
Sub total	(797)	(1,243)
Amount pooled to Government *	434	515
	(363)	**(728)**

*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.

8. CAPITAL EXPENDITURE FUNDED BY THE HRA

This relates to improvements to existing Housing Revenue Account properties, partly funded by the Housing Revenue Account as shown in note 5.

9. REVALUATION LOSS ON HRA STOCK

The loss of £5,618k is due to a general fall in value (£82,319k in 2010/11 reported as an Exceptional Item due to the change in the basis of valuation).

10. RENT OF DWELLINGS

This is the total rent income collectable for the year after an allowance is made for empty properties.

The average weekly rent at 31 March 2012 was £73.95, compared with £70.20 at 31 March 2011.

11. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than notional expenditure, resulting in a payment of subsidy to the Government of £5,942k in 2011/12 (£5,386k in 2010/11).

	2010/11 £000	**2011/12 £000**
Rents	15,303	16,242
Self-Financing Interest Adjustment	0	32
	15,303	16,274
Less:		
Management allowance	2,096	2,221
Maintenance allowance	4,617	4,799
Major Repairs Allowance	3,152	3,227
Debt management expenses	39	40
Subsidy capital financing requirement	13	14
Self-Financing Interest Paid	0	32
Subsidy Paid	**5,386**	**5,941**

12. RENT REBATE SUBSIDY LIMITATION

Following the transfer of rent rebates to the General Fund, the Housing Revenue Account is required to reinstate losses incurred by the General Fund.

In 2011/12 average rent exceeded limit rent; this resulted in Rent Rebate Subsidy Limitation of £29k (£11.5k in 2010/11) that required reimbursement from the Housing Revenue Account.

13. EXCEPTIONAL ITEMS – HOUSING FINANCE REFORM

From 1 April 2012 the Housing Subsidy system, under which this council made an annual negative subsidy payment, was replaced by a system of self financing with repayment of debt and related interest.

The Settlement Payment Determination 2012 set out the amount each local authority was to pay to/receive from the Secretary of State in order to exit the subsidy system. For Dover District Council the payment to the Secretary of State was £90,473k. This payment was required by the 28 March 2012 and was financed by a 30-year repayment loan from the Public Works Loan Board.

In accordance with guidance our payment to Government has been recorded on the face of the Housing Revenue Statement and has been reversed out through the Movement in the Housing Revenue Account Statement as the transaction is defined by statute to be capital expenditure.

14. RENT ARREARS

The position for rent arrears is shown below:

31 March 2011				31 March 2012			
Former Tenant Arrears	**Current Tenant Arrears**	**Housing Repairs Arrears**	**Total Rent Arrears**	**Former Tenant Arrears**	**Current Tenant Arrears**	**Housing Repairs Arrears**	**Total Rent Arrears**
£000	£000	£000	£000	£000	£000	£000	£000
134	338	212	684	114	330	205	649

15. IMPAIRMENT OF DEBTORS

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

	2010/11 £000	**2011/12 £000**
Balance brought forward as at 1 April	409	430
Provision made in the year	83	64
Less amounts written off	(62)	(56)
Balance carried forward at 31 March	**430**	**438**

16. FRS 17 (RETIREMENT BENEFITS) AND THE HOUSING REVENUE ACCOUNT

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

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

The following adjustments have been made:

	2010/11 £000	2011/12 £000
HRA Income and Expenditure Statement		
Reverse actual contributions	(76)	0
Reverse unfunded benefits	(103)	(107)
Reverse back funding	(325)	(279)
Capitalised gain	(1,732)	(466)
Current service costs	114	0
Curtailments	2	69
Past service costs	0	0
Included within Net Cost of Services	**(2,120)**	**(783)**
Interest cost per actuary	1,185	1,041
Expected return on assets per actuary	(811)	(787)
Pensions Interest Cost and Expected Return on Assets	**374**	**254**
Statement of Movement on the HRA Balance		
Capitalised gain	1,732	466
Current service costs per actuary	(114)	0
Curtailments per actuary	(2)	(69)
Past service costs per actuary	0	0
Interest cost per actuary	(1,185)	(1,041)
Return on assets per actuary	811	787
Net Charges Made for Retirement Benefits in Accordance with FRS 17	**1,242**	**143**
Contributions in respect of unfunded benefits	103	107
Payments to the pension fund	401	279
Employer's Contribution Payable to the Pension Fund	**504**	**386**

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2010/11	2011/12
	£	£
Income	484	511
Expenditure	(830)	(65)
Surplus or (deficit) for year	(346)	446
Fund balance at 1 April	68,009	67663
Fund balance at 31 March	**67,663**	**68,109**
Represented by:		
Investments	67,663	68,109
Bank	0	0
	67,663	**68,109**

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

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

	2010/11	2011/12
	£	£
Income	1,353	1,275
Expenditure	(220)	(124)
Surplus or (deficit) for year	1,133	1,151
Fund balance at 1 April	342,002	343,135
Revaluation	0	0
Fund balance at 31 March	**343,135**	**344,286**
Represented by:		
Land and other buildings	174,273	174,273
Investment	181,085	181,085
Creditor	(12,223)	(11,072)
	343,135	**344,286**

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).

THE SALTER COLLECTION CHARITY

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

	2010/11	**2011/12**
	£	**£**
Income	0	72
Expenditure	(1,425)	(3,394)
Deficit for year	(1,425)	(3,322)
Fund balance at 1 April	291,693	290,268
Revaluation	0	(17,500)
Fund balance at 31 March	**290,268**	**269,446**
Represented by:		
Dwellings	120,000	0
Collection	180,000	180,000
Investment	0	89,446
Creditor	(9,732)	0
	290,268	**269,446**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

Opinion on the Council financial statements

I have audited the financial statements of Dover District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Dover District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Dover District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Dover District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Darren Wells
District Auditor
Audit Commission,
1st Floor,
Millbank Tower,
Millbank,
London,
SW1P 4HQ

Date: 28/09/12

GLOSSARY

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCOUNTS

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

APPOINTED AUDITORS

These are external auditors of local authorities appointed by the Audit Commission.

ASSETS

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

AUDIT COMMISSION

The Audit Commission is an independent body, established under the Local Government Finance Act 1982. The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of local authority services and defining comparative indicators of local authority performance that are published annually.

BALANCE SHEET

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

BALANCES

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

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

CAPITAL RECEIPTS

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

CAPITAL RESERVE

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

CASH EQUIVALENTS

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

COLLECTION FUND

This is a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the Authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own General Fund.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT ASSETS

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

CONTINGENT LIABILITIES

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

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABLITIES

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENTS

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

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

LEASES

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

LIABILITIES

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

NON-CURRENT ASSETS

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

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROVISIONS

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

RESERVES

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

REVALUATION RESERVE

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

REVENUE/CAPITAL EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

SUPPORT SERVICES

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

SUSPENSE ACCOUNT

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

TEMPORARY LOANS

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

USABLE CAPITAL RECEIPTS

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

WORK IN PROGRESS

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