DOVER
DISTRICT
COUNCIL

Statement Of Accounts

2019/20

CONTENTS

NARRATIVE REPORT

1. INTRODUCTION

This Narrative Report provides an overview of the Council, its year-end position at 31 March 2020, a review of the financial year 2019/20 and possible issues for the future.

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

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

2. CORPORATE PLAN

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

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

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

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

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

3. OVERVIEW OF DOVER DISTRICT

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

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

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

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

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

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

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

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

4. THE COUNCIL

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

Seven Kent County Council (KCC) councillors serve the Dover District over five county divisions. KCC is elected every four years and the most recent elections took place in May 2019.

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

An electoral ward is a subdivision of a local authority, used to elect local councillors. Following an agreed electoral boundary change of the number of elected members by the Local Government Boundary Commission for England (LGBCE), there are currently 17 electoral wards in the Dover District. The District council elections are held every four years and will be held next in May 2023. The current 32 elected councillors represent the 17 wards in the district, with each ward electing one, two or three councillors depending on the size of its electorate.

5. HOW WE WORK

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

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

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

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

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

6. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. The Code is based on a hierarchy of approved accounting standards. There have been very few changes to the presentation of the accounts for 2019/20, with only IFRS 9 Financial Instruments affecting this Council.

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

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

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

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

(b) **Core Financial Statements (page 16 to 20)**

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

- **Comprehensive Income and Expenditure Statement – CIES (page 16)**

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

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

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

- **Balance Sheet (page 180)**

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

- **Cash Flow Statement (page 20)**

  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 21 to 82)**

  The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, e.g. the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes disclose information required by the

Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

(c) **Supplementary Financial Statements (pages 83 to 101)**

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

- **Collection Fund (pages 80 to 88)**

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

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

- **The Housing Revenue Account (pages 89 to 94)**

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

- **Charities Administered by Dover District Council (pages 95 to 96)**

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

(d) **Independent Auditors' Report (page 97)**

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

SUMMARY OF THE 2019/20 FINANCIAL YEAR

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

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

GENERAL FUND REVENUE ACCOUNT

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

In March 2019 the Council approved the 2019/20 budget, forecasting a surplus of £28k. During the year the forecast budget surplus was increased to £110k. Overall the year-end position resulted in a £26k surplus for the year, which is £84k less than the forecast position.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium-Term Financial Plan. The major variations between the original budget, forecast position and year-end outturn are also detailed.

2018/19 Actual £000		2019/20 Original Budget £000	2019/20 Revised Budget £000	2019/20 Actual £000
	Directorate			
676	Chief Executive	1,118	581	618
2,955	Operations & Commercial Services	4,370	4,457	4,186
10,364	Corporate Resources	11,525	11,467	11,061
160	Non-distributed costs	175	186	194
729	Special Revenue Projects	1,290	1,644	561
0	Vacancy Allowance	(150)	(23)	0
14,884	**Directorate Service Costs**	**18,328**	**18,312**	**16,620**
71	River Stour Drainage Board	74	74	74
0	Council Tax Support Funding to Towns & Parishes	0	0	0
0	Property Investment Strategy Target	(100)	(82)	0
(1,203)	Recharge Income from HRA & Capital Projects	(1,295)	(1,313)	(1,329)
0	Contingency	120	100	0
	Contribution to/(from) Reserves:			
2,523	- Special Projects & Events Reserve	(538)	(836)	401
1,830	- Periodic Operations Reserve	(427)	(37)	2,357
1,382	- Dover Regeneration Reserve	439	328	302
0	- District Regeneration & Economic Development Reserve	0	0	0
182	- IT Equipment Reserve	115	51	16
(598)	- Business Rates & Council Tax Reserve	(258)	238	376
19,071	**Net Service Expenditure**	**16,458**	**16,835**	**18,817**
	Financing Adjustments			
(1,138)	Interest Receivable	(1,806)	(1,658)	(1,692)
136	Interest Payable	354	275	282
560	Loan Principal Repayments/ Borrowing Allowance	1,959	1,959	594
(1,180)	Revenue Expenditure Funded by Capital Under Statute	(1,042)	(1,042)	(1,389)
17,449	**Total Budget Requirement**	**15,923**	**16,369**	**16,612**
	Financed by:			
8,277	Non-Domestic Rates	6,838	7,366	7,515
568	Revenue Support Grant	56	56	56
6,922	Council Tax	7,216	7,216	7,216
141	Council Tax - Collection Fund Surplus	112	112	112
8	Council Tax – Other S31 Grants	0	0	9
1,515	New Homes Bonus	1,729	1,729	1,729
30	New Burdens & Other Grants	0	0	1
17,461	**Total Financing**	**15,951**	**16,479**	**16,638**
(12)	**General Fund Deficit/(Surplus) for the Year**	**(28)**	**(110)**	**(26)**
(2,527)	**General Fund Balance at Start of Year**	**(2,777)**	**(2,539)**	**(2,539)**
(2,539)	**Leaving Year End Balances of**	**(2,805)**	**(2,649)**	**(2,565)**

Major Variations

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

	£000
Original Budget Surplus	**(28)**
Business Rates Income - additional Enterprise Zone relief from 2018/19	(556)
Transfer to Reserve to offset expected volatility around Business Rates income	556
Increased staff recharges to HRA and projects	(323)
Transfer to Major Events Reserve to provide additional funding for Open Golf Tournament	150
Interest Receivable reduced due to reassessment of proposed investment options	148
NNDR for the old Dover Leisure Centre, to be removed from rating on demolition	88
Interest Payable - reduced interest following redemption of LOBO loan	(79)
Reduction in fees for Civica / East Kent Services shared services	(54)
Miscellaneous other variances (net)	(12)
Revised Budget Surplus	**(110)**
Additional Business Rates Income	(150)
Transfer to Reserve to offset expected volatility around Business Rates income	150
Savings from PWLB borrowing not yet undertaken for property purchases and leisure centre	(1,365)
Borrowing savings transferred to reserves for future projects	1,365
Reduction in parking income mainly due to impact of the extension of free parking hours at St.James' Development and the closure of a car park in Deal	97
Reduced sundry debtors bad provision based on year end position	(82)
Net increase in cost of Homelessness accommodation	43
Miscellaneous other variances (net)	26
Actual Budget Surplus	**(26)**

Financing

The financing of the budget of £ came from:

	£000	%
Council tax [1]	7,216	43.1
Revenue Support Grant [2]	56	0.3
Non-domestic rates [3]	5,448	32.5
Enterprise Zone Relief Compensation [4]	750	4.5
Renewable Energy Relief Retained [5]	1,441	8.6
New Homes Bonus [6]	1,729	10.3
New Burdens & other grants	1	0
Collection Fund Surplus – Council Tax [7]	111	0.7
Total	**16,752**	**100.0**

(1) Council tax is paid by the residents of the district to the Council, of which 10.3% is for DDC's own use and 3.6% was to meet the precepts of the various town and parish councils, 71.2% was paid to Kent County Council with 10.6% paid to The Police & Crime Commissioner for Kent and 4.3% to the Kent and Medway Fire & Rescue Authority.

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

(3) National non-domestic rates are set by Government but collected by the Council from businesses in the district. Under the current rates retention scheme the amounts collected are usually split between Central Government (50%), Dover District Council (40%), Kent County Council (9%), and the Kent and Medway Fire & Rescue Authority (1%), and this 'tier split' applies for 2019/20. However, for 2018/19 Dover District Council was part of a Kent-wide business rates 'pilot scheme', which enabled 100% of growth above the aggregate baseline need of all the participating authorities to be retained locally, by adjusting KCC's share to 59% and reducing the Government's share to 0%, but with separate sharing arrangements for distribution of the extra growth retained, i.e. it didn't just go to KCC. Nor did this mean that Central Government took no money from business rates collected. In 2018/19 £42.3m of NNDR was billed to ratepayers in the district. However, as usual, Dover's 40% share was reduced significantly by a tariff payable to Central Government of £11.8m, and tariffs will also have been applied to the other pilot scheme members' shares in a similar way. For 2018/19, Dover's tariff reduced its retained funding (after provisions, for example for Business Rates appeals) to £5,242k, which is £1,678k above the baseline level that the Government had calculated that it needs (of £3,564k). Ordinarily, as a result, Dover would have paid a 50% levy of £839k to Government on this sum (i.e. on the "growth" of £1,678k). However, while in the pilot scheme, this sum is paid instead into the Kent-wide 'pool', and both the levy saved and the additional growth retained locally is distributed back to the pilot scheme partners under separate sharing arrangements. As a result, Dover District Council receives an additional £980k ('Financial Sustainability Fund' element, transferred to Special Projects Reserve) and a further £1,003k ('Growth Fund' element, transferred to the 'Dover Regeneration Reserve') for 2018/19. See the Collection Fund section for more information (pages 80 to 88), and Note 21. These are one-off gains for 2018/19 only, as Central Government did not permit the Kent-wide pilot scheme to continue, despite the partners applying to continue with their pilot scheme status. However, in 2019/20 Dover continued to be a 'shadow' member of the Kent Business rates Pool and while paying a levy of £988k to Central Govt on growth retained, it received £555k back in pooling benefits from the Kent pool, effectively reducing the levy payable to £433k and placing it on a broadly equal footing with other pool members.

(4) Enterprise Zone Relief is granted by DDC to businesses in the Discovery Park, Sandwich, which is a designated Enterprise Zone. Such relief is refunded by Government for distribution between Dover District Council, Kent County Council and the Kent and Medway Fire & Rescue Authority in their relevant proportions. Dover's share for 2019/20 is £750k, which is slightly below the sum expected of £790k, and therefore recognition of the shortfall of £40k is deferred to the following year under statutory arrangements. However, in addition, we are required to recognise an adjustment relating to the prior year's EZ relief of £962k. The net Enterprise Zone Relief Grant recognised in the year is therefore £1,752k. Dover's share for 2018/19 was £2,179k, which was above the sum expected of £1,217k and therefore the extra £962k had to be carried forward and recognised in the current year under statutory requirements. However, in addition, we were required to recognise an adjustment relating to the prior year's EZ relief of £115k (i.e. relating to 2017/18). The net Enterprise Zone Relief Grant recognised in the 2018/19 year was therefore £1,332k.

(5) Additionally, income from renewable energy businesses is retained locally, but can be fully retained by Dover where it has granted planning permission (i.e. 100%). Dover's business rates income from renewable energy businesses for 2019/20 was £1,441k, which was higher than the sum of £507k expected for 2019/20, and so the excess of £934k has to be deferred for recognition to the following year. However, in addition, we are required to recognise an adjustment relating to the prior year's renewable energy retained of -£6k. The net Renewable Energy Retained in the year is therefore £501k. For 2018/19 the income was £303k, which was slightly below the sum budgeted of

£309k and therefore the £6k shortfall was carried forward and recognised in the current year under statutory requirements. However, in addition, we were required to recognise an adjustment relating to the prior year's renewable energy retained of £22k (i.e. relating to 2017/18). The net Renewable Energy Retained recognised in the 2018/19 year was therefore £331k.

(6) The New Homes Bonus Scheme rewards councils for delivery of new homes in their districts. The award to DDC under the scheme for 2019/20 was £1,729k (2018/19 £1,515k).

(7) Collection Fund Surplus – Council Tax. This is the sum estimated in January 2019 as the Council's likely share of the distributable surplus on the Collection Fund at 31st March 2019 relating to Council Tax, which has been distributed in 2019/20. Its estimated share was £112k.

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,317 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the housing subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £2,543k was paid off the PWLB loan principle sum during 2019/20.

In 2019/20 the HRA outturn was a surplus balance of £1,027k compared to the original budget forecast of a surplus of £1,035k, an adverse variance of £8k. The main reasons for the variance are as follows:

- Reduction in funding from reserves – (£11,507k)
- Increase in internal recharges - (£90k)
- Increase in pension contributions - £175k
- Reduction in contribution to Major Repairs Reserve - £77k
- Direct revenue financing - adjustment to capital financing – £11,353k

In 2019/20 £591k was transferred to the Housing Initiatives Reserve to provide investment for housing initiatives in the district whilst maintaining a working balance of £1m.

Right-to-buy sales also continued at high levels, in 2019/20 23 sales were completed.

CAPITAL INVESTMENT

The Council invested £20.7m in major projects in 2019/20 the most significant of which were:

- £14m on Housing Revenue Account projects including £6.3m on the redevelopment of William Muge and Snelgrove site; £2.82m on Housing Stock projects ; £2.29m on the purchase of property for social housing; £1.67m on the Norman Tailyour sheltered upgrade;
- £1,485k on the Parks for People – Kearsney project;
- £1,217k on disabled facility grants;

- £345k on Deal Pier refurbishment works;
- £559k on Street Lighting capital works;
- £538k on Restoration of Maison Dieu;
- £276k on CCTV upgrade/Town Centre WIFI;
- The remainder has been spent on a number of smaller projects.

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

- £10.50m from the Housing Revenue Account (revenue financing);
- £4.08m in grants from external bodies including KCC Better Care Fund, Homes England, and the Environment Agency;
- £779k from the Major Repairs Reserve;
- £958k from earmarked reserves;
- £4.06m from capital receipts, including Private Sector Housing loan receipts and excess right to buy receipts.

Overall, the capital programme is within budget.

OTHER KEY FINANCIAL AREAS

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

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

TREASURY MANAGEMENT

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

At 31 March 2020 the Council had investment balances and day-to-day cash balances managed in-house of approximately £56.1m.

The Council's in-house investments outperformed their benchmark (LIBID) and achieved an average return of 2.97% for the year.

The total interest received for the year was approximately £1,710k. This was lower than the original budget of £1,824k, which is an unfavourable variance of £114k. The Council has invested a total of £50m into pooled investment funds which generate a higher rate of interest than call accounts and fixed term deposits. These investments are classed as long term as it is anticipated they will be held for a minimum of five years.

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

The Council has just under £78m of borrowing from the Public Works Loans Board (PWLB).

During 19/20 the Council employed the services of Arlingclose Limited as treasury management advisers.

BALANCE SHEET – The Council's Assets and Liabilities

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

As at 31 March	**2019 £000**	**2020 £000**
Value of land, property and other assets	342,896	353,385
Investments held and cash at bank	51,487	55,071
Money owed to DDC for goods and services	12,408	11,298
Loans owed to DDC (short and long term)	2,196	2,343
Money owed by DDC for goods and services	(19,241)	(22,147)
Loans owed by DDC (short and long term)	(103,988)	(107,492)
Grants for assets received but not yet used	(929)	(1,389)
Share of pension scheme liabilities owed by DDC	(76,157)	(77,201)
Total Assets less Total Liabilities	**208,672**	**213,867**
Financed by:		
Usable reserves[1]	69,798	71,562
Unusable reserves[2]	138,874	142,306
Net Worth of Council	**208,672**	**213,867**

[1] Usable reserves are made up of:

Capital receipts and grants	21,644	21,058
Revenue balances	3,572	3,561
Earmarked reserves	44,582	46,943
	69,798	**71,562**

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

PENSION FUND

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

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

The net liability at 31 March 2020 was £77.2m (£76.1m at 31 March 2019).

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

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

MEDIUM TERM FINANCIAL PLAN

The Council's Budget 2020/21 and Medium-Term Financial Plan (MTFP) 2020/21 – 2023/24 were approved in March 2020. The MTFP covers both revenue and capital budgets for the General Fund and the Housing Revenue Account over a three-year forecasting period. The main features of the MTFP are:

- Balanced General Fund budget for 2020/21;
- Prudent General Fund balances maintained in 2020/21;
- Overall net expenditure levels increased slightly, in line with inflation;
- Council Tax increase of £4.95, rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- The forecasts for future years show a requirement to identify savings or income generation of circa £700k in 2021/22 followed by further savings or income of £1m in 2022/23 and an additional £700k in 2023/24;
- Housing Revenue Account balance to be maintained at circa £1m with excess balances being transferred to a separate reserve to fund HRA based housing projects;
- The current capital programme is funded, subject to the borrowing arrangements for Dover Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are:
  - Property Investment Strategy;
  - Affordable Housing projects;
  - Refurbishment of Dover Town Hall.
- Significant risks and budget volatility remain for future years.

More detailed information on the Council's Budget for 2020/21 and the Medium-Term Financial Plan can be found on the Council's website at: Accounts and Budgets (dover.gov.uk)

THE FUTURE

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

- The impact of Coronavirus on the local economy and the council's finances;
- The economic climate and the impact of the EU Transition;
- Development and regeneration of the local economy;
- The ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants;
- The sustainability of the NHB scheme;
- The ongoing impact of the localisation of council tax support;
- The ongoing impact of the Business Rates Retention scheme and the implementation of 75% business rates retention; and
- Developing partnership arrangements with others in order to achieve cost efficiencies.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Strategic Director (Corporate Resources)'s Responsibilities

The Strategic Director (Corporate Resources) is responsible for the preparation of the Authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).*

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

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

The Strategic Director (Corporate Resources) has also:

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

By signing the Statement of Accounts, the Strategic Director (Corporate Resources) is stating that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

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

Signed:

Mike Davis CPFA
Strategic Director (Corporate Resources)

Dated:

Signed:

Councillor Stephen Manion
Chairman, Governance Committee

Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000	Continuing Operations	Note No	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
6,888	(4,783)	2,105	Chief Executive		1,671	(575)	1,096
35,580	(31,191)	4,389	Director of Finance, Housing & Community		37,854	(29,395)	8,459
21,760	(13,005)	8,755	Director of Environment & Corporate Assets		27,383	(16,522)	10,861
3,099	(993)	2,106	Director of Governance		0	0	0
806	(77)	729	Special Projects		775	(215)	560
13,904	(19,564)	(5,660)	Local Authority Housing (HRA)		12,931	(19,585)	(6,654)
82,037	**(69,613)**	**12,424**	**Net Cost of Services**		**80,614**	**(66,292)**	**14,322**
			Other Operating Expenditure:				
		(1,063)	(Gain) or loss on disposal of fixed assets	8			(1,331)
		(44)	Other Capital Receipts				(142)
			Amounts due to precepting authorities				
		2,384	– Town and Parish Councils				2,512
		71	– River Stour Drainage Board Levy				74
		294	Contribution of Housing Capital Receipts to Central Government Pool	24			294
			Financing and Investment Income & Expenditure:				
		3,371	Interest payable and similar charges				2,825
		(1,217)	Interest and investment income				(2,165)
		338	Changes in the value of Investment Properties	6			(33)
		2,016	Net Interest on Defined Benefit Liability	19			1,741
			Taxation & Non-specific Grant Income:				
		(9,437)	Demand on the Collection Fund – Council Tax	20			(9,746)
		(9,483)	Income from National Non-Domestic Rates	21			(7,678)
		(2,114)	Government grants (not attributable to specific services)	22			(1,786)
		(2,420)	Capital Grants and Contributions	22			(3,321)
		(4,880)	**(Surplus) or Deficit on Provision of Services**				**(104)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		566	(Surplus) or deficit arising on revaluation of fixed assets	36			(3,691)
		(6,315)	Remeasurement of the net defined benefit liability on pension fund assets and liabilities	19			(1,129)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		0	Deficit on revaluation of available-for-sale financial assets	17			0
		(5,749)	**Other Comprehensive Income & Expenditure**				**(4,820)**
		(10,629)	**Total Comprehensive Income & Expenditure**				**(4,924)**

MOVEMENT IN RESERVES STATEMENT

2018/19

	Notes	General Fund £000	Housing Revenue Account £000	Earmarked Gen Fund Reserves £000	Earmarked HRA Reserves £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April		**2,527**	**1,012**	**25,903**	**14,695**	**19,258**	**3,504**	**66,899**	**131,145**	**198,044**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		1,038	3,843	0	0	0	0	4,881	0	4,881
Other comprehensive income & expenditure		0	0	0	0	0	0	0	5,748	5,748
Total Comprehensive Income & Expenditure		**1,038**	**3,843**	**0**	**0**	**0**	**0**	**4,881**	**5,748**	**10,629**
Depreciation and amortisation of non-current assets	5	4,861	0	0	2,054	0	0	6,915	(6,915)	0
Non-current asset revaluation loss	5	19	0	0	0	0	0	19	(19)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(2,587)	0	2,587	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(4,640)	0	0	(4,640)	4,640	0
Capital grants and contributions		(2,463)	0	0	0	156	(6)	(2,313)	2,313	0
Movement in market value of Investment Properties	6	338	0	0	0	0	0	338	(338)	0
Revenue expenditure funded from capital under statute	11	1,180	0	0	0	0	0	1,180	(1,180)	0
(Gain) or loss on disposal of non-current assets	8	99	(1,162)	0	0	2,417	0	1,354	(1,354)	0
Non-current asset revaluation gain	34	(55)	4,368	0	0	0	0	4,313	(4,313)	0
Adjustments under statutory provisions relating to soft loans	16	(124)	0	0	0	0	0	(124)	124	0
Loan Principal Repayments	0	(9)	0	0	0	0	0	(9)	9	0
LOBO Premium Amortised Costs	15	(124)	0	0	0	0	0	(124)	124	0
Financial Instruments transferred to/from the Pooled Investment Funds Adjustment Reserve	17	117	0	0	0	0	0	678	(678)	0
Minimum Revenue Provision	10	(544)	0	0	0	0	0	(544)	544	0
Net charges made for retirement benefits	19	1,510	(91)	0	0	0	0	1,419	(1,419)	0
Council tax income regulatory adjustment	20	17	0	0	0	0	0	17	(17)	0
NNDR income regulatory adjustments	21	(388)	0	0	0	0	0	(388)	388	0
Enterprise Zone Relief regulatory adjustment	21	(847)	0	0	0	0	0	(847)	847	0
Renewable Energy regulatory adjustment	21	28	0	0	0	0	0	28	(28)	0
Capital expenditure charged to revenue	10	(941)	(5,077)	0	0	0	0	(6,018)	6,018	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(3,391)	0	(3,391)	3,391	0
Net increase / decrease before transfers to/from Earmarked Reserves		**4,722**	**(706)**	**0**	**1**	**(1,112)**	**(6)**	**2,899**	**7,730**	**10,629**
Transfers to or (from) earmarked reserves	26	(4,710)	727	4,710	(727)	0	0	0	0	0
Increase or (Decrease) in Year		**12**	**21**	**4,710**	**(726)**	**(1,112)**	**(6)**	**2,899**	**7,730**	**10,629**
Balance at 31 March		**2,539**	**1,033**	**30,613**	**13,969**	**18,146**	**3,498**	**69,798**	**138,876**	**208,674**

MOVEMENT IN RESERVES STATEMENT

2019/20

	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		**2,539**	**1,033**	**30,613**	**13,969**	**18,146**	**3,498**	**69,798**	**138,876**	**208,674**
Comprehensive Income & Expenditure										
Surplus or (deficit) on the provision of services		(5,006)	(5,111)	0	0	0	0	105	0	105
Other comprehensive income & expenditure		0	0	0	0	0	0	0	4,818	4,818
Total Comprehensive Income & Expenditure		**(5,006)**	**(5,111)**	**0**	**0**	**0**	**0**	**105**	**4,818**	**4,923**
Depreciation and amortisation of non-current assets	5	3,242	0	0	2,059	0	0	5,301	(5,300)	1
Non-current asset revaluation loss	5	3,343	0	0	0	0	0	3,343	(3,343)	0
Reversal of Major Repairs Allowance credited to HRA	HRA	0	(2,539)	0	2,539	0	0	0	0	0
MRA transferred to fund capital expenditure	3	0	0	0	(4,629)	0	0	(4,629)	4,629	0
Capital grants and contributions		(3,463)	0	0	0	235	754	(2,474)	2,474	0
Movement in market value of Investment Properties	6	(33)	0	0	0	0	0	(33)	33	0
Revenue expenditure funded from capital under statute	11	1,389	0	0	0	0	0	1,389	(1,389)	0
(Gain) or loss on disposal of non-current assets	8	(35)	(1,296)	0	0	2,774	0	1,443	(1,443)	0
Non-current asset revaluation gain	34	(201)	2,348	0	0	0	0	2,147	(2,148)	(1)
Adjustments under statutory provisions relating to soft loans	16	(73)	0	0	0	0	0	(73)	(73)	0
Financial Instruments transferred to/from the Pooled Investment Funds Adjustment Reserve	17	4,053	0	0	0	0	0	4,053	(4,053)	0
LOBO Premium Amortised Costs	15	(25)	0	0	0	0	0	(25)	25	0
Loan principal repayments	0	(9)	0	0	0	0	0	(9)	9	0
Minimum Revenue Provision	10	(561)	0	0	0	0	0	(561)	561	0
HRA Housing Finance Reform		0	0	0	0	0	0	0	0	0
Net charges made for retirement benefits	19	2,154	19	0	0	0	0	2,173	(2,173)	0
Council tax income regulatory adjustment	20	102	0	0	0	0	0	102	(102)	0
NNDR income regulatory adjustments	21	(225)	0	0	0	0	0	(225)	225	0
Enterprise Zone Relief regulatory adjustment	21	1,001	0	0	0	0	0	1,001	(1,001)	0
Renewable Energy regulatory adjustment	21	(940)	0	0	0	0	0	(940)	940	0
Capital expenditure charged to revenue	10	(2,359)	(4,181)	0	0	0	0	(6,540)	6,540	0
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	24	294	0	0	0	(294)	0	0	0	0
Capital receipts applied	10	0	0	0	0	(4,054)	0	(4,054)	4,054	0
Net increase / decrease before transfers to/from Earmarked Reserves		**2,648**	**(538)**	**0**	**0**	**(1,339)**	**754**	**1,494**	**3,429**	**4,923**
Transfers to or (from) earmarked reserves	26	(2,622)	531	2,622	(531)	0	0	0		0
Increase or (Decrease) in Year		**26**	**(7)**	**2,622**	**(562)**	**(1,339)**	**754**	**1,494**	**3,429**	**4,923**
Balance at 31 March		**2,565**	**1,026**	**33,325**	**13,407**	**16,807**	**4,252**	**71,292**	**142,305**	**213,597**

BALANCE SHEET

31 March 2019			31 March 2020
£000		Notes	£000
197,410	Council dwellings		201,305
101,509	Land and buildings		98,611
1,902	Vehicles, plant and equipment		1,608
7,993	Infrastructure assets		7,667
170	Community assets		168
5,680	Assets under construction		15,310
314,664	**Property, Plant and Equipment**	5	**324,669**
4,127	Heritage assets	7	4,496
23,867	Investment property	6	23,900
70	Intangible assets	5	44
47,502	Long term investments	12	45,482
2,196	Soft loans	16	2,343
919	Long term debtors	27	1,066
78,681	**Long Term Assets**		**77,331**
4	Short term investments	12	4
168	Stocks in hand		275
16,012	Short term debtors	27	15,143
(4,523)	Less provision for bad debts	27	(4,911)
3,981	Cash and cash equivalents	28	9,585
15,642	**Current Assets**		**20,096**
(25,929)	Short term borrowing	13	(31,509)
(13,887)	Short term creditors	29	(16,772)
(2,512)	Provisions	30	(2,447)
(2,842)	Receipts in advance	31	(3,198)
(45,170)	**Current Liabilities**		**(53,926)**
(78,059)	Long term borrowing	13	(75,983)
(929)	Capital grants received in advance	33	(1,389)
(76,157)	Pensions liability	19	(77,201)
(155,145)	**Long Term Liabilities**		**(154,573)**
208,672	**Net Assets**		**213,597**
2,539	General Fund balance	25	2,565
1,033	Housing Revenue Account balance	25	1,027
30,613	Earmarked reserves	26	33,235
13,969	Housing Revenue Account reserves	26	13,406
18,146	Usable capital receipts reserve	24	16,807
3,498	Capital grants unapplied	32	4,252
69,798	**Reserves Available to Fund Services**		**71,292**
49,019	Revaluation reserve	36	51,169
167,625	Capital adjustments account	34	173,842
0	Financial instruments revaluation reserve	17	0
(678)	Pooled investment fund adjustments reserve	17	(4,731)
(1,773)	Financial adjustments account	15	(1,675)
(386)	Collection Fund adjustment account- NNDR	21	(161)
270	Collection Fund adjustment account- Council tax	20	168
962	Enterprise Zone relief adjustment account	21	(40)
(6)	Renewable Energy adjustment account	21	934
(76,157)	Pensions reserve	19	(77,201)
138,874	**Reserves Unavailable to Fund Services**		**142,305**
208,672	**Total Reserves**		**213,597**

CASH FLOW STATEMENT

2018/19			2019/20	
£000	**£000**		**£000**	**£000**
	3,417	Cash & cash equivalents – at 1 April		3,981
	3,981	Cash & cash equivalents – at 31 March		9,585
	(564)	**Net (increase) or decrease in Cash & Cash Equivalents**		(5,604)

2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
	(4,882)	**Net surplus on Income & Expenditure**		**(105)**
		Non-cash transactions:		
(4,864)		Depreciation and amortisation	(3,245)	
(4,670)		Revaluation gains / losses	(5,458)	
1,066		Gains / losses on disposal of fixed assets	1,303	
(1,419)		Pension adjustments	(2,173)	
124		Financial instruments adjustments	73	
(502)		Provisions	65	
(2,053)		Transfer to/from earmarked reserves	(2,059)	
	(12,318)			(11,494)
		Items on an accruals basis:		
18		Increase or (decrease) in stock and work in progress	107	
670		Increase or (decrease) in debtors	(513)	
(18)		Increase or (decrease) in long term debtors	147	
(140)		Movement in provision for bad debts	(103)	
(207)		(Increase) or decrease in creditors	(1,860)	
(382)		(Increase) or decrease in receipts in advance	(356)	
1,190		Collection Fund adjustment accounts	62	
	1,131			(2,516)
		Adjustments re investing and financing activities:		
(1,180)		Revenue expenditure funded from capital	(1,389)	
2,464		Capital grant contributions and capital receipts	3,463	
	1,284			2,074
	(14,785)	**Net Cash Flows from Operating Activities**		**(12,041)**
		Investing activities:		
28,453		Purchase of property, plant, equipment, etc.	17,815	
(29)		Other payments for investing activities	75	
(150,391)		Proceeds from long and short term investments	(156,737)	
154,706		Purchase of long and short term investments	154,706	
(2,573)		Proceeds from the sale of non-current assets	(3,009)	
(1,330)		Movement in capital grants	(2,299)	
	28,836	**Net Cash Flows from Investing Activities**		10,551
		Financing activities:		
(32,123)		Cash receipts of short & long term borrowing	(29,330)	
13,873		Payments of short & long term borrowing	25,826	
3,634		Net movement in Collection Fund cash position	(610)	
	(14,616)	**Net Cash Flows from Financing Activities**		(4,114)
	(564)			**(5,604)**

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) General

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The Code is based on a hierarchy of approved accounting standards:

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

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

(b) Qualitative Characteristics of Financial Information

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

(c) **Accounting Concepts**

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

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

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

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

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

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

(e) **Cash and Cash Equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of 100 days or less from the date of acquisition of the investment.

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

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

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

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

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

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

(g) **Provisions**

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

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

(h) **Contingent Assets and Liabilities**

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts, detailing the nature of the contingency, a brief description and an estimate of its financial effect.

(i) **Debt Write-Off**

The Director of Finance, Housing and Community approves the processes and reporting for the write-off of debt and reviews the actual write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical. In order to mitigate the financial impact of write-offs a provision is made for bad debt taking into account the size and age of the debt outstanding and the likelihood of recovery.

(j) **Employee Benefits**

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

<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.

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

<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 defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State

Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Contributions to the pension scheme are determined by the fund's actuary on a triennial basis. A formal valuation of the Kent County Council Pension Fund for funding purposes was undertaken as at 31 March 2016. Changes to contribution rates as a result of the 31 March 2016 valuation take effect from 1 April 2017.

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

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

The authorised for issue date is:

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

Two types of events can be identified:

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

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

(l) **Exceptional Items**

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

(m) Prior Period Adjustments

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

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

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

(n) Financial Instruments

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

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

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

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

<u>Financial Assets</u>

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

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

Assets classed as fair value through other comprehensive income or fair value through profit or loss have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value.

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

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

Soft Loans

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

Financial Liabilities

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

(o) Foreign Currency Transactions

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

(p) Government Grants and Other Contributions

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

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

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

(q) **Long Term Contracts**

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

(r) **Leases**

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

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

Finance Leases

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

Operating Leases

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

(s) **Non-Current Assets**

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

(i) Impairment of Non-Current Assets

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

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

- a commitment by the Council to undertake a significant reorganisation.

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

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

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

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

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

(iii) Assets Held for Sale

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

(iv) Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

- Land and Buildings

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

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

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

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

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

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

- <u>Infrastructure Assets</u>

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

- <u>Community Assets</u>

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.

- <u>Surplus Assets</u>

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

- <u>Assets under Construction</u>

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

(v) Investment Property

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

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

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

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

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

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

Investment properties are not subject to depreciation or componentisation.

(vi) Intangible Assets

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

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

(vii) Heritage Assets

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

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

Heritage Assets are not subject to depreciation.

(t) **Overheads and Support Services**

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

(u) **Reserves**

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

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

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

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

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

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

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

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

- The Council continues to face a significant financial challenge brought about by, in the main, the Government's budget deficit reduction programme and the economic climate, as well as some specific government led-initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets;
- The result of the EU referendum was a vote to leave the European Union. This decision could have an impact on the Council's future financial position but at this stage it is not possible to assess what that impact might be however it is not considered necessary to require any change in the financial position reported;
- It has been concluded that the contract for waste collection and recycling entered into by the East Kent Waste Partnership, consisting of Folkestone & Hythe, Dover and Kent County councils, does not include an embedded lease in respect of the assets used to provide the service. Therefore, no assets have been recognised on the balance sheet and all contract payments have been accounted for as supplies and services within the appropriate service lines in the Comprehensive Income and Expenditure Statement; and
- The Council is a joint owner of East Kent Housing Ltd, an arms-length management organisation (ALMO), whose principal activity is to manage each of the four partner authorities' council housing stock. The company has been treated as a related party and transactions of the ALMO recorded as a service provider.
- In line with advice from the Council's treasury management advisors, Arlingclose Limited, the fair value of PWLB loans has been estimated following an alternative market approach based on borrowing rates in the inter-local authority borrowing market, on the basis that the Council considers this to be the principal market for local authority borrowing.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are calculated on a maximum 5-year cycle with the exception of Housing Revenue Account dwellings which are also valued annually based on market indices as at 31 December (with the valuation valid for the 3 months to 31 March). If the market indicators change the asset values could be affected.	For HRA dwellings a 1% change in the indicators would result in £1.97m change in the balance sheet values, equating to approximately £450 per dwelling. There would also be an impact of approximately £20k on the annual depreciation charge in the CIES.
Pensions Assets and Liabilities	Estimation of the present value of total obligations to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the present value of total obligations of changes in individual assumptions can be measured. For instance, a 0.1% adjustment in the discount rate assumption would result in a change in the present value of total obligations of approximately £2.7m.
Bad Debts Provisions	The Council has bad debt provisions of £4.52m for HRA, benefit overpayment, council tax & NNDR (DDC share) and general debtors. This is approximately 33.5% of the outstanding debt value.	In the current economic climate collection rates are being monitored and any decline in collection rates for debt would result in a need to increase the provision.

3. EXPENDITURE AND FUNDING ANALYSIS

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

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

2019/20	As Reported In Quarterly Budget Monitoring Report £000	Adjustments to Arrive at the Net Amount Chargeable to the GF and HRA Balances £000	**Net Expenditure Chargeable to the GF and HRA Balances £000**	Adjustments between Funding and Accounting Basis £000	**Net Expenditure in the CIES £000**
Chief Executive	618	311	929	168	1,096
Strategic Dir. of Operations & Commercial	4,186	(582)	3,604	7,257	10,861
Strategic Dir. of Corporate Resources	11,061	(2,393)	8,668	(210)	8,458
Special Projects	561	0	561	0	561
Local Authority Housing (HRA)	(6,654)	4,665	(1,989)	(4,665)	(6,654)
Non-distributed Costs	194	(194)	0	0	0
Net Cost of Service	**9,965**	**1,807**	**11,773**	**2,550**	**14,322**
Other Income & Expenditure	(12,494)	(1,358)	(13,852)	(575)	(14,426)
(Surplus) or deficit			**(2,079)**	**1,975**	**(104)**
Opening General Fund and Housing Revenue Account Balance 1 April 2019			(48,154)		
Closing General Fund and Housing Revenue Account Balance 31 March 2020			**(50,233)**		
Made up of:					
General Fund Balance			(2,565)		
Housing Revenue Account Balance			(1,027)		
General Fund Earmarked Reserves			(33,235)		
Housing Revenue Account Earmarked Reserves			(13,406)		
			(50,233)		

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2019/20 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Depreciation / Impairment £000	Soft Loan Adjustments £000	Charge for Pension Adjustment £000	Other Capital Adjustments £000	Other Adjustments £000	Total Adjustment Between Funding & Accounting Basis £000
Chief Executive	34	0	133	0	0	168
Strategic Dir. of Corporate Resources	6,323	0	935	0	0	7,257
Strategic Dir. of Operations & Commercial	28	105	(342)	0	0	(210)
Special Projects	0	0	0	0	0	0
Local Authority Housing (HRA)	0	0	(294)	(4,371)	0	(4,665)
Non-distributed Costs	0	0	0	0	0	0
Net Cost of Service	**6,384**	**105**	**432**	**(4,371)**	**0**	**2,550**
Other Income & Expenditure	(1,331)	3,875	1,741	(4,799)	(62)	(575)
Total	**5,053**	**3,980**	**2,173**	**(9,170)**	**(62)**	**1,975**

4. INCOME AND EXPENDITURE ANALYSED BY TYPE

2018/19 Totals per Resources Allocations (Restated) £000	2018/19 Adjustments per Accounting Code £000	2018/19 Totals per CIES (Restated) £000		2019/20 Totals per Resources Allocations £000	2019/20 Adjustments per Accounting Code £000	2019/20 Totals per CIES £000
(17,961)	0	(17,961)	Fees, charges and other service income	(20,570)	0	(20,570)
(33,726)	0	(33,726)	Grants	(28,137)	0	(28,137)
0	(15,361)	(15,361)	Recharges to other accounts	0	(17,566)	(17,566)
(51,687)	**(15,361)**	**(67,048)**	**Total General Fund Income**	**(48,707)**	**(17,566)**	**(66,273)**
14,957	4,394	19,351	Employees	16,254	6,864	23,118
1,504	0	1,504	Premises	1,779	0	1,779
234	0	234	Transport	244	0	244
9,496	0	9,496	Supplies and services	8,011	0	8,011
12,346	0	12,346	Third Parties	13,000	0	13,000
28,456	0	28,456	Transfer Payments	25,098	0	25,098
0	8,868	8,868	Recharges from other accounts	0	9,510	9,510
0	52	52	Financial Instrument Adjustments	0	105	105
0	4,824	4,824	Capital charges	0	6,384	6,384
66,993	**18,139**	**85,131**	**Total General Fund Expenditure**	**64,386**	**22,863**	**87,249**
(1,911)	(3,749)	(5,660)	Housing Revenue Account	(1,926)	(7,076)	(9,002)
13,395	**(972)**	**12,423**	**Total Cost of Services**	**13,753**	**(1,779)**	**11,974**

5. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2018/19	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Eqpt**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction (WIP)**	**Total Property, Plant and Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2018	**197,246**	**87,188**	**5,436**	**15,724**	**575**	**0**	**10,014**	**316,182**
Additions – Expenditure in year	6,763	16,937	31	0	0	0	4,219	27,950
Additions–transfer from WIP*	689	7,733	99	0	0	0	(8,553)	(33)
Revaluations recognised in the Revaluation Reserve	0	152	0	0	0	0	0	152
Revaluations recognised in the Provision of Services	(4,368)	(679)	0	0	0	0	0	(5,047)
Depreciation written out	(2,030)	(4,445)	0	0	0	0	0	(6,475)
Transfers	401	(401)	0	0	0	0	0	0
Disposals	(1,290)	(67)	0	0	0	0	0	(1,357)
At 31 March 2019	**197,410**	**106,416**	**5,566**	**15,724**	**575**	**0**	**5,680**	**331,371**
Accumulated Depreciation and Impairment								
At 1 April 2018	(9)	(5,133)	(3,371)	(7,405)	(408)	0	0	(16,326)
Depreciation charge	(2,021)	(4,212)	(295)	(326)	(2)	0		(6,856)
Deprecation written out to CIES	2,030	5	0	0	0	0	0	2,035
Deprecation written out to Revaluation Reserve	0	4,440	0	0	0	0	0	4,440
Other Movements in Depreciation and Impairment	0	(6)	0	0	6	0	0	0
Subtotal	**0**	**(4,906)**	**(3,664)**	**(7,731)**	**(405)**	**0**	**0**	**(16,706)**
Net Book Value								
At 31 March 2019	197,410	101,509	1,902	7,993	170	0	5,680	314,664
At 31 March 2018	197,246	82,039	2,066	8,319	173	0	10,014	299,856

Movement on Balances 2019/20	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Eqpt**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction (WIP)**	**Total Property, Plant and Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation At 1 April 2019	**197,410**	**106,416**	**5,566**	**15,724**	**575**	**0**	**5,680**	**331,373**
Additions – Expenditure in year	7,196	130	18				11,561	18,905
Additions–transfer from WIP	1,920	6	4				(1,931)	0
Revaluations recognised in the Revaluation Reserve		1,095						1,095
Revaluations recognised in the Provision of Services	(2,348)	(917)						(3,265)
Depreciation written out	(2,059)	(4,289)						(6,348)
Transfers	415	(415)						0
Disposals	(1,230)	(214)						(1,443)
At 31 March 2020	**201,305**	**101,814**	**5,588**	**15,724**	**575**	**0**	**15,310**	**340,315**
Accumulated Depreciation and Impairment								
At 1 April 2019		(4,906)	(3,665)	(7,731)	(405)			(16,707)
Depreciation charge	(2,059)	(2,585)	(316)	(326)	(2)			(5,288)
Deprecation written out to CIES	2,059	0	0	0	0			2,059
Deprecation written out to Revaluation Reserve		4,288						4,288
Other Movements in Depreciation and Impairment								
Subtotal	**0**	**(3,203)**	**(3,980)**	**(8,057)**	**(407)**	**0**	**0**	**(15,647)**
Net Book Value								
At 31 March 2020	201,305	98,611	1,608	7,667	168	0	15,310	324,669
At 31 March 2019	197,410	101,509	1,902	7,993	170	0	5,680	314,664

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:

	2018/19 £000	2019/20 £000
General Fund	4,804	3,198
Housing Revenue Account	2,052	2,090
Total	**6,856**	**5,288**

Intangible Non-Current Assets

	2018/19 £000	2019/20 £000
Opening Net Book Value	98	70
Additions – transferred from	22	0
Additions – expenditure in year	8	17
Amortisation	(58)	(44)
Closing Net Book Value	**70**	**43**

Non-Current Asset Valuation

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

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

The properties were valued by Robert Reid-Easton, the Authority's Senior Valuer (a Professional Member of the Royal Institution of Chartered Surveyors), on 1 April 2019. Housing Revenue Account dwellings were valued as at 31 March 20 and the valuation is valid for the 3 months from that date.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. During 2019/20 Dover Town Hall was revalued resulting in a revaluation loss. A small gain in the housing stock valuation for 2019/20 has been offset by capital expenditure.

	2018/19 £000	2019/20 £000
General Fund		
General gain/(loss) on Other Land and Buildings	(6,399)	(11,014)
Losses written out of Revaluation Reserve	5,664	5,358
Prior year losses written out	101	19
Write back Depreciation	615	2,294
Total charged to the General Fund	**(19)**	**(3,343)**
Housing Revenue Account		
General gain/(loss) on Housing Stock	(6,398)	(4,558)
Write back Depreciation	2,030	2,059
Total charged to the HRA	**4,368**	**2,499**
Total charged to Property, Plant & Equipment	**4,349**	**(844)**

6. INVESTMENT PROPERTIES

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

	2018/19 £000	2019/20 £000
Rental income from investment property	1,597	1,652
Direct operating expenses arising from investment property	(76)	(165)
Net gain or loss	**1,521**	**1,487**

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.

	2018/19 £000	2019/20 £000
Balance at start of the year	23,976	23,867
Revaluation gains from fair value adjustments	57	55
Revaluation losses from fair value adjustments	(395)	(22)
Capital Expenditure	229	0
Acquisitions	0	0
Balance at end of year	**23,867**	**23,900**

7. HERITAGE ASSETS

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

	At 31 March 2019 £000	At 31 March 2020 £000
Historic Buildings	210	580
Works of Art	68	68
Museum Collections	1,982	1,982
Town Hall Artefacts	1,543	1,543
Memorials and Statues	324	324
Total	**4,127**	**4,496**

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

	2018/19 £000	2019/20 £000
Net Book Value		
HRA right-to-buy	1,290	1,079
HRA other sales		151
Demolished	0	214
General Fund sales	64	0
Total	**1,354**	**1,443**
Sales Proceeds		
HRA right-to-buy	(2,440)	(2,397)
HRA other sales	(11)	(342)
General Fund sales	0	(65)
Total	**(2,452)**	**(2,804)**
Less admin fees	35	30
(Gain) or Loss on Disposal	**(1,063)**	**(1,331)**

9. COMMITTED CAPITAL CONTRACTS

At 31 March 2020 the Authority was contractually committed to capital expenditure amounting to £11,024k in respect of the following projects:

Project	Contractor	Total Commitment £000	Estimated Completion Date
113 Folkestone Rd development	KLN Developments	792	Oct 2020
Redevelopment of William Muge & Snelgrove site	Jenner Contractors Ltd	7,110	June 2021
Sheltered upgrade of Norman Tailyour	Walker Construction	125	June 2020
Street-lighting project	Volker Highways	621	July 2020
New Financial System	Technology One	54	Aug 2020
Bus Rapid Transit Route	Kent County Council	546	March 2022
Old Dover Leisure Centre – demolition	DDS Demolition	263	June 2020

Project	Contractor	Total Commitment £000	Estimated Completion Date
Tides Leisure Centre	Faithfull & Gould	295	June 2020
Parks for People – Kearsney	Coombs (Canterbury) Ltd	135	June 2020
Parks for People – Kearsney	Idverde Ltd	1,000	July 2020
Dover Town Investment Zone - Waterfront	SCJ Alliance	83	July 2020
Total		**11,024**	

10. CAPITAL EXPENDITURE AND FINANCING

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

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	**117,057**	**129,777**
Capital Investment:		
Plant, property and equipment	27,950	18,737
Investment Property	218	0
Intangible assets	8	335
Revenue expenditure under statute funded by capital	1,177	1,239
Private sector housing loans	386	353
Total Capital Investment	**29,738**	**20,663**
Sources of Finance:		
Capital receipts (including Excess Right to Buy Receipts and PSH Loan Receipts)	(3,391)	(4,054)
Capital grants and contributions	(2,118)	(2,547)
Major repairs reserve	(2,417)	(2,335)
Direct revenue financing/Reserves	(6,018)	(6,540)
Section 106 funding	(308)	(20)
Total Financing	**(14,252)**	**(15,497)**
Capital Financing Requirement Movement:		
HRA Loan Repayments	(2,223)	(2,294)
Minimum Revenue Provision (MRP)	(544)	(561)
Under Borrowing	15,486	5,166
Closing Capital Financing Requirement	**129,777**	**132,089**

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.

	2018/19		2019/20	
	£000	£000	£000	£000
Gross expenditure:				
Renovation Grants	4		0	
Disabled Facilities Grants	1,135		1,217	
Winter Warmth Grants	41		21	
Renovation Loans	83		168	
Empty Homes Loans	300		185	
Town Centre Contribution	0		150	
		1,563		1,741
Grants & contributions received:				
Disabled Facilities Grant (KCC BCF)	(1,177)		(1,239)	
Developer Agreement Contribution			(150)	
		(1,177)		(1,389)
Total deferred charges		386		353
Written off to revenue in year		(386)		(353)
Total		0		0

12. INVESTMENTS

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

Short Term Investments

	2018/19	2019/20
	£000	£000
Cash flow short term investment	4	4
Total	**4**	**4**

Long Term Investments

	2018/19	2019/20
	£000	£000
Stocks	6	6
Pooled Investment Funds	47,496	45,476
Total	**47,502**	**45,482**

Investment Portfolio

The Council's investment portfolio as at 31 March 2020 was as follows:

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2020
Internal Investments:			
Amortised cost			
Santander UK Notice Account		4	UK 'AA'
Total Internal Investments		**4**	
External Investments:			
Fair value through profit and loss			
Pooled Investment Funds			
CCLA Property Fund		6,000	'AA'
Investec Multi Asset Fund		10,000	'AA'
Columbia Threadneedle Strategic Bond Fund		8,000	'AA'
Payden and Rygel Sterling Reserve Fund		8,000	'AA'
CCLA Diversified Income Fund		8,000	'AA'

Counter Party	Maturity Date	Principal Invested £000	Credit Rating as at 31 March 2020
KAMES Monthly Diversified Fund		10,000	'AA'
Total External Investments		**50,000**	
Cash and Cash Equivalents:			
Amortised cost			
Cash at bank	n/a	(579)	
Nat West	Instant Access	5,589	UK 'BBB+'
HSBC	Instant Access	0	UK 'AA-'
Santander UK	Instant Access	1	UK 'A+'
Bank of Scotland	Instant Access	5	UK 'A+'
Barclays	Instant Access	34	UK 'A+'
Fair value through profit or loss			
Goldman Sachs MMF	Instant Access	4,499	UK 'AAA'
Aberdeen MMF	Instant Access	35	UK 'AAA'
Total Cash and Cash Equivalents		**9,584**	

13. BORROWING

	2018/19 £000	2019/20 £000
Short term borrowing		
Accrued Interest	126	133
PWLB	2,294	2,367
Temporary loan	23,500	29,000
LTA loan	9	9
Total Short Term Borrowing	**25,929**	**31,509**
Long term borrowing		
PWLB	77,999	75,631
Salix Loan	0	300
LTA Loan	61	52
Total Long Term Borrowing	**78,060**	**75,983**

14. FINANCIAL INSTRUMENTS

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2019. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets and the re-measurement of modified loan liabilities.

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

Financial Instruments - Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

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

- money market funds,

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

Financial Instruments - Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- No early repayment or impairment is recognised for any financial instrument.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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

Financial Assets

Balance as at:		**31 March 2019**		**31 March 2020**	
	Fair Value Level	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Short term Assets					
Amortised cost:					
Notice accounts with Bank and building societies		4	4	4	4
Total Short Term Investments		4	4	4	4
Amortised cost:					
Debtors		5,455	5,455		
Cash and liquid assets		343	343	5,050	5,050
Fair value through profit and loss:					
Money Market funds	1	3,638	3,638	4,534	4,534
Total short term assets		9,440	9,440	11,728	11,728
Long term Assets					
Amortised cost:					
Long Term Debtors		597	597	788	788
Stocks		6	6	6	6
Soft Loans		2,196	2,196	2,343	2,343
Fair value through profit and loss:					
Long Term Investments	1	47,496	47,496	45,476	45,476
Total long term assets		50,295	50,295	48,613	48,613
Total Financial Assets		**59,735**	**59,735**	**60,341**	**60,341**

Financial Liabilities

Balance as at:		31 March 2019		31 March 2020	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Liabilities					
Amortised cost:					
Accrued Interest		126	126	132	132
PWLB repayments due		2,294	2,294	2,367	2,367
Temporary Loan		23,500	23,500	29,000	29,000
Lawn Tennis Association Loan		9	9	9	9
Total Short Term Borrowing		25,929	25,929	31,509	31,509
Creditors		5,970	5,970	7,109	7,109
Total Short Term Liabilities		31,899	31,899	38,618	38,618
Long Term Liabilities					
Amortised cost:					
PWLB – maturity	2	4,001	7,960	4,000	8,103
PWLB – Annuity	2	73,998	86,530	71,631	82,864
Salix Loan	2			300	300
Lawn Tennis Association Loan	2	61	61	52	52
Total Long Term Liabilities		78,060	96,845	75,983	91,319
Total Financial Liabilities		**109,959**	**126,450**	**114,601**	**129,937**

15. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2018/19		2019/20	
	£000	£000	£000	£000
Opening balance				
Soft loans	1,305		1,773	
Movement during the year				
LOBO premium amortised cost		592		(25)
Soft loans		(124)		(73)
Balance at 31 March		**1,773**		**1,675**

16. SOFT LOANS

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

	2018/19 £000	2019/20 £000
Opening balance	2,101	2,196
Advances in year	83	168
Repayments in year	(112)	(93)
Financial instruments adjustments	124	73
Closing balance	**2,196**	**2,343**

17. POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

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

Pooled Investment Funds Adjustment Account	**2018/19**	**2019/20**
	£000	**£000**
Opening balance	0	(678)
Balance transferred from the available for sale reserve	(561)	0
Unrealised profit/(loss) on pooled investments and fixed securities	(117)	(4,053)
Closing balance	**(678)**	**(4,731)**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The main risks covered are:

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

Credit Risk

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

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A [two-year] delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2020, there were no loss allowances related to treasury investments.

Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

	2018/19 £000	2019/20 £000
Cash and cash equivalents	3,981	10,624
Less than 1 year	4	4
More than 1 year	47,502	45,480
Total	**51,487**	**56,108**

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

Market Risk

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

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

Foreign Exchange Risk

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

Interest Rate Risk

The Council received interest of £1,710k on its investments of £56.1m achieving an average interest rate of 2.97%. A one percentage movement in the rate of interest achieved would result in a corresponding change of £561k in the interest received.

The Council paid interest on its long-term borrowings of £2.7m based on an average rate of 3.39%. The loans associated with this borrowing are held at fixed interest rates and therefore there is no associated interest rate risk with the existing commitments.

19. PENSION COSTS

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

Transactions Relating to Retirement Benefits

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

	2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service costs	3,404	3,664
Curtailments and past service costs	4	915
Administrative expense	47	57

	2018/19 £000	2019/20 £000
Net Operating Expenditure		
Net Interest on the Defined Liability	2,016	1,741
Charge to the Surplus or Deficit on the Provision of Services	**5,471**	**6,377**
Other charge to the Comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in net interest expense)	4,869	(9,624)
Actuarial gains and losses arising on changes in demographic assumptions	9,681	1,984
Actuarial gains and losses arising on changes in financial assumptions	(8,235)	14,352
Experience loss/(gain) on defined benefit obligation	0	(5,882)
Other	0	299
Re-measurement of the net defined benefit liability	**6,315**	**1,129**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,471)	(6,377)
Actual amount charged to the General Fund for pensions in the year:		
Employer's contributions payable to scheme	4,052	4,204
Contribution (From) or To Pensions Reserve	**(1,419)**	**(2,173)**

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

Pension Assets and liabilities recognised in the Balance Sheet

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

Liabilities	**2018/19 £000**	**2019/20 £000**
Opening balance at 1 April	174,667	175,356
Current service costs	3,404	3,664
Interest cost	4,383	4,052
Change in financial assumptions	8,235	(14,352)
Change in demographic assumptions	(9,681)	(1,984)
Experience loss/(gain) on defined benefit obligation	0	5,882
Benefits paid net of transfers in	(5,684)	(6,038)
Past service costs, including curtailments	4	915
Contributions by scheme participants	637	686
Unfunded pension payments	(609)	(596)
Closing balance at 31 March	**175,356**	**167,585**

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	2018/19 £000	2019/20 £000
Opening balance at 1 April	93,614	99,199
Interest on assets	2,367	2,311
Return on assets less interest	4,869	(9,624)
Other actuarial gains / (losses)	0	299
Administration expenses	(47)	(57)
Contributions by employer including unfunded	4,052	4,204
Contributions by scheme participants	637	686
Estimated benefits paid plus unfunded net of transfers in	(6,293)	(6,634)
Closing balance at 31 March	**99,199**	**90,384**

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

Net Pension Liability

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

	2018/19 £000	2019/20 £000
Present value of funded obligation	166,690	159,692
Fair value of scheme assets (bid price)	(99,199)	(90,384)
Net Liability	**67,491**	**69,308**
Present value of unfunded obligation	8,666	7,893
Net Liability in Balance Sheet	**76,157**	**77,201**

The figures presented are prepared only for the purpose of IAS19. They are not relevant for calculations undertaken for funding purposes. IAS19 does not have any impact on the actual level of employer contributions paid to Kent County Council Pension Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Reconciliation of Opening & Closing Surplus or Deficit

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

Surplus or Deficit	2018/19 £000	2019/20 £000
Opening balance at 1 April	(81,053)	(76,157)
Current service costs	(3,404)	(3,664)
Past service costs and curtailments	(4)	(915)
Employer's contributions	4,052	4,204
Administrative expenses	(47)	(57)
Remeasurement of net defined benefit liability	6,315	1,129
Interest on net defined benefit liability	(2,016)	(1,741)
Closing balance at 31 March	**(76,157)**	**(77,201)**

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:

Assets	31-Mar-19 Fund Value	31-Mar-19 Percentage of Fund	31-Mar-20 Fund Value	31-Mar-20 Percentage of Fund
	£000	%	£000	%
Equities	68,021	68	55,605	62
Gilts	652	1	702	1
Bonds	9,033	9	11,781	13
Property	11,915	12	12,298	14
Cash	1,731	2	2,365	3
Target Return Portfolio	7,847	8	7,633	8
Total	**99,199**	**100**	**90,384**	**100**

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

Surplus or Deficit	2018/19 £0	2019/20 £0
Opening balance at 1 April	-81,053	-76,157
Current service costs	-3,404	-3,664
Past service costs and curtailments	-4	-915
Employer's contributions	4,052	4,204

Scheme History

	2014/2015 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Present value of liabilities	(159,683)	(154,510)	(177,664)	(174,667)	(175,356)	(167,585)
Scheme assets	78,227	77,552	91,841	93,614	99,199	90,384
Surplus or (deficit) in the scheme	**(81,456)**	**(76,958)**	**(85,823)**	**(81,053)**	**(76,157)**	**(77,201)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £77m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Remeasurement of Net Defined Benefit Liability

The remeasurement changes to the net defined liability translate into movements on the Pensions Reserve in 2019/20 and are detailed below:

	2014/2015 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Remeasurement of the net defined liability recognised in the CIES	(14,059)	5,924	(7,589)	6,481	6,315	1,129
Cumulative remeasurement of the net defined benefit liability	**(66,245)**	**(60,321)**	**(67,910)**	**(61,429)**	**(55,114)**	**(53,985)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the latest full valuation of the scheme as at 31 March 2016.

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

	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0 years	21.8 years
Women	24.0 years	23.7 years
Longevity at 65 for future pensioners		
Men	23.7 years	23.2 years
Women	25.8 years	25.2 years
Rate of inflation – RPI	3.45%	2.80%
Rate of inflation – CPI	2.45%	2.00%

	2018/19	2019/20
Rate of increase in salary	3.95%	3.00%
Rate of increase in pension	2.45%	2.00%
Rate for discounting scheme liabilities	2.35%	2.35%

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

Sensitivity Analysis

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

	£000	£000	£000
Adjustment to discount rate:	0.1%	0.0%	-0.1%
Present value of total obligation	164,731	167,585	170,492
Projected service cost	3,423	3,507	3,593
Adjustment to long term salary increase:	0.1%	0.0%	-0.1%
Present value of total obligation	167,836	167,585	167,336
Projected service cost	3,509	3,507	3,505
Adjustment to pension increases and deferred revaluation:	0.1%	0.0%	-0.1%
Present value of total obligation	170,248	167,585	164,968
Projected service cost	3,592	3,507	3,424
Adjustment to life expectancy assumption:	+1 year	None	-1 year
Present value of total obligation	175,298	167,585	160,238
Projected service cost	3,616	3,507	3,402

Projected Pension Expense for the Year to 31 March 2021

These projections are based on the Actuary's assumptions as at 31 March 2021.

	2020/21 Projection £000
Service cost	3,507
Net interest on the defined liability (asset)	1,765
Administration expenses	52
Total	**5,324**
Employer's contributions	3,626

MCCloud / Sargeant Ruling on Pension Account Disclosures

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

Further Information

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

20. DEMAND ON THE COLLECTION FUND – COUNCIL TAX

Council Tax Income		**2018/19**		**2019/20**
	£000	**£000**	**£000**	**£000**
District council's council tax		6,922		7,216
Parish councils' council tax		2,384		2,512
		9,306		9,728
Current year's actual Collection Fund surplus (Council Tax)	270		168	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus	287		270	
Share of estimated prior year surplus distributed in year	(141)		(111)	
	146		159	
		124		9
Council Tax S31 Grant – re discount for Family Annexes		7		9
Amount credited to the CIES from Council Tax		**9,437**		**9,746**

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

	2018/19		**2019/20**	
	£000	**£000**	**£000**	**£000**
District council's share of NNDR		16,042		16,313
S31 Grant for NNDR Reliefs given		1,395		1,746
Tariff to Central Government		(11,803)		(12,073)
Levy Payable to Government/Pool Lead		(398)		(433)
Levy Account – Govt. Surplus Grant		0		68
Pilot Scheme – Financial Sustainability Fund		980		0
Pilot Scheme – Growth Fund		1,003		0
Current year's actual Collection Fund surplus/(deficit) - NNDR	(386)		(161)	
Reversal of the difference between:				
Prior year's actual accumulated Collection Fund surplus/(deficit)	(773)		(386)	

	2018/19		2019/20	
	£000	£000	£000	£000
Share of estimated prior year surplus/deficit contributed in year	605		358	
	(168)		(28)	
		(218)		(133)
Income from NNDR		**7,001**		**5,488**
Enterprise Zone Relief:				
Enterprise Zone Relief received from Government/KCC	1,217		790	
Enterprise Zone Relief due from/(to) Government/KCC	962		(40)	
Total Enterprise Zone Relief		**2,179**		**750**
Renewable Energy NNDR Retained:				
Renewable Energy retained as per NNDR1	309		507	
Further Renewable energy due for year/(reduction)	(6)		934	
Total Renewable Energy Retained		**303**		**1,441**
Amount credited to CIES from NNDR (inc. Enterprise Zone Relief)		**9,483**		**7,679**

Business Rates (NNDR)

The NNDR included in the Comprehensive Income and Expenditure Statement (CIES) for 2019/20 is the accrued income. The difference between the income included in the CIES and the amounts required by regulation to be credited to the General Fund are taken to the Collection Fund, Enterprise Zone Relief and Renewable Energy NNDR Adjustment Accounts and are included as reconciling items in the Movement in Reserves Statement (MIRS). The amounts listed above that are treated this way are: the collection fund deficit arising in the year (£133k), which is increased by an adverse £225k MIRS adjustment, increasing the deficit to £358k, which is the actual amount contributed by the council (in 2018/19 this was a deficit arising in the year of £218k, which was increased by an adverse £387k MIRS adjustment, which was the actual deficit contributed of £605k). The accrued Enterprise Zone Relief Grant of -£40k (a decrease for 2019/20) (2018/19 +£962k) and the Renewable Energy NNDR of +£934k (2018/19 -£6k) are also reversed through the MIRS.

Enterprise Zone Relief compensation grant

The decrease in Enterprise Zone Relief compensation arises from the tailing off of relief entitlements for tenants as they reach the end of their five-year claim periods, as the final deadline for new relief claims expired after the 31/03/2018 deadline. This was anticipated when the NNDR1 return for Business Rates was prepared and on which the income for 2019/20 was estimated. Under statutory regulations, and as mentioned above, -£40k under-achievement of relief compensation grant is reversed through the MIRS and will not be formally recognised until 2020/21.

Kent Pilot Scheme for 100% Growth retention

During 2018/19 only, Dover District Council was part of a Government-approved Pilot Scheme with the other Kent Authorities (including County and Fire), whereby business rates growth above individual baselines was retained 100% within Kent, subject to agreed local sharing arrangements. Maidstone Borough Council acted as the lead authority for administering the Pilot Scheme. Under the agreed arrangements, the first 50% of growth was treated in accordance with existing local pooling arrangements, with Dover as 'shadow pool' members enjoying the same effective reward from levy savings as other pool members. The remaining 50% of growth under the pilot scheme was distributed by way of a Financial Sustainability Fund element (70%) and a Growth Fund element (30%). Further details are shown below:

	2018/19		2019/20	
	£000	**£000**	**£000**	**£000**
Levy:				
Levy Payable to Pool (50% x Growth)	(839)		0	
Direct share of pooling saving	232		278	
Growth Fund share of pooling saving	232		278	
Pool Admin Fee	(1)		(1)	
Effective net levy under pilot scheme in 2018/19 / levy saving under pooling in 2019/20		**(376)**		**555**
Levy Payable to Govt. (50% x Growth) - 2018/19 is balance only re 2017/18		(22)		(988)
Total Levy in Table above		**(398)**		**(433)**
Additional Growth from Pilot/Pooling:				
Levy due without pooling	839		988	
Effective net levy payable	(376)		(433)	
Extra growth retained (pooling element)		463		555
Pilot Scheme – Financial Sustainability Fund		980		0
Pilot Scheme – Growth Fund		1,003		0
Additional Growth from Pilot/Pooling		**2,446**		**555**

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

In 2019/20 we revert to a pooling arrangement, in which DDC remains a 'shadow pool' member of the Kent-wide scheme, so that we revert to paying a 50% levy on growth to Central Govt. (of £988k), but receive back from the Kent pool a £555k share of 'pool benefits' from the pool's contingency fund, placing us broadly on an equal footing with other pool members based on the agreement that any district may leave or join the pool in a year. The 'shadow' arrangements mean that there is no need to formally dissolve and reform the pool each time a member joins, which would require MHCLG approval.

22. GRANT INCOME

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

Credited to Taxation and Non-Specific Grant Income	**2018/19 £000**	**2019/20 £000**
General government grants:		
Revenue Support Grant	568	56
New Burdens Grant	30	1
New Homes Bonus	1,515	1,729
Total non-specific grant income	**2,113**	**1,786**

Capital Grants & Contributions	**2018/19 £000**	**2019/20 £000**
KCC Better Care Fund	1,042	1,124
Section 106	308	20
Environment Agency	148	122
Homes England	0	316
Coastal Communities Fund	0	868
Homes & Communities Agency	0	870
Sport England	727	0
MHCLG	134	0
Dover Society	61	0
Total capital grant contributions	**2,420**	**3,320**

Credited to Services	**2018/19 £000**	**2019/20 £000**
Rent Allowance Subsidy	19,133	16,461
Benefit Administration Grant	243	204
Council Tax Administration Grant	262	262
Non-HRA Rent Rebate Subsidy	296	460
HRA Rent Rebate Subsidy	8,916	8,051
Discretionary Housing Payment Contribution	242	219
NNDR Cost of Collection Allowance	160	160
New Burdens – NNDR	0	9
New Burdens – IER	66	63
Homelessness Grant	234	1,115
Universal Credit Grant	37	2
Commonwealth War Memorial Dover	0	65
St Edmunds Chapel Revival	46	0
Dover Castle on the Defensive	50	0
High Street Community Clean Up	20	0
Controlling Migration	70	0
Business Continuity	290	335
Covid19 Grants	0	65
Pocket Park East Studdal	0	26
Other	157	149
Total Credited to Services	**30,222**	**27,645**
Total Grant Income	**34,755**	**32,751**

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

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

23. OFFICERS' EMOLUMENTS, ANNUAL LEAVE AND TERMINATION BENEFITS

Emoluments

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

Remuneration Band	Number of Employees		Movement in Bands
	2018/19	2019/20	Note Ref
£50,000-£54,999	6	7	D
£55,000-£59,999	11	11	D
£60,000-£64,999	7	6	D
£65,000-£69,999	2	1	D
£70,000-£74,999	0	2	D
£75,000-£79,999	6	2	D
£80,000-£84,999	1	5	B/D
£85,000-£89,999	1	0	D
£90,000-£94,999	0	0	
£95,000-£99,999	2	2	D
£110,000-£114,999	0	1	E/D
£135,000-£139,999	1	0	E/D
	37	**37**	

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

Exit Packages

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. This includes those for which the Authority is demonstrably committed. There are no exit packages for 2019-20.

2018/19 Exit package cost band £000	Number of compulsory redundancies	Number of other departures agreed	Total exit packages	Total cost of exit packages	
				Payable to employees	Actuarial Strain
0-20	2	1	3	£33,741	-
20-40	1	1	2	£24,447	£51,479
40-60	-	-	0		-
60-80	-	-	0	-	-
Total	**3**	**2**	**5**	**£58,188**	**£51,479**

Senior Officers' Emoluments

Under the Accounts and Audit Regulations 2015, the Authority is required to include additional remuneration information in the Statement of Accounts about the senior officers, as shown below. These employees are included in the banding table; however, for the note there is an additional inclusion of the employer's pension contributions.

2018/19 Post holder information (Post title)	Salary (Including fees & Allow-ances) £000	Expense Allow-ances (Including Fuel) £000	Car Allowance (eg Benefits in Kind or Cash) £000	Total Remuneration excluding pension contributions £000	Pension contrib-utions £000	Total Remuneration including pension contributions £000
Chief Executive	123	3	11	137	54	191
Strategic Director (Corporate Resources)	87	3	8	98	13	111
Director of Governance	57	3	5	65	9	74
Strategic Director (Operations and Commercial)	87	3	10	100	13	113
Head of Inward Investment	69	0	7	76	11	87
Head of Regeneration and Development	58	0	5	63	9	72
Head of Electoral Services	57	0	4	61	7	68
Head of Leadership Support	70	0	6	76	11	87
	608	12	56	676	127	803

Reason for Change between years

- Chief Executive – Pension contributions include actuarial strain reflecting flexible retirement with effect from 1 April 2019, pursuant to the Local Government Pension Scheme Regulations 2013, Reg. 30(6) and in accordance with the Council's Pension Discretion Policy Statement.
- Dir of Governance – Salary reflects post change to part-time.
- Change of post title from Dir of Finance, Housing & Comm (S.151 Officer) to Strategic Director (Corporate Resources) wef 01.10.2018.
- Change of post title from Dir of Environment & Corp Assets to Strategic Director (Operations and Commercial) wef 01.10.2018.
- Head of Leadership Support had been excluded in prior years on the basis that the role was in the nature of support. This role has been included for 2018/19 following changes in responsibility.

2019/20 **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 contributions** **£000**	**Total Remuneration including pension contributions** **£000**
Chief Executive	102	2	9	113	18	131
Strategic Director (Corporate Resources)	89	3	8	100	14	114
Strategic Director (Operations and Commercial)	89	3	8	100	14	114
Head of Inward Investment	56	0	5	61	9	70
Head of Leadership Support	72	0	6	78	11	89
	408	8	36	452	66	518

Reason for Change between years

- Chief Executive – changed to part-time.
- Director of Governance and Head of Electoral Services not in the March 2020 organisational restructure.
- Head of Regeneration and Development - holder left the organisation, his post has been deleted with a new post, Planning Policy and Projects Manager, a support role in the Operations and Commercial to be created in 2020-21.

Employee Adjustment Account (Accrued Annual Leave)

Dover District Council is no longer required to accrue for untaken annual leave at the end of the accounting period.

24. CAPITAL RECEIPTS

Usable Capital Receipts

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

	2018/19	2019/20
	£000	**£000**
Balance at 1 April	(19,258)	(18,146)
Usable capital receipts received	(2,573)	(3,009)
	(21,831)	(21,155)
Less: usable capital receipts applied:-		
Expenditure on non-current assets	3,008	3,702
Empty Home Loans	300	185
Private Sector Housing Loans	83	168
Pooled housing capital receipts	294	294
Balance at 31 March	**(18,146)**	**(16,807)**

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 2019/20 £294k has been paid to the DCLG in relation to capital pooling requirements (£294k in 2018/19).

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

25. GENERAL FUND AND HRA BALANCES

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

26. EARMARKED RESERVES

General Fund Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Special Projects & Events	5,731	960	(750)	5,941
Periodic Operations	7,452	3,549	(1,390)	9,611
Regeneration	3,268	535	(273)	3,530
ICT Equipment & Servers	917	175	(387)	705
Business Rates & Council Tax	1,206	734	(358)	1,582
District Regeneration & Economic Development	12,039	0	(173)	11,866
Total	30,613	5,953	(3,331)	33,235

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

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

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

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

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

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

District Regeneration & Economic Development – This reserve has been established to support the Council's regeneration plans. An element of the reserve has been allocated to fund new Leisure Centre provision and improvements to Dover Town Hall

Housing Revenue Account Earmarked Reserves:	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Housing Initiatives	13,969	3,060	(3,591)	13,438
Major Repairs Reserve	0	0	(31)	(31)
Total	**13,969**	**3,060**	**(3,591)**	**13,407**

Housing Initiatives Reserve – This reserve has been established to provide a source of funding for special initiatives arising in respect of affordable housing.
Major Repairs Reserve – This is a ring-fenced reserve for HRA capital expenditure or debt repayment of a housing nature.

27. DEBTORS

Long Term Debtors	31 March 2019 £000	31 March 2020 £000
Loans to:		
Leaseholders	0	0
Local organisations	19	14
Local Authorities	401	644
Other:		
Housing benefit debtors [1]	221	230
EKH Single System Loan[2]	278	178
Total	**919**	**1,066**

[1] **Housing benefit debtors** – housing benefit overpayments are often recovered through deductions from claimants' future benefits over many years. This debtor represents the value of housing benefit outstanding at 31 March 2020 which is expected to be recovered after one year.

[2] **EKH Single System Loan** – Dover District Council lent East Kent Housing £223k for the purchase of the new Single Housing System. The loan was to be repaid annually for six years commencing on 1 March 2017. EKH repaid the first instalment of £37k during 2018/19 but then asked for another £35k during 2019/20 and requested that the repayment of the loan is deferred until the system is implemented.

Short Term Debtors	31 March 2019 £000	31 March 2020 £000
General Fund		
Housing rents and other charges	1,028	1,185
Central Government	971	1,199
Local Authorities	4,349	2,002
Payments in Advance	388	383
Other debtors	5,908	7,342
	12,644	12,110
Collection Fund		
Local tax payers (district council's share)	1,911	2,007
Central Government	977	535
	2,888	2,542
Other Local Authorities – cash due	480	491
Total	**16,012**	**15,143**

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

The net decrease in debtors incorporates: an increase in rent arrears due to Universal Credit (£157k), an increase in Central Government debtors (General Fund) relating to housing benefit subsidy due from DWP (£372k), offset by the clearing of a prior year debtor for S31 Grant monies owed by Central Government (£134k). The decrease in local authority debtors is due to DDC no longer collecting debts for the Business Rates Pilot scheme (£1.3m), a decrease in the waste contract (£860k) and decrease in various East Kent Shared Services management fees (£183k), offset by an increase in Other General Fund debtors (£1.4m). There is also a £442k decrease in the Collection Fund debts relating Transitional Payment Protection for NDR from Central Government and arrears from previous pilot scheme debtors, offset by an increase in council tax arrears (£96K).

Provision for Bad Debts	**Council Tax £000**	**NDR £000**	**General Debtors £000**	**Housing Benefits £000**	**HRA £000**	**Total £000**
Balance at 1 April 2018	**554**	**702**	**742**	**1,872**	**512**	**4,382**
Write-offs	(37)	(146)	(46)	(122)	(7)	(358)
Contribution to provision	54	129	135	97	83	498
Balance at 31 March 2019	**571**	**685**	**831**	**1,847**	**588**	**4,522**
Write-offs	(28)	(1)	(55)	(86)	(34)	(204)
Contribution to provision	157	157	127	31	121	593
Balance at 31 March 2020	**700**	**841**	**903**	**1,792**	**675**	**4,911**

The provisions for bad debts in respect of council tax and NNDR represent the Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision for NNDR, can be found on page 84.

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 2019			**At 31 March 2020**		
Age of debt	**General Debtors £000**	**HRA £000**	**Total £000**	**General Debtors £000**	**HRA £000**	**Total £000**
< 1 month	548	0	548	2,249	467	2,716
1 – 3 months	593	1	594	114	430	544
3 – 6 months	98	2	100	80	253	333
6 – 12 months	123	27	150	49	99	148
1 year +	245	358	603	214	10	224
Total	**1,607**	**388**	**1,995**	**2,706**	**1,259**	**3,965**

Collectability of Debt

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

28. CASH & CASH EQUIVALENTS

Under the IFRS Code investments which are considered to be of a liquid nature are to be included under the category of cash and cash equivalents. Under the Council's accounting policies these are deemed to be internally managed investments with a maturity date within 100 days of the Balance Sheet date and net cash holdings in the Council's bank accounts.

	2018/19 £000	2019/20 £000
Cash held at bank	252	461
Bank call accounts	3,729	10,163
Total Cash and Cash Equivalents	**3,981**	**10,624**

29. SHORT TERM CREDITORS

As at 31 March	**2019 £000**	**2020 £000**
General Fund		
Government departments	(1,637)	(4,061)
Other local authorities	(942)	(336)
Housing tenants	(402)	(460)
Other creditors – revenue	(4,356)	(4,279)
Other creditors – capital	(1,368)	(2,475)
	(8,705)	(11,611)
Collection Fund		
Government Departments	(0)	(3,111)
Local Authorities	(4,662)	(1,455)
Local tax payers (DDC's share)	(520)	(595)
	(5,182)	(5,161)
Total	**(13,887)**	**(16,772)**

The net increase in creditors is due to changes in both General Fund and Collection Fund creditors. The changes in General Fund Creditors include a £1.86m increase in government department creditors due to an advance S.31 Grant payment, £987k increase in NDR levy payable to central government, £449k decrease in amount owed to DWP for Housing Benefit subsidy, £58k increase in Housing Rents, £77k decrease in sundry revenue creditors (mainly 'goods receipted' but not invoiced), and £1.11m increase in sundry capital creditors for programmed capital works. The decrease in Local Authority creditors is made up of £119k increase to KCC relating to consultancy fees for the Bus Rapid Transit Project, £839k decrease in levy payable to Maidstone B.C. for 2018/19 NDR pilot scheme pooling arrangements, and £115k increase for recharges due to CCC relating to an EKH utility contract. Additionally, the change between the collection fund categories of 'Government Departments' and 'Local Authorities' in the two years, arises from the change in the tier split for the pilot scheme in 2018/19 (of which: KCC - 59%, Govt. - 0%) which reverted to its normal split for 2019/20 (of which: KCC - 9%, Govt. - 50%), as the pilot scheme was a one-year scheme only.

30. PROVISIONS

Localisation of Business Rates

Under the localisation of business rates, the Council is required to calculate a provision for successful appeals made against NNDR debts based on disputes over rateable value, which includes an estimate based on appeals currently lodged against 2019/20 and prior years. The Council includes only its share (40%) of the total appeals provision calculated within the Council's own balance sheet. The full provision of circa £6.07m (2018/19 £6.23m) can be seen within the separate Collection Fund section.

The likely reduction in business rates income arising from appeals is difficult to estimate accurately, as decisions by both the Valuation Office Agency (VOA) and Valuation Tribunal Service are difficult to predict.

The lack of appeals lodged so far against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents (who pursue appeals on behalf of businesses for a fee) increases, which is expected further down the line when backdating of appeals to 1st April 2017 is likely to increase the fees they can charge on amounts refunded to businesses. The provision for appeals against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value, which is in accordance with the calculations proposed by other Kent Authorities. This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation.

However, for 2019/20, alongside the other Kent Authorities, we have taken into account changes to reliefs, such as those arising from increased thresholds for Small Business Rates reliefs, beneath which more businesses are exempt from paying business rates from 1 April 2017, as well as those significant charitable and other reliefs granted to businesses which we think are likely to discourage appeals. Therefore provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing. However, as stated, only the Council's 40% share of this amount is included in its own accounts. See the separate Collection Fund section for further information.

Municipal Mutual Insurance

In 1992 the company failed and went into solvent "run-off". If a solvent "run-off" is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £182,782 less £50,000. In 2012/13 the scheme administrator indicated that a levy of between 9.5% and 28% would be required to achieve a projected solvent run off. A provision of 25% of the claim payment was therefore set aside. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £19,917. In 2016/17 another 10% levy (£13,278) was paid, and there may be a further levy of 15%. To provide for this, the provision has been set at 15% of the total claim.

	2018/19 £000	2019/20 £000
As at 31 March		
DDC Share of NNDR Appeals Provision	(2,492)	(2,427)
Municipal Mutual Insurance provision	(20)	(20)
Total	**(2,512)**	**(2,447)**

31. RECEIPTS IN ADVANCE

As at 31 March	2018/19 £000	2019/20 £000
Government departments	(894)	(941)
Other local authorities	(830)	(987)
Other	(1,119)	(1,270)
Total	**(2,843)**	**(3,198)**

32. CAPITAL GRANTS UNAPPLIED

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

	2018/19 £000	2019/20 £000
Balance at 1 April	**(3,503)**	**(3,498)**
Contributions received	(1,903)	(1,992)
Applied to projects	1,909	1,239
Balance at 31 March	**(3,498)**	**(4,251)**

33. CAPITAL GRANTS RECEIVED IN ADVANCE

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

	2018/19 £000	2019/20 £000
Balance at 1 April	**(726)**	**(929)**
Contributions received	(411)	(1,768)
Applied to capital projects	209	1,308
Balance at 31 March	**(929)**	**(1,389)**

34. CAPITAL ADJUSTMENT ACCOUNT

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

Capital Adjustment Account	**2018/19**	**2019/20**
	£000	**£000**
Balance at 1 April	**(161,378)**	**(167,625)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation of non-current assets	6,856	5,257
Amortisation of intangible assets	58	44
Revaluation losses on property, plant and equipment	4,387	5,692
Revaluation gains on property, plant and equipment	(55)	(201)
Revenue expenditure funded from capital under statute	1,180	1,389
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1,311	1,443
Adjusting amounts written out of the Revaluation Reserve	(3,406)	(1,540)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,391)	(4,054)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,417)	(2,335)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(517)	(459)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,909)	(2,109)
Receipt of capital income from long term debtors	112	93
Capital expenditure charged against the General Fund and HRA balances	(331)	(2,119)
Capital expenditure charged against Earmarked Reserves	(5,686)	(4,421)
Movements in the market value of Investment Properties debited or credited to the CIES	338	(33)
Loan Repayments Made	(2,231)	(2,303)
Minimum Revenue Provision	(544)	(561)
Balance at 31 March	**(167,625)**	**(173,842)**

35. DEVELOPMENT CONTRIBUTIONS

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

	2018/19	**2019/20**
	£000	**£000**
Balance at 1 April	**1,952**	**2,527**
Contributions received	2,167	745
Transfers to third parties	0	0
Applied to capital	0	0
Applied to revenue	(1,592)	(149)
Balance at 31 March	**2,527**	**3,123**

36. REVALUATION RESERVE

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

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

	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
Balance carried forward		53,035		49,019
Balance at 1 April		**53,035**		**49,019**
Revaluation gains	5,098		9,048	
Revaluation losses	(5,664)		(5,358)	
Surplus on revaluation of fixed assets		(567)		3,690
Revaluations relating to disposals written out		(44)		0
Historic cost depreciation written out to the capital adjustments account		(3,406)		(1,540)
Balance at 31 March		**49,019**		**51,169**

37. RELATED PARTY TRANSACTIONS

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

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

Organisation	Value	Details
Love Dover Regeneration	£10,000	Grant made to Love Dover Regeneration as part of Town Centre Business Grant scheme. One Member is a Trustee of this local charity.
Dover, Deal & District Citizens Advice Bureau	£97,000	Grant made to the C.A.B. One Member is a Trustee of this local charity.
St Radigunds Community Centre Company	£1,000	Community grant made to St Radigunds Community Centre. One member is an employee of this company.
Aylesham and District Community Workshop Trust	£3,000	Payment to the Trust for use of office space and training session. One Member is the Chairman of this Trust.

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

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

The Council is joint owner of East Kent Housing Ltd, an arms-length management organisation, owning 25% of the company. 2019/20 was the ninth year of operation.

In 2019/20 £2.197m was paid to East Kent Housing in respect of management fees. Charges from DDC to East Kent Housing in respect of services supplied totalled £367k, Dover District Council made a loan to East Kent Housing in 2016/17, of which £nil was repaid in 2019/20. Please see note 27 Debtors for further details.

See also note 0 Interest in Companies and Other Entities for further financial information for East Kent Housing.

38. MEMBERS' ALLOWANCES

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

	2018/19 £000	2019/20 £000
Basic Allowance	179	132
Special Responsibility Allowance	99	85
Members' National Insurance Contributions	3	3
Total	**281**	**220**

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

39. EXTERNAL AUDIT FEES

The Council's auditors, Grant Thornton, are responsible for reviewing the Council's procedures which ensure that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2019/20:

	2018/19 £000	2019/20 £000
External audit services – Grant Thornton	41	49
Certification of grant claims and returns	11	15
Other services	0	0
Total	**52**	**64**

40. CONTINGENT ASSETS & LIABILITIES

Contingent Assets

East Kent Housing Limited (EKH), the Council's jointly owned Arms Length Management Organisation manage the Council's housing stock including acting as contract administrator on the maintenance and improvement programmes for the housing stock.

After discovering problems with some health and safety procedures, Dover District Council, along with the other three Council owners (Canterbury City Council, Folkestone & Hythe District Council and Thanet District Council) proposed to close EKH and deliver housing services themselves. In October 2019 tenants and leaseholders were consulted and asked for their views on the future of EKH and the results showed an overwhelming desire to disband EKH and for the councils to take on its role. In February 2020 all four council owners agreed that the management of council housing stock should be brought back in-house and that a termination of the management agreement with EKH should be negotiated and concluded as soon as practicable. Work is underway between the councils and EKH to create a smooth transition process and in the meantime housing and support services for tenants continue to be provided by EKH. The planned transfer date is 1 October 2020.

Contingent Liabilities

Private Finance Initiative

In 2007/08 and 2014/15 the Council entered into partnership agreements with Kent County and other district councils within Kent to provide new homes for vulnerable people. The projects are known as Better Homes Active Lives (BHAL) and Kent Excellent Homes For All (KEHFA). The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period.

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

Munich Municipal Insurance (MMI)

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". At the present time MMI is still solvent and the known and anticipated liabilities arising from prior years' insurance cover will be met from the company's assets. If a solvent run-off is not achieved, councils (and other scheme creditors) would be liable to repay sums paid out on their behalf to settle claims.

As at 31 March 2020, the estimated amount liable to claw-back if a solvent run-off is not achieved is the total carried forward claim payments of up to £183k less £50k.

A provision of 25% of the claim was made in the balance sheet in 2012/13 (being £33k) from which a payment of £20k was made in 2013/14. In 2015/16, the provision was increased by £20k, returning it to £33k. In 2016/17 a further payment of £13k was made. The £80k balance of the claim remains as a contingent liability.

East Kent Housing Pension Deficit

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

East Kent Housing Ltd's total pension liability increased from £9.501m to £9.897m at 31 March 2020, of which Dover District Council's share would be £2.47m. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability before the transfer back to the four councils on 1st October 2020.

Civica UK Ltd Pension Deficit

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

Rent Deposit Scheme

The Council operates a rent deposit bond scheme as part of its homelessness prevention programme. The bond scheme was started in 2006 after a change of legislation in which the rent deposit had to be held by a third party. The scheme requires an agreement to be entered into where the Council holds a bond on behalf of the tenant, equal to an amount of a rent deposit. The potential liability of all bonds held by the Council on behalf of landlords is £40k.

Business Rates

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

41. POST BALANCE SHEET EVENTS

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2018. The Council does not consider there to have been any material post balance sheet events.

42. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council, together with Canterbury City Council, Folkestone & Hythe District Council and Thanet District Council, jointly owns East Kent Housing Ltd (EKH), an Arms Length Management Organisation, whose principal activity is to manage each of the four authorities' council housing stock.

For financial accounting purposes, EKH is regarded as neither a joint venture nor a joint operation and is therefore not required to be included within the statement of accounts.

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

However, for information, the financial (draft unaudited) results of EKH for 2019/20 and the Council's share is as follows:

East Kent Housing Ltd 2018/19	DDC share 25% 2018/19		East Kent Housing Ltd 2019/20	DDC share 25% 2019/20
£000	£000		£000	£000
(8,686)	(2,172)	Turnover	(10,092)	(2,523)
9,566	2,392	Expenses	11,440	2,860
880	220	Operational (profit)/loss	1,348	337
		Impairment of intangible fixed assets	1,766	442
276	69	Finance costs	246	61
1,156	**289**	**(Profit)/loss after taxation**	**3,360**	**840**
(1,738)	(435)	Re-measurement of post-employment benefit obligations	(1,161)	(290)
(582)	(146)	Total comprehensive (income)/loss for the year	2,199	550
1,634	409	Non-current assets	283	71
942	236	Current assets	1,075	269
(696)	(174)	Current liabilities	(2,279)	(570)
(10,499)	(2,625)	Non-current liabilities	(9,897)	(2,474)
(8,619)	(2,154)		(10,818)	(2,705)
(882)	(221)	Profit and loss reserve	921	230
9,501	2,375	Pensions reserve	9,897	2,474
8,619	2,154		10,818	2,704

Note 37, Related Party Transactions, sets out the transactions that took place between the Council and EKH in 2019/20. Note 40, Contingent Liabilities, describes the guarantee the Council has entered into with EKH over certain pension obligations.

43. ACCOUNTING STANDARDS ISSUED BUT YET TO BE ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018/19				2019/20	
Business Rates **£000**	Council Tax **£000**	Total **£000**		Business Rates **£000**	Council Tax **£000**	Total **£000**
			Income			
			Council tax:			
0	(66,868)	(66,868)	Billed to Council Tax payers	0	(71,442)	(71,442)
0	0	0	Grants Receivable	0	0	0
			National Non-domestic rates:			
(42,335)	0	(42,335)	Billed to NNDR payers	(44,714)	0	(44,714)
(2,724)	0	(2,724)	Enterprise Zone relief from Government	(938)	0	(938)
0	0	0	Transitional Protection Payments	0	0	0
(45,059)	**(66,868)**	**(111,927)**	**Total Income**	**(45,652)**	**(71,442)**	**(117,094)**
			Expenditure			
			Precepts, Demands & Shares:			
(756)	0	(756)	Central Government	20,181	0	20,181
23,526	47,677	71,203	Kent County Council	3,352	50,625	53,977
0	6,514	6,514	Police & Crime Commissioner for Kent	0	7,519	7,519
386	2,910	3,296	Kent & Medway Fire & Rescue Authority	399	3,030	3,429
15,437	7,063	22,500	Dover District Council	15,954	7,327	23,281
0	2,383	2,383	Town and Parish Councils	0	2,512	2,512
38,593	66,547	105,140		39,886	71,013	110,899
			Enterprise Zone Relief Payable:			
2,179	0	2,179	Dover District Council	750	0	750
490	0	490	Kent County Council	169	0	169
55	0	55	Kent & Medway Fire & Rescue Authority	19	0	19
2,724	0	2,724		938	0	938
			Renewable Energy Retained			
303	0	303	Dover District Council	1,441	0	1,441
303	0	303		1,441	0	1,441
			Charges to the Collection Fund:			
364	174	538	Write-offs of Uncollectable Amounts	2	174	176
(42)	217	175	Increase/(decrease) in Bad Debt provis'n	391	967	1,358
1,407	0	1,407	Increase/(decrease) in Appeals provision	1,729	0	1,729
160	0	160	Cost of Collection Allowance	160	0	160
1,889	391	2,280		2,282	1,141	3,423
581	0	581	**Transitional Protection Payments**	544	0	544
44,090	**66,938**	**111,028**	**Total Expenditure**	**45,091**	**72,154**	**117,245**
(969)	**70**	**(899)**	**(Surplus) or Deficit for the Year**	**(561)**	**712**	**151**
1,933	(1,998)	(65)	Balance brought forward at 1 April	964	(1,928)	(964)
964	**(1,928)**	**(964)**	**Balance Carried Forward at 31 March**	**403**	**(1,216)**	**(813)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. **COUNCIL TAX**

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

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

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

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

- A reduction in ‘benefit’ to claimants of circa 10% (DDC figure). That means that claimants who weren’t paying Council Tax are now required to pay 10% of the bill;
- Empty homes discounts were reduced to 0% for Class C empty properties from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding;
- Second home discounts were removed from 1 April 2013, in order to meet the costs of the discount to claimants over and above the reduced level of Government funding.

Precepts

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

Preceptor	2018/19 Precept £000	2018/19 Surplus £000	**2018/19 Total £000**	2019/20 Precept £000	2019/20 Surplus £000	**2019/20 Total £000**
Kent County Council	46,985	692	**47,677**	50,062	563	**50,625**
Police and Crime Commissioner for Kent	6,422	92	**6,514**	7,442	77	**7,519**
Kent and Medway Fire & Rescue Authority	2,867	43	**2,910**	2,996	34	**3,030**
Dover District Council	6,922	141	**7,063**	7,215	112	**7,327**
	63,196	968	**64,164**	67,715	786	**68,501**
Parish councils	2,383	-	**2,383**	2,512	-	**2,512**
Total Demand on the Collection Fund	**65,579**	**968**	**66,547**	**70,227**	**786**	**71,013**

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

Preceptor	2018/19 Precept £000	2018/19 Deficit £000	**2018/19 Total £000**	2019/20 Precept £000	2019/20 Deficit £000	**2019/20 Total £000**
Kent County Council	23,662	(136)	**23,526**	3,670	(318)	**3,352**
Kent and Medway Fire & Rescue Authority	401	(15)	**386**	408	(9)	**399**
Dover District Council	16,043	(606)	**15,437**	16,313	(359)	**15,954**
	40,106	(757)	**39,349**	20,391	(686)	**19,705**
Central Government	0	(756)	**(756)**	20,391	(210)	**20,181**
Total Demand on the Collection Fund	**40,106**	**(1,513)**	**38,593**	**40,782**	**(896)**	**39,886**

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:

	2018/19			2019/20		
Band	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**	**Estimated no. of Properties**	**Multiplier**	**Band D Equivalent Dwellings**
Disabled A	2.68	5/9ths	1.49	2.96	5/9ths	1.64
A	3,948.28	6/9ths	2,632.19	4,045.39	6/9ths	2,696.93
B	12,195.54	7/9ths	9,485.42	12,483.48	7/9ths	9,709.37
C	11,441.61	8/9ths	10,170.32	11,589.97	8/9ths	10,302.20
D	6,271.96	9/9ths	6,271.96	6,372.10	9/9ths	6,372.10
E	3,924.53	11/9ths	4,796.65	3,927.25	11/9ths	4,799.97
F	2,214.78	13/9ths	3,199.13	2,235.74	13/9ths	3,229.40
G	1,330.88	15/9ths	2,218.13	1,342.38	15/9ths	2,237.30
H	50.50	18/9ths	101.00	52.25	18/9ths	104.50
	41,380.76		38,876.29			39,453.41
Estimated Collection Rate			97.65%			**97.65%**
Council Tax Base			**37,962.69**			**38,526.26**

Band D Council Tax

	2018/19 £	2019/20 £
Kent County Council	1,237.68	1,299.42
Police and Crime Commissioner for Kent	169.15	193.15
Kent and Medway Fire & Rescue Authority	75.51	77.76
Dover District Council	182.34	187.29
	1,664.68	1,757.62
Parish councils (average)	62.79	65.20
Total	**1,727.47**	**1,822.82**

This basic amount of council tax for a Band D property of £1,822.82 for 2019/20 (£1,727.47 for 2018/19) is multiplied by the proportion specified within the Local Government Finance Act 1992 for the particular band to give an individual amount due. In addition to this, special expenses are charged specifically in relation to the precepts of parish councils.

2. **NATIONAL NON-DOMESTIC RATES (NNDR)**

Non-domestic rates are set on a national basis, but the Council is responsible for collecting rates due from the ratepayers in its area. The Government specifies an amount of 'rate poundage' of 49.3p (47.9p) for large businesses or 48.0p (46.6p) for small businesses in 2019/20 (2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

However, from April 2013 the Ministry of Housing, Communities and Local Government has calculated a tariff payable by the billing authority (Dover District Council) that reduces its retained funding significantly from the 40% share. There is also a separate calculation of a pre-determined baseline need for the billing authority. Further arrangements to limit the loss of income to the billing authority (or restrict the retention of income above the baseline need) result in safety net payments from Government (or levy payments to it). Dover was in a levy position for 2019/20 and will pay £987k on growth above its 'baseline need' level determined by Government, being 50% of the growth achieved (i.e. levy rate = 50%). Similar arrangements exist for the other major preceptors. Tariff, levy and safety net calculations form part of the Core Statements, but are not shown in the collection fund itself.

Dover is a 'shadow' member of the Kent-wide business rates pool in 2019/20 and receives a portion of its levy back as a saving, as if it was a full pool member, on the basis that Kent authorities were entitled to leave and join the pool freely in any year. Dover has continued to be given 'shadow' status for pooling calculations to avoid the need for formal dissolution and reconstitution of the pool by permission of MHCLG. In practice, a small element of 'contingency' within the pool is used to refund 60% of DDC's deemed levy saving, calculated as if it was a pool member paying a much lower levy rate, circa 3%. Half of the saving is for DDC's use at its own discretion, half requires KCC approval of proposed projects. This means that DDC will receive £556k back from the pool.

As an exception for 2018/19, the Kent Authorities were permitted to form a ‘Pilot Scheme’ for one year only, under which business rates growth was retained 100% by the Pilot Scheme members, meaning that no levy was payable by any of the Kent authorities for 2018/19. Separate governance arrangements existed for the Pilot Scheme with complex arrangements for apportioning the additional county-wide business rates growth between the authorities for the year. Tariffs were still payable to Government as normal, as it was only the growth above aggregate baseline need that was permitted to be fully retained for the year.

To facilitate the arrangements for the pilot scheme, and to avoid the need for all scheme members to alter their proportional shares and tariffs, it was agreed that Kent County Council would increase its proportionate share to 59% for 2018/19 only (effectively taking their ‘normal share’ of 9% and adding on the 50% previously attributed to Central Government). This was not intended to create any specific advantage to KCC, as they had a proportionate increase in their tariff (whereas previously they received a top-up from Central Government instead) to ensure that only growth above aggregate county-wide baseline need would be retained. The additional county-wide growth was then shared by a separate mechanism on an agreed basis among the scheme members, and taken into their separate Core Statements. These amounts are not shown in the collection fund itself, but the explanation is needed to understand the change in proportionate shares between 2018/19 and 2019/20 (i.e. The Government’s proportional share increases to 50% from 0%, KCC’s share decreases from 59% to 9%, while district shares remain at 40% for both years and the Kent & Medway Fire and Rescue Authority share remains at 1% for both years).

The NNDR income, after reliefs, of £44.714m for 2019/20 (£42.335m for 2018/19), was based on the total rateable value for the Council's area, which at the year-end was £110.983m (£108.126m in 2018/19).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2018/19			2019/20		
	Council Tax £000	**NNDR £000**	**Total £000**	**Council Tax £000**	**NNDR £000**	**Total £000**
Balance at 1 April	3,903	1,755	5,658	4,121	1,713	5,834
Write-Offs	(174)	(364)	(538)	(174)	(2)	(176)
Contribution to Provision	392	322	714	1,141	393	1,534
Balance at 31 March	**4,121**	**1,713**	**5,834**	**5,088**	**2,104**	**7,192**

4. COLLECTION FUND SURPLUSES AND DEFICITS

Council Tax

The District Council was required to estimate by 16 January 2019 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax. Where a surplus is estimated, it is to be shared in the following year between the District Council, Kent County Council, The Police and Crime Commissioner for Kent, and Kent and Medway Fire & Rescue Authority in proportion to their respective precepts. The distributable surplus was calculated as £786k for 2018/19 so there was an additional payment to major preceptors of this amount in 2019/20. The distributable surplus for 2019/20 was estimated as £605k and will be distributed to major preceptors during 2020/21. The actual surplus of £1,216k at 31 March 2020 exceeds this figure but does not represent a *cash* surplus. However, it will be taken into account when estimating the distributable surplus for 2020/21 (N.B. “Council Tax Cash” in note 5 shows cash surpluses at 31 March 2019 and 2020, but these surpluses include significant prepayments on account of the following years’ debts). Each of the major precepting authorities' shares of the surplus relating to council tax is shown in the table below.

	Surplus at 31 March 2018 £000	Movement in Year £000	Surplus at 31 March 2019 £000	Movement in Year £000	Surplus at 31 March 2020 £000
Kent County Council	(1,430)	53	(1,377)	510	(867)
Police and Crime Commissioner for Kent	(193)	(5)	(198)	68	(130)
Kent & Medway Fire & Rescue Authority	(88)	5	(83)	32	(51)
Dover District Council	(287)	17	(270)	102	(168)
Total	**(1,998)**	**70**	**(1,928)**	**712**	**(1,216)**

National Non-Domestic Rates (NNDR)

The District Council was required to estimate by 31 January 2019 the amount of the surplus or deficit on the Collection Fund for the financial year in respect of non-domestic rates. Where a surplus (or deficit) is estimated, it is to be shared (or recovered) in the following year by (or from) the District Council, Kent County Council, Kent and Medway Fire & Rescue Authority and Central Government in proportion to their shares of non-domestic rates income. The District Council estimated that the fund would have an accumulated deficit of £896k for 2018/19 and this was collected from major preceptors during 2019/20. The District Council estimated that the fund would have an accumulated surplus of £20k for 2019/20 and this will be distributed to major preceptors during 2020/21. The actual result for 2019/20 is a deficit of £403k, which is a slightly poorer position at 31 March 2020. Therefore DDC will be distributing £20k during 2019/20 instead of collecting £403k, a difference of £423k. This will be adjusted against the 2020/21 proportionate shares of non-domestic rates income.

The proportionate shares (prescribed by legislation) of the actual collection fund deficit for non-domestic rates are shown below. The closing balance of £403k at 31 March 2020 includes £68k deficit relating to 2018/19 and £335k further deficit arising in 2019/20 and each element is split according to the shares for those years:

	Proport-ionate Shares 18/19	Proport-ionate Shares 19/20	Deficit at 31 March 2019 £000	Movement in Year £000	Deficit at 31 March 2020 £000
Central Government	0%	50%	210	(43)	167
Kent County Council	59%	9%	359	(288)	71
Kent & Medway Fire & Rescue Authority	1%	1%	9	(5)	4
Dover District Council	40%	40%	386	(225)	161
Total	**100%**	**100%**	**964**	**(561)**	**403**

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

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

At 31 March 2019

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

At 31 March 2020

	KCC £000	PCCK £000	KMFRA £000	DDC £000	Gov't £000	Total £000
Council Tax:						
Council tax arrears	5,031	756	295	971	0	7,053
Council tax provision for bad debts	(3,630)	(545)	(213)	(700)	0	(5,088)
Council tax overpayments & prepayments	(1,265)	(190)	(74)	(245)	0	(1,774)
Council tax cash	731	109	43	142	0	1,025
Collection Fund surplus	(867)	(130)	(51)	(168)	0	(1,216)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR arrears	233	0	26	1,036	1,295	2,590
NNDR provision for bad debts	(190)	0	(21)	(841)	(1,052)	(2,104)
NNDR provision for appeals	(546)	0	(60)	(2,427)	(3,034)	(6,067)
NNDR overpayments & prepayments	(79)	0	(9)	(351)	(438)	(877)
NNDR cash	511	0	60	2,422	3,062	6,055
Collection Fund deficit	71	0	4	161	167	403
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

6. **BUSINESS RATES RELIEFS**

The Council had received applications for mandatory charitable relief from business rates on behalf of NHS Trusts, but considered the basis of these applications to be unfounded and has made no allowance for them in its financial statements. This is a national issue and was subject to legal proceedings, but the claim for charitable relief was not successful following a judgement during the year.

A Government scheme to encourage growth in designated enterprise zones by granting 'Enterprise Zone relief' for up to five years came to an end for new applications on 31 March 2019. Nevertheless there are numerous businesses within the 'Discovery Park' enterprise zone entitled to such reliefs, some of which will run until 2025/26. The relief is capped at £55k p.a. (£275k max. per business in total across the 5 years). The Government provides compensation to preceptors for any such reliefs given to prevent losses arising as a result, and this enterprise zone relief compensation forms part of the Collection Fund Comprehensive Income & Expenditure Statement, and the District's share forms part of its total income from business rates.

7. **APPEALS PROVISIONS**

The Collection Fund includes a prudent provision for appeals, as required under legislation. There are 28 appeals that remain outstanding under the 2010 valuation with a total rateable value of £5.7m that have not yet been resolved by the Valuation Office Agency (VOA), and we have made a provision against these totalling £0.69m at 31 March 2020 (£2.64m at 31 March 2019) which allows for backdating. The reduction is largely due to a successful outcome for the council's single largest taxpayer, and no further provision is carried in respect of its 2010 RV, as it is no longer under appeal.

Few appeals have been lodged under the new 2017 valuation. A new "Check, challenge, appeal" system has been introduced by VOA which is currently thought to have discouraged appeals, as it is believed that BR payers are finding the system complex to use. Ratings Agents often encourage businesses to pursue appeals and offer their services for a fee, based on a percentage of any refunds secured for the BR payer. Therefore in the earlier years of a new valuation there would be lower fees chargeable by Ratings Agents due to a shorter period of backdating for claims (i.e. only to 1st April 2017). Therefore we expect to see more activity from Ratings Agents a few years down the line, when backdating of refunds would increase the size of fees payable. With this in mind, the lack of appeals lodged *thus far* against the 2017 valuation does not mean that they will not be lodged later, when the VOA 'appeals system' has been improved and activity from Ratings Agents increases, with backdating of appeals to 1st April 2017 likely. As such, we have provided a sum of £5.38m for successful appeals against bills raised from 2017/18 to 2019/20 under the 2017 valuation.

In accordance with other Kent Authorities, the appeals provision against the 2017 valuation is based on an estimate of 2.1p per £1 of Rateable Value (approximately 4.5% of gross rates liability for Dover's businesses). This is a national rate that Central Government used when re-calculating tariffs payable by local authorities under the 2017 valuation. It represents the average annual decrease in RV expected across the period of the 2017 valuation. However, for 2019/20, alongside the other Kent Authorities, we have taken into account changes to reliefs, such as those arising from increased thresholds for Small Business Rates reliefs, beneath which more businesses are exempt from paying business rates from 1 April 2017, as well as those significant charitable and other reliefs granted to businesses which we think are likely to discourage appeals. Therefore provisions are reduced by varying percentages for particular categories of ratepayers, based on our assessment of the likelihood of such businesses appealing.

Separately, an Appeal Court has ruled that supermarkets will no longer have to pay business rates for cash machines outside their shops. The separate assessment of ATMs has applied since 2010, and the court ruling means that all business rates paid in relation to ATMs would need to be refunded. The VOA lost its appeal against this decision, but the number of premises to which it applies makes it uncertain as to the final cost, and we therefore think it is reasonable to disclose this as a contingent liability. This is the position agreed with other Kent Authorities and, as such, no allowance is made within the appeals provision or the Statement of Accounts for refunds which, in any event, should not exceed £500k including prior years (DDC share £200k @ 40%) and are likely to be significantly less once sites are assessed on an individual basis, and are therefore not material to the accounts. A separate Contingent Liabilities note has been added to the Core Statements.

	2018/19 £000	2019/20 £000
Provided against 2010 valuation appeals	2,639	687
Provision for 2017 valuation appeals	3,591	5,380
Total	**6,230**	**6,067**

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2018/19 £000		Note	2019/20 £000
	Income		
(18,741)	Dwelling rents	10	(18,600)
(19)	Non-dwelling rents		(20)
(575)	Tenant charges for services and facilities		(668)
(230)	Leaseholder charges for services and facilities		(264)
0	Contributions towards expenditure		0
(19,565)	**Total Income**		**(19,552)**
	Expenditure		
2,927	Repairs and maintenance		3,037
3,711	Supervision and management		4,639
46	Rent, rates, taxes and other charges		26
2,053	Depreciation and impairment of fixed assets	5	2,090
4,368	Exceptional Item – revaluation gain, reversal of prior year loss	9	0
36	Debt management expenses		34
76	Increase in impairment of debtors	12	91
13,217	**Total Expenditure**		9,917
(6,348)	**Net Cost of Services Included in the Whole Authority Comprehensive Income and Expenditure Statement**		**(9,635)**
681	HRA share of corporate and democratic core		458
9	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		175
(5,658)	**Net Cost of HRA Services**		**(9,002)**
(1,162)	(Gain) or loss on sales of HRA non-current assets		(1,296)
2,635	Interest payable and similar charges		2,543
(20)	Interest and investment income		(18)
363	Net Interest on Defined Benefit Liability	13	313
(3,842)	**(Surplus) or Deficit for the year on HRA Services**		**(7,460)**

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2018/19		2019/20	
£000		£000	£000
(1,012)	Balance on the HRA at the end of the previous year		**(1,033)**
(3,842)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(7,460)
	Adjustments between Accounting Basis and Funding under Statute:		
(4,368)	Impairment of non-current assets		
2,587	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	2,539	
1,162	Gain on disposal of non-current assets	1,296	
91	Net charges made for retirement benefits	(19)	
5,077	Capital expenditure funded by the HRA	4,181	
706	**Net increase / decrease before transfers to reserves**	**537**	
(727)	Transfers to/(from) earmarked reserves (note 4)		(531)
(21)	(Increase) or decrease in year on the HRA Balance		**6**
(1,033)	**Balance on the HRA at the End of the Current Year**		**(1,027)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2019/20

	Stock at 1 April 2019	Sales	Transfers	Acquisitions	Stock at 31 March 2020
Houses/bungalows	2,694	21		11	2,684
Flats	1,604	2	18	11	1,631
Shared Ownership	0	0		2	2
Total	**4,298**	**23**	**18**	**24**	**4,317**

Total Value of Assets

	1 April 2019 £000	31 March 2020 £000
Dwellings	197,411	201,305
Other land and buildings	687	59
Equipment	311	280
Investment properties	0	0
Assets under construction	2,692	6,837
	201,101	**208,480**

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 31 March 2020 was £610m (£598m as at 31 March 2019). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost to Government of providing council housing at less than open market rents.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

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

	2018/19 £000	2019/20 £000
Balance as at 1 April	**0**	**0**
Major Repairs Allowance:		
Depreciation	(2,053)	(2,059)
Voluntary Excess Depreciation charge to HRA	(2,587)	(2,539)
Transfer from reserve for capital expenditure	2,417	2,335
Repayment of principal on loan	2,223	2,294
Balance at 31 March	**0**	**31**

4. **EARMARKED RESERVES**

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

	£000	£000
Balance as at 31st March 2019		**(13,968)**
Interim Housing	79	
New Dover Road, Capel–le-Ferne	219	
Property purchases	1,600	
Norman Tailyour House refurbishment	1,674	
Social Housing preliminary costs	15	
The Ark Development	4	
Total Project Spend	**3,591**	
Contribution from HRA	(3,060)	
Balance as at 31st March 2020		**(13,437)**

5. **DEPRECIATION AND AMORTISATION**

The Housing Revenue Account includes a charge for depreciation of non-current assets and amortisation of intangible assets of £2,090k (£2,053k at 31 March 2019) as detailed below.

	2018/19 £000	2019/20 £000
Council dwellings	2,022	2,059
Equipment	31	31
Total	**2,053**	**2,090**

6. **SUMMARY OF CAPITAL EXPENDITURE**

	2018/19 £000	2019/20 £000
Capital expenditure:		
Dwellings	2,263	2,818
Other Land & Buildings	7,192	11,215
Equipment	0	0
Total	**9,455**	**14,033**
Financed by:		
Borrowing	0	(4,867)
Capital Receipts	0	(295)
Funded by HRA	(5,077)	(4,074)
Transfer from Major Repairs Reserve	(2,417)	(2,335)
Excess RTB Receipts	(1,653)	(1,572)
Grant & S106 Contribution	(308)	(890)
	(9,455)	**(14,033)**

7. **SUMMARY OF CAPITAL RECEIPTS**

	2018/19 £000	2019/20 £000
Receipts from sales during the year:		
Dwelling sales	(2,440)	(2,286)
Amount pooled to Government	294	294
	(2,146)	**(1,992)**

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

£3,591k (£5,077k in 2018/19) of capital funding from the Housing Initiatives Reserve was used to fund the following projects as shown in Note 4.

9. **REVALUATION LOSS ON HRA STOCK**

The total value of the HRA stock has not significantly increased from 2018/19 to 2019/20 (see note 2), however we acquired 38 properties in 2019/20 and the revaluation loss of £4.34m is attributable to movement of properties.

10. **RENT OF DWELLINGS**

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

The average weekly rent at 31 March 2020 was £83.38 compared with £84.14 at 31 March 2019.

11. **RENT ARREARS**

The position for rent arrears is shown below:

31 March 2019			**31 March 2020**		
Former Tenant Arrears	**Current Tenant Arrears**	**Total Rent Arrears**	**Former Tenant Arrears**	**Current Tenant Arrears**	**Total Rent Arrears**
£000	£000	£000	£000	£000	£000
229	791	1,020	302	905	1,207

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

12. **IMPAIRMENT OF DEBTORS**

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

	2018/19	**2019/20**
	£000	**£000**
Balance brought forward as at 1 April	512	587
Provision made in the year	82	122
Less amounts written off	(7)	(34)
Balance carried forward at 31 March	**587**	**675**

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

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

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

The following IAS19 adjustments have been made:

	2018/19 £000	2019/20 £000
HRA Income and Expenditure Statement		
Cost of Services		
Curtailments and past service costs	1	165
Administrative expense	8	10
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	363	313
Charge to the Surplus or Deficit on the Provision of Services	**472**	**488**
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(372)	(488)
Actual amount charged to the HRA for pensions in the year:		
Employers' contributions payable to scheme	463	469
Contribution (From) or To Pensions Reserve	**91**	**(19)**

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

SIR ERNEST BRUCE CHARLES

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

	2018/19 £	2019/20 £
Income	174	196
Expenditure	0	0
Surplus or (deficit) for year	174	196
Fund balance at 1 April	65,550	65,724
Fund balance at 31 March	**65,724**	**65,920**
Represented by:		
Investments	65,724	65,920
	65,724	**65,920**

THE SALTER COLLECTION CHARITY

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

	2018/19 £	2019/20 £
Income	183	183
Expenditure	0	0
Surplus or (deficit) for year	183	183
Fund balance at 1 April	271,196	271,379
Fund balance at 31 March	**271,379**	**271,562**
Represented by:		
Collection	180,000	180,000
Investment	91,379	91,562
	271,379	**271,562**

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK

	2018/19 £	2019/20 £
Income	348	349
Expenditure	0	0
Surplus or (deficit) for year	348	349
Fund balance at 1 April	497,214	497,562
Revaluation Gain / (Loss)	0	0
Fund balance at 31 March	**497,562**	**497,911**
Represented by:		
Land and other buildings	323,822	323,822
Investment	179,732	179,732
Creditor	(5,992)	(5,643)
	497,562	**497,911**

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOVER DISTRICT COUNCIL

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