



**Statement
of
Accounts**

2007/08

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EXPLANATORY FOREWORD

INTRODUCTION

The purpose of this foreword is to offer interested parties a straightforward and understandable guide to the most significant matters reported in these Accounts for the year ended 31 March 2008.

The Accounts are prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy. SORP 2007 introduced fundamental changes to accounting for fixed assets to ensure greater compliance with commercial accounting practices in the United Kingdom. In the near future wider compliance to international accounting practices will be required.

In 2007/08 the Fixed Asset Restatement Account and Capital Financing Account were replaced with a Revaluation Reserve and a Capital Adjustment Account. Like their predecessors, the balances on these two new reserves do not represent real money to the Council as they are set up purely for accounting purposes and there is no impact on the Council Tax. The Revaluation Reserve records any unrealised net gains from revaluations made after 1 April 2007. The Capital Adjustment Account largely comprises balances of resources that have been applied to finance capital expenditure and also includes depreciation. This account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The Revaluation Reserve and the Capital Adjustments Account appear in the Balance Sheet supporting fixed assets balances.

The SORP also introduces new disclosure requirements and complex accounting entries for financial instruments arising from financial reporting standards FRS 26 Financial Instruments: Recognition and Measurement, FRS 25 Financial Instruments: Presentation and Disclosures and FRS 29 Financial Instruments: Disclosures. Overall, local authorities are required to provide more detailed information on financial instruments held on their Balance Sheets at year-end. The Balance Sheet now includes a Financial Instruments Adjustment Account to hold the accumulated difference between accumulated financing costs charged under regulations to the General Fund Balance and financing costs included in the Income and Expenditure account. A further new reserve called the Available-for-Sale Financial Instruments Reserve has been set up to hold gains and losses on revaluation of held investments. These two reserves ensure that the new treasury management accounting requirements have a neutral impact on the Council Tax payer.

The Council's Accounts consist of:

- **Statement of Responsibilities** (page 10) - this outlines the responsibilities of the Authority and the Head of Finance and ICT with respect to the Statement of Accounts.
- **Statement of Accounting Policies** (page 14) - this explains the basis of the figures used in the Accounts. The Accounts can only be properly understood if the accounting policies, which have been followed in dealing with material items, are explained. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

- **Income and Expenditure Account** (page 22) - this statement is fundamental to the understanding of a local authority's activities in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

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

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

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

- **Statement of Movement on the General Fund Balance** (page 23) - the Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

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

- **Statement of Total Recognised Gains and Losses** (page 23) - not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded, as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entity's operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period and these are included in a Statement of Total Recognised Gains and Losses.
- **Balance Sheet** (page 24) - this statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.
- **Cash Flow Statement** (page 25) - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.

- **Housing Revenue Account** (page 63) - the Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure – repairs and maintenance, administration and capital financing costs – and how these are financed by rents and other income.
- **Collection Fund** (page 69) - this shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates and the way in which these have been distributed to precepting authorities.
- **Annual Governance Statement** (page 75) - the Annual Governance Statement is included alongside the accounting statements. It sets out the conclusions of the Council's review of internal control for 2007/08 as required by the Accounts and Audit Regulations and follows the guidance on best practice: Delivering Good Governance in Local Government issued by CIPFA in 2007. The Annual Governance Statement describes the Council's governance framework and reviews its effectiveness.

Various notes to the Accounts are included to support these Statements.

SUMMARY OF THE 2007/08 FINANCIAL YEAR

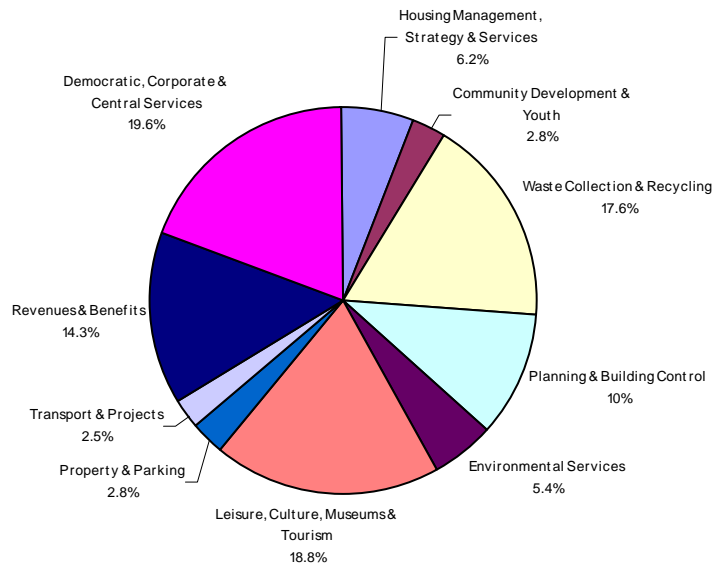
Dover District Council provides a variety of services relating to taxpayers and its rent payers. Its spending is further split between revenue and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed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

Income and Expenditure Account for 2007/08

The Council's gross cost of services in 2007/08 was £76m, with service income of £59m leading to net expenditure of £17m. The Income and Expenditure Account provides a basic summary of the services in accordance with the prescribed format, however the table and pie chart below provide a more detailed analysis:

NET EXPENDITURE OF SERVICE 2007/08

	2007/08 Gross Expenditure	2007/08 Gross Income	2007/08 Net Expenditure
	£000	£000	£000
Housing Management, Strategy and Services	18,866	(17,836)	1,030
Community Development and Youth	705	(245)	460
Waste Collection and Recycling	3,899	(1,002)	2,897
Planning and Building Control	2,838	(1,178)	1,660
Environmental Services	1,017	(116)	901
Leisure, Culture, Museums and Tourism	3,704	(589)	3,115
Property and Parking	3,081	(2,615)	466
Transport and Projects	438	(23)	415
Revenues and Benefits	36,949	(34,580)	2,369
Democratic, Corporate and Central Services	4,293	(1,053)	3,240
Total	75,790	(59,237)	16,553



Revenue Financing

Revenue Financing of £17m came from:

Net Operating Expenditure		
	£000	%
Council Tax (1)	7,045	41.3
Revenue Support Grant (2)	1,431	8.4
Non-Domestic Rates (3)	8,526	50.0
Collection Fund Surplus (4)	46	0.3
Total	17,048	100.0

- (1) Council Tax is paid by the residents of the district to the Council. However, only 13.4% of the Council Tax collected is retained by the district, of which 10.6% is for its own use, 2.8% is to meet the precepts of the various town and parish councils, 72.7% is paid to Kent County Council with the remainder paid to the Kent Police Authority and Kent and Medway Towns Fire Authority.
- (2) Revenue Support Grant is received directly from the Government.
- (3) Non-Domestic Rates are collected by the Council from businesses in the district. The amounts collected are paid into a national pool maintained by the Government who then re-distributes them.
- (4) The Council accounts for all Non-Domestic Rates and Council Tax in a Collection Fund. When there is a surplus on the fund, generally as a result of higher collection rates than forecast or due to a higher rate of increase in the tax base than forecast, the surplus is shared between the precepting authorities in proportion to their precepts. The £46k represents the Council's share of the prior year surplus.

The Housing Revenue Account

The Council maintains a housing stock of around 4,640 houses and flats. The income and expenditure from this account is included in the Income and Expenditure Account, but is kept separate from the General Fund and is maintained in an account called the "Housing Revenue Account" (HRA). The HRA is mainly financed from council house rents and service charges. The account achieved an increase in the HRA balance of £913k in 2007/08 compared to an original budget decrease in the HRA balance of £766k. The main reasons were savings and increased income as follows:

- A reduction in the Revenue Financing of Capital Expenditure; and
- Increased income from leaseholders.

These were partially offset by:

- Increased expenditure on repairs and maintenance;
- Additional void properties and an increase in the void standard; and
- A decrease in the 'negative subsidy' (monies that the HRA has to pay to the Government).

Investment in Major Projects

The Council invested £9.05m in major projects in 2007/08, the most significant of which were:

- Investments of £3.37m in the acquisition of properties to progress the Dover Town Investment Zone regeneration project; and
- £3.36m for Housing Revenue Account property projects, particularly to achieve the Government's Decent Homes standard by 2010.

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

- £3.37m grants from SEEDA and English Partnerships;
- £3.2m Major Repairs Allowance grant from the Government;
- £1.4m capital receipts from the sale of assets, (mainly council houses); and including land at Aylesham sold for £250k.

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

Treasury Management

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

During 2007/08 the Council withdrew over £8m from the Council's fund manager, Investec, to manage in-house. This decision was taken to provide opportunities to increase returns by fixing funds into high interest rate deposits.

As at 31 March 2008 the Council had over £14m managed by the Council's fund manager, Investec. The Council also has day-to-day cash balances that it manages in-house, and these averaged over £8.6m in 2007/08. The Council also has just over £4m of borrowing from the Public Works Loans Board (PWLB) and a £3m LOBO (Lender's Option, Borrower's Option) with Dresdner Bank.

The Council retains the services of Sector as Treasury Management advisers and they provide market intelligence, economic forecasts, fund managers' performance reports, debt re-scheduling services, opportunities for borrowing and ad-hoc enquiries.

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	2007	2008
	£000	£000
Value of land and property	320,546	331,134
Investments and cash in bank	26,769	30,233
Money owed to the Council	5,852	5,068
Money owed by the Council	(13,531)	(15,591)
Loans outstanding	(4,004)	(4,087)
Long-term liabilities	(59,200)	(57,711)
Total assets less total liabilities	276,432	289,046
Financed by:		
Revenue balances	(8,510)	(9,401)
Reserves and revaluation account	36,712	22,429
Financial instruments adjustments	(0)	174
Deferred premiums and grants	(7)	(5)
Capital financing	(304,627)	(302,243)
Total equity	(276,432)	(289,046)

Financial Health and Performance

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

The General Fund budgeted for a surplus of £28k and the final budget monitoring report for the year showed a forecast deficit of £103k. The variations for this movement have been reported throughout the year and include additional payments to Vista Leisure, items carried forward from 2006/07 and additional savings achieved through staff vacancies. The outturn shows an increase in the General Fund balance of £151k, a favourable variance £254k against the projected outturn. This variance was due to numerous savings and adjustments across all services and some slippage in expenditure into 2007/08. As a result, it has been possible to transfer funds to earmarked reserves for specific projects and purposes (see note 41) and maintain a General Fund balance of £2.7m at the year-end. It is proposed that a further £240k will be applied in 2008/09 to resource approved items of revenue expenditure which have slipped from 2007/08 to 2008/09. After adjusting for the £240k of carry forward requests the underlying General Fund balances will be reduced by £89k but this is in excess of the £2m target.

The Council's Auditor publishes an annual assessment on the Council's use of resources. The 2007 judgement concluded that the Council was performing at level 3 out of 4, which is defined as "Consistently above minimum requirements – performing well".

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE HEAD OF FINANCE AND ICT'S RESPONSIBILITIES

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

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

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

HEAD OF FINANCE AND ICT'S CERTIFICATE

I certify that the accounts, as set out, present fairly the financial position of the Council at 31 March 2008.



Mike Davis CPFA
Head of Finance and ICT
Dover District Council
30 June 2008

Acceptance of Accounts
By Chairman of the Governance Committee



Councillor Susan Chandler
30 June 2008

Independent Auditor's Report to the Members of Dover District Council

Opinion on the Financial Statements

I have audited the Authority accounting statements and related notes of Dover District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective Responsibilities of the Head of Finance & ICT & Auditor

The Head of Finance and ICT responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices

Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Dover District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

The previous appointed auditor issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 in September 2007. She did not identify any matters to be reported to the

Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Andy Mack
District Auditor
Audit Commission
16 South Park
Sevenoaks
Kent
TN13 1AN
30 September 2008

STATEMENT OF ACCOUNTING POLICIES FOR THE FINANCIAL YEAR 2007/2008

GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2008. The Accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice 2007. The Code is based on approved accounting standards, known as Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standard (FRSs) approved by the Accounting Standards Board and the Urgent Issues Task Force's (UITF) Abstracts. The accounting convention adopted for the preparation of these accounts is an historical cost basis modified by the revaluation of certain categories of assets.

QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

- **Relevance** - in accordance with FRS18, Accounting Policies, 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, without material error and have been prepared in a prudent manner.
- **Comparability** - the Statement of Accounts contain comparative information about the Council so that performance may be compared with prior periods.
- **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 Authority's stewardship and economic decisions.

ACCOUNTING CONCEPTS

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

ACCRUALS OF INCOME AND EXPENDITURE

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

VALUE ADDED TAX

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

EXCEPTIONAL ITEMS

The Council accounts for exceptional items in accordance with FRS3.

INTANGIBLE FIXED ASSETS

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

TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

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

Revaluations of fixed assets are undertaken on a 5-year rolling programme. Material changes to asset valuations will be adjusted in the interim period as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Most of the Council's assets are re-valued as at 1 April, with a year-end review to identify any material changes or impairments. For Council dwellings and garages the revaluation is now undertaken as at 31 December and this valuation is valid for three months, to the 31 March. At year-end the valuation is reviewed to confirm that the December valuation is still acceptable. Should there be a material change in valuation the accounts will be adjusted.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in one of two ways:

- where attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account;
- otherwise the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or de-commissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

DEPRECIATION

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

CHARGES TO REVENUE FOR FIXED ASSETS

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation and so these charges are subsequently removed – see Note 1 to the Core Financial Statements.

DEFERRED CHARGES

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating

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

INVESTMENTS

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

LEASES

Operating Leases

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

Finance Leases

The Council has no finance leases.

OVERHEADS AND SUPPORT SERVICES

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

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

PENSION COSTS

Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council (KCC). The scheme provides defined benefits to members (retirement lump sums and pensions).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% based on the indicative rate of return on high

quality corporate bond (gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years).

- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – mid-market value;
 - unquoted securities – professional estimate;
 - unlisted securities – average of the bid and offer rates; and
 - property – market value.

- The change in the net pensions liability is analysed into seven components:
 - **current service cost** – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
 - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account;
 - **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
 - **expected return on assets** – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account;
 - **gains/losses on settlements and curtailments** – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses; and
 - **contributions paid to the Kent County Council pension fund** – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Full details can be found on page 60.

FINANCIAL INSTRUMENTS

The 2007 SORP has introduced significant additional disclosure requirements relating to Financial Instruments (e.g. loans and investments), for inclusion in the 2007/08 Statement of Accounts. They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements and the assessment of risks associated with holding financial instruments.

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 36 to the Core Financial Statements and relevant gains and losses in Note 37.

There are two types of financial assets:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The 2007 SORP requires Authorities to estimate the “fair value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The fair value estimate will include the future discounted cash flows associated with the Council's Financial Instruments as at 31 March 2008. The discount rate should reflect prevailing interest rates as at 31 March 2008. Full details of this disclosure are included in Note 38 to the Core Financial Statements.

The SORP identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations.
- (b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments.
- (c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The SORP requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 40 to the Core Financial Statements.

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 40 includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the annual Statement of Accounts (Statement of Accounting Policies 10.4).

PROVISIONS

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

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

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

STOCKS

Stocks are included in the Balance Sheet at the lower of cost or net realisable value.

SINGLE EUROPEAN CURRENCY (The Euro)

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

CONTINGENT LIABILITIES

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

GROUP ACCOUNTS

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

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

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2008

This Account includes both General Fund and Housing Revenue Account activities and summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. All operations in the year are continuing; there were no acquired or discontinued operations in the year:

Restated 2006/07 Net Expenditure		2007/08 Gross Expenditure	2007/08 Gross Income	2007/08 Net Expenditure
£000		£000	£000	£000
	On its services the Council spent:			
660	Central Services	2,277	(1,156)	1,121
9,121	Cultural, Environmental and Planning Services	14,359	(4,094)	10,265
521	Highways, Roads and Transport Services	3,121	(2,154)	967
2,486	Housing Services	53,510	(51,637)	1,873
663	Other Services	33	(84)	(51)
2,032	Corporate and Democratic Core	2,130	(56)	2,074
1,142	Non-distributed Costs	360	0	360
16,625	NET COST OF SERVICES	75,790	(59,181)	16,609
0	(Gain) or loss on disposal of fixed assets			0
	Amounts due to Precepting Authorities:			
1,357	Town and Parish Councils (Page 70)			1,486
47	River Stour Drainage Board (Note 3)			49
405	Interest payable and similar charges			515
1,558	Amounts payable to Housing Capital Receipts Pool (Note 33)			1,656
(1,424)	Interest and Investment Income			(1,714)
1,390	Pensions interest cost and expected return on assets (Note 34)			1,330
0	Exceptional Item (Note 4)			(21)
19,958	NET OPERATING EXPENDITURE			19,910
	Income from Collection Fund:			
(6,594)	Council Tax Income (Page 69)			(7,045)
(119)	Collection Fund Surplus (Page 69)			(46)
(1,581)	Government Grants (not attributable to specific services)			(1,431)
(8,189)	Distribution from Non-Domestic Rate pool			(8,526)
3,475	TOTAL DEFICIT FOR THE YEAR			2,862

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

Restated 2006/07 £000		2007/08 £000
3,475	Deficit for the year on the Income and Expenditure Account	2,862
(3,426)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 1)	(3,013)
49	(Increase)/decrease in General Fund Balance for the year	(151)
<u>(2,594)</u>	General Fund Balance brought forward	<u>(2,545)</u>
<u>(2,545)</u>	General Fund Balance carried forward	<u>(2,696)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

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

2006/07 £000		2007/08 £000
3,475	Deficit on the Income and Expenditure Account for the year	2,862
(22,964)	Surplus arising on revaluation of fixed assets	(10,716)
0	Movement in Collection Fund surplus	56
(30)	Any other gains and losses required to be included in the STRGL	176
(6,330)	Actuarial (gains)/losses on pension fund assets and liabilities	(5,110)
<u>(25,849)</u>	Total recognised gains for the year	<u>(12,732)</u>

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

Restated as at 31 March 2007 £000		Note	As at 31 March 2008	
£000			£000	£000
11	Intangible fixed assets	18		57
	Tangible fixed assets	19-21		
	Operational assets:			
258,356	Council dwellings		262,236	
40,364	Other land and buildings		43,967	
1,082	Vehicles, plant and equipment		826	
6,818	Infrastructure assets		8,397	
513	Community assets		566	315,992
13,402	Non-operational assets			15,085
320,546	Total fixed assets			331,134
4	Long-term investments	36		4
0	Soft loans	39		298
813	Long-term debtors	24		710
321,363	Total long-term assets			332,146
	Current assets:			
261	Stock and work in progress	25	126	
8,232	Debtors	26	8,379	
(2,380)	Provision for bad and doubtful debts	26	(3,311)	
25,383	Investments	36	28,677	
81	Cash at bank		418	
			<hr/>	34,289
	Current liabilities:			
(3,003)	Short-term borrowing	36	(5,147)	
(10,050)	Creditors	27	(9,453)	
(251)	Receipts in advance		(872)	
0	Bank overdraft		0	(15,472)
339,636	Total assets less current liabilities			350,963
(4,004)	Long-term borrowing	36		(4,087)
(14,160)	Capital contributions deferred	23		(17,811)
0	Provisions	29		0
(45,040)	Pensions liability	Page 61		(39,900)
276,432	Total assets less liabilities			289,165
	Financed by:			
(304,627)	Capital adjustment account	32		(302,243)
0	Revaluation reserve	31		(9,589)
0	Financial instruments adjustment account	37		174
(7)	Deferred capital receipts	28		(5)
45,040	Pensions reserve	Page 61		39,900
(3,132)	Usable capital receipts reserve	33		(2,610)
(5,196)	Earmarked reserves	41		(5,272)
(8,510)	Revenue balances	42		(9,520)
(276,432)	Total Equity			(289,165)

CASH FLOW STATEMENT

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

Restated 2006/07 £000		2007/08 £000	£000
	REVENUE ACTIVITIES		
	Cash outflows:		
15,693	Cash paid to and on behalf of employees	15,315	
29,037	Other operating cash payments	22,562	
13,998	Housing Benefit paid out	15,799	
28,844	National Non-Domestic Rate payments to National Pool	29,799	
44,904	Precepts paid	47,161	
1,558	Payments to the Capital Receipts Pool	1,656	
134,034			132,292
	Cash inflows:		
(6,155)	Rents (after rebates)	(6,223)	
(42,958)	Council Tax receipts	(45,343)	
(8,189)	National Non-Domestic Rates received from National Pool	(8,526)	
(28,801)	Non-Domestic Rate receipts	(29,359)	
(1,874)	Revenue Support Grant	(1,431)	
(15,604)	DWP grants for housing benefits	(15,823)	
(17,616)	Other Government grants (Note 50)	(18,915)	
(14,641)	Cash received for goods and services	(7,986)	
(345)	Other operating cash receipts	(1,385)	
(136,183)			(134,991)
(2,149)	Revenue Activities Net Cash Flow		(2,699)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash outflows:		
405	Interest paid	409	
	Cash inflows:		
(1,279)	Interest received	(1,781)	
			(1,372)
	CAPITAL ACTIVITIES		
	Cash outflows:		
9,943	Purchase of fixed assets	8,350	
948	Other capital cash payments	1,008	
	Cash inflows:		
(2,564)	Sale of fixed assets	(2,529)	
(9,923)	Capital grants received	(4,653)	
			2,176
(4,619)	Net cash (inflow)/outflow before financing		(1,895)
	MANAGEMENT OF LIQUID RESOURCES (Note 49)		
3,570	Net increase/(decrease) in short-term term deposits	3,293	
6	Net increase/(decrease) in other liquid resources	262	
			3,555
	FINANCING		
	Cash outflows		
3	Repayments of amounts borrowed	0	
	Cash inflows		
0	New loans raised	0	
0	New short-term loans	(1,997)	
			(1,997)
(1,040)	Net (Increase)/Decrease in Cash		(337)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Restated 2006/07 £000	Note	2007/08 £000	2007/08 £000
3,475			2,862
(Surplus) or deficit for year in the Income and Expenditure Account			
Amounts included in the Income and Expenditure required by statute to be excluded in determining the Movement on the General Fund			
(1)	18	(12)	
(2,062)	21	(2,217)	
(225)	Page 63	(169)	
346	23	551	
(301)	30	(336)	
0		0	
0		(174)	
(3,850)	34	(3,260)	
<u>(6,093)</u>		<u> </u>	(5,617)
Additional items required by statute in determining the movement on the General Fund Balance			
0	0	0	
917	21	37	
(1,558)	33	(1,656)	
3,180	34	3,290	
<u>2,539</u>		<u> </u>	1,671
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
185	Page 64	913	
Transfers to/(from) earmarked reserves:			
56	41	250	
(1,403)	41	(606)	
(52)	41	(383)	
1,342	41	759	
<u>128</u>		<u> </u>	933
(3,426)			(3,013)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year			
<u>49</u>			<u>(151)</u>
(2,594)			(2,545)
<u>(2,545)</u>			<u>(2,696)</u>
General Fund Balance carried forward			

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

This is detailed in the explanatory foreword of this statement.

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

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

3. RIVER STOUR INTERNAL DRAINAGE BOARD LEVY

In accordance with the Internal Drainage Boards (Finance) Regulations 1992 the River Stour (Kent) Internal Drainage Board is empowered to make a special levy on Dover District Council towards the expenses on maintenance and administration within the River Stour (Kent) Internal Drainage district. Authorities are required under the Local Government Finance Act 1988 to provide the revenue from the non-agricultural sector in place of drainage rates levied on that sector prior to 1 April 1990. The levy for 2007/08 was £49k (£47k in 2006/07).

4. EXCEPTIONAL ITEM

In 2007/08 the Council received a dividend payment from the Board of Liquidators for the Bank of Credit and Commerce International (BCCI) of £21k.

5. TRADING OPERATIONS

Trading operations have been analysed in the following table in accordance with the CIPFA Best Value Accounting Code of Practice. The trading operations identified in the table are regarded as integral to the Council's services rather than their prime objective being one of commercial gain. Accordingly, the trading operations listed below all form an integral part of the total cost of particular services and are included within the Net Cost of Services, rather than being shown separately on the Income and Expenditure Account as Trading Undertakings. Details of those operations with a turnover of expenditure greater than £300,000 and/or surplus (or deficit) greater than £30,000 are as follows:

2006/07 Surplus/ (deficit) £000s	Trading Service	Note	2007/08 Expenditure £000s	2007/08 Income £000s	2007/08 Surplus/ (deficit) £000s
845	Car Parks – surface paying	(a)	493	1,401	908
(136)	White Cliffs Careline	(b)	297	258	(39)
(17)	Miscellaneous Properties	(c)	242	215	(27)

- (a) The Council operates 40 off-street car parks in the towns and villages of the District (of these, 16 are free car parks, the costs of which are excluded from the above data). Included in these 40 car parks is the closed multi-storey car park plus one other which is managed on behalf of a third party. The trading objective is to break even or provide funding for environmental, enforcement or community development activities.
- (b) The White Cliffs Careline is the Council's centrally-based alarm service offering emergency support and back-up to people in need.
- (c) The Council owns a range of properties and land that are not used for the delivery of Council services as they are non-operational and held for investment purposes only. All are leased to individuals and organisations or offered for sale when vacant, as appropriate.

In order to satisfy the requirements of competition law, recharges for internal work done by the trading operation following competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts, so the recharges that have been made result in a surplus to the accounts. As a result, the accounts for car parks – surface parking, show a surplus of £908k that would be reduced to £794k if the cost of capital charges had been made.

6. DISCRETIONARY EXPENDITURE

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

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

7. EXPENDITURE ON PUBLICITY

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

	2006/07 £000	2007/08 £000
General Publicity	175	168
Tourism Initiatives	54	48
Tourist Information Centres	95	109
Recruitment Advertising	105	81
Total	429	406

8. LEASES

The Council uses IT equipment, car parking Pay and Display machines and fitness equipment in the leisure centres financed under the terms of an operating lease. The amount paid under these arrangements in 2007/08 was £56k (£51k in 2006/07).

Leasing

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

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

Operating Leases

As at 31 March 2008 the Council was committed to making payments of £83k under operating leases in future financial years:

	Vehicles, Plant and Equipment £000
Leases expiring in 2008/09	0
Leases expiring between 2009/10 and 2012/13	83
Leases expiring after 2012/13	0
	<hr/> 83 <hr/>

Leases for fitness equipment and IT equipment are expected to be entered into during 2008/09.

9. OFFICERS' EMOLUMENTS

The table below shows the number of Council Officers whose remuneration exceeds £50,000 grouped into £10,000 bands. Remuneration is defined as 'the amount paid to or receivable by an employee, and includes sums due by way of expenses, allowances and the estimated monetary value of benefits such as a leased car, pension contributions or other non-cash items'. 2006/07 excluded pension contributions and so has been restated to give a true comparison over the two years:

Remuneration Band	Number of Employees		
	Original 2006/07	Restated 2006/07	2007/08
£50,000-£59,999	4	4	3
£60,000-£69,999	5	6	3
£70,000-£79,999	0	2	6
£80,000-£89,999	2	1	0
£90,000-£99,999	0	1	0
£100,000-£109,999	1	1	1
£110,000 and over	0	0	1
	<hr/> 12 <hr/>	<hr/> 15 <hr/>	<hr/> 14 <hr/>

10. ACCRUAL FOR OFFICERS' ANNUAL LEAVE

Under International Financial Reporting Standards there will be a requirement in future years for authorities to calculate the value of all Council Officers' annual leave which was carried forward at the end of the financial year. For information purposes the value of carried forward annual leave as at 31 March 2008 was £73,280.

11. AUDIT FEES

The fees incurred relating to external audit were:

	2006/07 £000	2007/08 £000
Audit and inspection	151	138
Certification of grant claims and returns	32	26
Other services	1	0
Total	184	164

12. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

Under the above Act, the Council is empowered to supply goods or materials and certain services to other public bodies within the meaning of the Act. No such works have been carried out in 2007/08.

13. MEMBERS' ALLOWANCES SCHEME

Totals of allowances paid to Council Members during 2007/08, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003, are as follows:

	2006/07 £000	2007/08 £000
Basic Allowance	166	167
Special Responsibility Allowance	91	108
Travel and Subsistence	10	14
Total	267	289

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

14. RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties and provides the majority of its funding in the form of grants. Details of grants received from Government departments are set out in Note 50 to the Cash Flow Statement.

Declarations have been received from all Officers and all but two Councillors, one of whom sadly died in office. After examination of previous declarations and of the Members' Declarations of Interest, it is unlikely that the missing Councillors' declarations would alter the statement below.

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

	Receipts £000	Payments £000
Kent County Council	1,074	1,393
Kent Police	9	49
Town and Parish Councils	83	87
Eastern & Coastal Kent NHS Primary Care Trust One member of the District Council was appointed by the Council to be its representative during 2007/08. Another was an employee of the Trust	306	123
East Kent Hospitals NHS Trust One member of the District Council was appointed by the Council to be its representative during 2007/08		56
Dover, Deal & District Citizens Advice Bureau One member of the District Council was a Trustee, and two others were appointed by the Council to be its representatives during 2007/08	20	118
Home-Start (Dover) Ltd One member of the District Council was a Director during 2007/08		198
Dover Neighbourhood Forum Five members of the District Council were appointed by the Council to be its representatives on the various Forums		45
Gazen Salts Nature Reserve Two members of the District Council were appointed by the Sandwich Town Council to be its representatives during 2007/08		7
Canterbury Archaeological Trust One member of the District Council was an employee during 2007/08		5
South Kent College One member of the District Council was a governor in 2007/08		3
Dover District Chamber of Commerce One member of the District Council was a member during 2007/08		2
Deal and Walmer Chamber of Trade Two members of the District Council were members during 2007/08, one of whom was President		2
Action with Communities in Rural Kent Two members of the District Council were appointed by the Council to be its representative during 2007/08		2

Dover and District Carers Support One member of the District Council was a Trustee during 2007/08	4
Bronze Age Boat Trust One member of the District Council was appointed by the Council to be its representative during 2007/08	1

1,492	2,095
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15. BUILDING CONTROL

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

	Chargeable Activities 2007/08 £000	Non-Chargeable Activities 2007/08 £000	Total 2007/08 £000
Expenditure			
Employee expenses	303	96	399
Transport	12	4	16
Supplies & services	22	7	29
Central & support service	1	115	116
Total Expenditure	338	222	560
Income			
Building Regulation charges	(323)	(2)	(325)
Total Income	(323)	(2)	(325)
Net Deficit for Year	15	220	235

Comparatives for 2006/07

	Chargeable Activities 2006/07 £000	Non-Chargeable Activities 2006/07 £000	Total 2006/07 £000
Expenditure	337	169	506
Income	(336)	(3)	(339)
Net Deficit for Year	1	166	167

Comparatives for 2005/06

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

16. LOCAL NEIGHBOURHOOD BOARDS

In 2007/08 the Council contributed £45k to Kent County Council for Neighbourhood Forum grants to organisations. The scheme was established in December 2006 and is funded by Dover District Council and Kent County Council.

Community groups (including Parish and Town Councils, local charities and voluntary groups) have been able to apply for funds of up to £5,000 provided their proposed use supports the corporate objectives of Dover District Council, Kent County Council and any parish/town priorities. The applications have also been requested to demonstrate the benefit to the community and their sustainability.

These grants are generally for capital purposes, but as they fall below the Council's de-minimus value for capitalisation, they have been treated as revenue expenditure in the Accounts.

17. SECTION 106 CONTRIBUTIONS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

Purpose	31 March 2008 £000
Transport/Highways	165
Miscellaneous	222
	<u>387</u>

18. INTANGIBLE FIXED ASSETS

The Council incurred costs of £58k for the purchase of software systems during 2007/08. This is included as an intangible fixed asset in the Balance Sheet. The net book value of all intangible assets after amortisation of £12k is £57k.

19. INFORMATION ON ASSETS HELD

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

	Number as at 31.03.07	Net Book Value as at 31.03.07 £000	Number as at 31.03.08	Net Book Value as at 31.03.08 £000
COUNCIL DWELLINGS				
Flats/Houses	4,665	258,356	4,644	262,236
Council Garages	954	2,040	953	2,281
OPERATIONAL LAND AND BUILDINGS				
Offices:				
Whitfield Complex	1	3,443	1	3,719
Others	3	393	3	453
	4	3,836	4	4,172
Leisure Centres & Pools :				
Dover Leisure Centre	1	5,633	1	5,578
Deal Leisure Centre	1	6,836	1	6,670
Deal Tennis Centre	1	144	1	143
	3	12,613	3	12,391
Other:				
Dover Museum	1	5,319	1	5,267
Depots and Workshops	15	240	15	649
Cemeteries (sites)	7	47	7	47
Car Parks	38	3,594	38	3,605
Public Conveniences	25	1,716	25	1,699
	86	10,916	86	11,267
Sea Defences (kilometres)	7	6,142	7	7,605
Parks and Open Spaces	29	444	29	487
Deal Pier	1	567	1	353
Historic Buildings:				
Timeball Tower, Deal	1	148	1	176
Grand Shaft, Dover	1	17	1	17
St Martin's Battery	1	0	1	0
Town Clock, St Peter's Church, Sandwich	1	0	1	0
	4	165	4	193

20. VALUATION DISCLOSURE

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature

were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their open market value for an alternative use sanctioned by planning permissions.

The properties were valued by Robert Reid-Easton, the Authority's Valuation Officer (a Professional Member of the Royal Institution of Chartered Surveyors) on 1 April 2007. Housing Revenue Account dwellings and garages were valued on 31 March 2008.

21. MOVEMENT OF FIXED ASSETS 2007/08

	TANGIBLE FIXED ASSETS OPERATIONAL						
	Council Dwellings	Garages	Other Land & Buildings	Equip-ment	Infra-structure	Commnty Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value							
At 1 April 2007	258,354	2,040	39,735	2,387	11,091	745	314,352
Reclassification of Assets	(57)	0	57	0	0	0	0
Capital expenditure completed in year	3,362	0	373	113	1,834	92	5,774
Disposals	(2,228)	(16)	(7)	0	0	0	(2,251)
Impairments	0	0	(736)	0	0	0	(736)
Revaluations and Restatements	2,805	257	3,233	0	0	11	6,306
At 31 March 2008	262,236	2,281	42,655	2,500	12,925	848	323,445
Depreciation							
At 1 April 2007	2	0	(1,411)	(1,305)	(4,273)	(233)	(7,220)
Current year	(3,159)	(84)	(459)	(369)	(255)	(49)	(4,375)
Restatements	3,157	84	901	0	0	0	4,142
At 1 April 2008	262,236	2,281	41,686	826	8,397	566	315,992

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

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

TANGIBLE FIXED ASSETS NON-OPERATIONAL

	Investment Property £000	Surplus Assets £000	Assets under Construction £000	Total £000
Gross Book Value				
At 1 April 2007	7,658	128	5,624	13,410
Capital expenditure completed in year	3,025	0	0	3,025
Transfer of completed work	0	0	(1,932)	(1932)
Disposals	0	(250)	0	(250)
Revaluation and Restatements	(422)	250		(172)
Expenditure on work in progress 2007/08	0	0	1,012	1012
At 31 March 2008	10,261	128	4,704	15,093
Depreciation				
At 1 April 2007	0	(7)	0	(7)
Current year	0	(1)	0	(1)
At 31 March 2008	10,261	120	4,704	15,085

See note 18 for details of movement on intangible fixed assets.

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

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

	£000
Housing Revenue Account	265,783
General Fund	65,351
Total	331,134

Depreciation is broken down as follows:

	£000
Housing Revenue Account	3,339
General Fund	1,049
Total	4,388

Impairments

Roly Eckhoff House, Roosevelt Road, Dover, has been revalued from £480k to zero to reflect the Transfer to the Private Finance Initiative to re-develop as Sheltered Housing, a total impairment of £480k. Goodwins Restaurant at Deal Pier was demolished and thereby generated an impairment of £210k in order to reduce the value to zero. Land at Barwick

Road, Dover was reviewed and revalued to zero due to a long lease of the land, creating an impairment of £193k. Other minor impairments totalling £105k are also included.

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

Fixed Assets	2007/08
	£000
Intangible Fixed Assets:	
Software Licences	41
Tangible Fixed Assets:	
Council Dwellings	3,362
Office Buildings	(1)
Car Parks	96
Piers	128
Other Land and Buildings	11
Operational Equipment and Vehicles	150
Sea Defences and Seafront	234
Environmental Improvements	55
Land Awaiting Development	791
Investment Properties	3,026
Community Assets	44
Total Spending on Fixed Assets	7,937
Capital Expenditure not resulting in Fixed Assets:	
Deferred Charges	847
Private Sector Housing Loans	266
Total Capital Expenditure to be financed	9,050
Financed by:	
Government Supported Borrowing	405
Capital Receipts	1370
Direct Revenue Financing	37
Capital Grants	4,295
Major Repairs Reserve	2,943
Total Financing	9,050

CAPITAL FINANCING REQUIREMENT

	2006/07	2007/08
	£000	£000
Opening Capital Financing Requirement	6,099	6,391
Capital Investment:		
Intangible fixed assets	12	41
Operational assets	4,573	4,079
Non-operational assets	5,585	3,817
Deferred charges and loans	974	1,113
Sources of Finance:		
Capital receipts	(1,084)	(1,370)
Government grants	(5,461)	(4,295)
Major repairs reserve	(3,211)	(2,943)
Direct revenue financing	(917)	(37)
Special projects reserve	(102)	0
Other reserves and contributions	(77)	0
Closing Capital Financing Requirement	6,391	6,796

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

	2006/07 £000	2007/08 £000
Fixed assets	320,546	331,134
Long-term debtors	217	410
Capital contributions deferred	(14,160)	(17,811)
Less: Receipts in advance	4,415	4,895
Capital adjustments account	(304,627)	(302,243)
Revaluation reserve	0	(9,589)
	6,391	6,796

22. COMMITTED CAPITAL CONTRACTS

As at 31 March 2008 the Council was contractually committed to capital works amounting to £1,265k in respect of the following projects:

	£000	Estimated Completion Date
DTIZ	62	2009/10
Deal Pier	1,182	Sept 2008
Other capital projects	<u>21</u>	-
	1,265	

23. CAPITAL CONTRIBUTIONS – DEFERRED

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

	2006/07 £000	2007/08 £000
Balance as at 1 April	5,157	14,160
Grants and contributions received	9,349	4,202
Grants amortised to services via Income and Expenditure Account	(346)	(551)
	14,160	17,811

During 2007/08 a grant was received from SEEDA of £2m for the Dover Town Investment Zone major capital regeneration project. A Government grant of £1.664m was received for allocation to private sector housing renewals and £1.5m (£3m total including 2006/07) is being held in this account, whilst £149k has been included in deferred charges under grants and contributions received. As at 31 March 2008 £4.9m was unapplied.

24. LONG-TERM DEBTORS

Long-term debtors consist of mortgages and loans advanced to both individuals and organisations under various Acts of Parliament or utilising general powers. Changes during the year were:

	Outstanding 31.03.07	Movement in year	Outstanding 31.03.08
	£000	£000	£000
Mortgages to:			
Housing Associations	58	0	58
Right to Buy Mortgages	7	(2)	5
Loans to:			
Leaseholders ¹	86	(9)	77
Local Organisations	59	(5)	54
Assisted Car Purchase Advances	36	(29)	7
Private Sector Housing Renewals ²	100	(100)	0
Other:			
Housing Benefit Debtors ³	467	42	509
Total	813	(103)	710

¹ **Leaseholders** – work carried out to Council flats sold prior to 31 March 1994, which is to be paid back over the life of the work e.g. lift replacement.

² **Private Sector Housing** – the Government has provided financial support to the Council to enable it to provide home improvement loans to individuals and landlords in private sector housing. In 2007/08 these have been reclassified as soft loans under Financial Instruments (see note 39 for details).

³ **Housing Benefit Debtors** – Housing Benefit overpayments are often recovered through deductions from claimants' future benefits over several years. This debtor represents the value of Housing Benefit outstanding at 31 March 2008 expected to be recovered after one year. 2006/07 has been amended to reflect the inclusion of Housing Benefit recovery as long-term debtors.

25. STOCKS AND WORK IN PROGRESS

	As at 31.03.07 £000	As at 31.03.08 £000
Stocks:		
Housing Revenue Account	8	8
General Fund	71	69
Work In Progress:		
Rechargeable Works:		
Housing Revenue Account	104	35
General Fund	78	14
Total	261	126

A review of rechargeable works has taken place and further to the meeting of the Governance Committee on 5 December 2006 a total of

£99k has been written off in the year, of which £54k related to the General Fund and £45k related to the Housing Revenue Account.

26. DEBTORS

	As at 31.03.07	As at 31.03.08
	£000	£000
Dover District Council Debtors:		
Amounts falling due in one year:		
Housing Rents and Charges	449	578
Government Departments and Inland Revenue	1,440	322
Other Local Authorities	24	20
Sundry Debtors ¹	2,994	3,145
Prepayments	282	377
	<hr/> 5,189	<hr/> 4,442
Less Provision for Bad Debts	(1,641)	(1,863)
	<hr/> 3,548	<hr/> 2,579
Collection Fund Debtors:		
Amounts falling due in one year:		
Local Taxpayers	3,044	3,752
Government Departments	0	186
Less Provision for Bad Debts	(739)	(1,449)
	<hr/> 2,305	<hr/> 2,489
	<hr/> <hr/> 5,853	<hr/> <hr/> 5,068

¹ The 2006/07 value for Sundry Debtors has been restated to reflect the classification of Housing Benefit Debtors as long-term debtors (see note 24 for details).

PROVISION FOR BAD OR DOUBTFUL DEBTS

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

	General Fund	Housing Revenue Account	Total
	£000	£000	£000
Balance brought forward 01.04.07	1,155	486	1,641
Provision made in year	435	48	483
Less amounts written off	(199)	(62)	(261)
Balance carried forward 31.03.08	<hr/> 1,391	<hr/> 472	<hr/> 1,863

27. CREDITORS

	As at 31.03.07	As at 31.03.08
	£000	£000
Dover District Council Creditors:		
Government departments	1,280	1,420
Other local authorities	16	16
Housing rents	94	141
Sundry creditors – revenue	5,147	5,280
Sundry creditors – capital	710	297
	7,247	7,154
Collection Fund Creditors:		
Amounts falling due in one year:		
Local taxpayers	1,206	1,173
Government departments	1,597	1,126
	2,803	2,299
Total all Creditors	10,050	9,453

28. DEFERRED CAPITAL RECEIPTS

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

	£000
Balance brought forward as at 1 April 2007	7
Less: Principal repayments	(2)
Balance carried forward as at 31 March 2008	5

29. PROVISIONS

A review of potential provisions has taken place in 2007/08 and it has been concluded that none are required at this stage.

30. DEFERRED CHARGES

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

	2006/07 £000	2007/08 £000
Capital Expenditure		
Home improvement grants	760	622
Grants/contributions to local organisations	117	225
	<hr/>	<hr/>
	877	847
Grants/contributions received	(576)	(511)
Total deferred charges	301	336
Written off to revenue in year	(301)	(336)
Net book value of assets at 31 March	<hr/> 0 <hr/>	<hr/> 0 <hr/>

31. REVALUATION RESERVE

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £250.5m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£54.1m credit balance) to form the new Capital Adjustment Account with a balance of £304.6m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance.

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

Movements on the account during 2007/08 are detailed below:

	£000
Balance as at 1 April 2007	0
Revaluations and restatements	10,715
Disposal of fixed assets	(1,126)
Balance carried forward as at 31 March 2008	<hr/> 9,589 <hr/>

The Revaluation Reserve and Capital Adjustment Account are technical reserves and accounts. They do not represent funds available to the Council.

32. CAPITAL ADJUSTMENTS ACCOUNT

The Capital Adjustment Account's opening balance (1 April 2007) was established from the transfer of the closing balances (i.e. at 31 March 2007) on the Fixed Asset Restatement Account (£250.5m) and Capital Financing Account (£54.1m).

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

	£000
Balance brought forward as at 1 April 2007	304,627
Add:	
Capital financing:	
Reserves applied	2,943
Revenue applied	37
Capital receipts applied	1,370
Disposal adjustments	1,125
Allocation of grant from Capital Contributions Deferred Account	551
	<hr/>
Less:	
Carrying amount of assets disposed	(2,494)
General Fund depreciation	(1,037)
General Fund amortisation	(12)
Impairment of fixed assets	(1,180)
Long-term debtors	(4)
Write down of deferred charges	(336)
HRA depreciation	(3,347)
	<hr/>
Balance carried forward as at 31 March 2008	302,243
	<hr/>

33. USABLE CAPITAL RECEIPTS RESERVE

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

	£000	£000
Balance brought forward as at 1 April 2007		3,132
Add:		
Receipts in year:		
Sales – General Fund	250	
Dwelling sales - Housing Revenue Account	2,232	
Other sales - Housing Revenue Account	16	
Mortgage and loan repayments	6	
	<hr/>	2,504
Less:		
Amounts pooled by central Government	(1,656)	
Receipts used to finance capital expenditure	(1,370)	
	<hr/>	(3,026)
Balance as at 31 March 2008		2,610
		<hr/>

34. MOVEMENT ON PENSIONS RESERVE

The cost of retirement benefits in the Net Cost of Services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax 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 General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2006/07	2007/08
	£000	£000
Income & Expenditure Account		
Pension costs chargeable to Council Tax	(2,650)	(2,730)
Contributions in respect of unfunded benefits	(530)	(560)
Current service costs	2,090	1,920
Curtailments	370	10
Past service costs	0	0
Included within net cost of services	(720)	(1,360)
Interest cost per actuary	5,520	5,940
Expected return on assets per actuary	(4,130)	(4,610)
Pensions interest cost & expected return on assets	1,390	1,330

Statement of Movement on the General Fund Balance

Current service costs per actuary	(2,090)	(1,920)
Curtailments per actuary	(370)	(10)
Past service costs per actuary	0	0
Interest cost per actuary	(5,520)	(5,940)
Return on assets per actuary	4,130	4,610
Net charges made for retirement benefits in accordance with FRS17	(3,850)	(3,260)

Contributions in respect of unfunded benefits	530	560
Payments to the Pension Fund	2,650	2,730
Employer's contributions payable to the Pension Fund	3,180	3,290

See page 60 for further pension information.

35. TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments and borrowing disclosed in the Balance Sheet are made up of the categories of "financial instruments" shown in Note 36.

36. FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31.03.07	31.03.08	31.03.07	31.08.08
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost	4,004	4,087	3,003	5,147
Total borrowings	4,004	4,087	3,003	5,147

Investments

Loans and receivables	0	0	3,383	14,263
Available-for-sale financial assets	4	4	0	0
Fair value through Profit and Loss	0	0	22,000	14,414
Cash	0	0	81	418
Total investments	4	4	25,464	29,095

Notes:

1. Since the balances at 31.03.07 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above (see introduction).
2. LOBOs of £3m have been included in short-term borrowing as they have call dates in June and December 2008.

Paragraph B12 of SORP 2007 states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity, however, if the loan is called during this year we would consider repayment.

37. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and Balance Sheet in relation to financial instruments are made up as follows:

2007/08	Financial Liabilities Measured at Amortised Cost £000s
Interest expense	(409)
Losses on revaluation	(106)
Net loss for the year	(515)

The above includes interest for PWLB and LOBO loans; the revaluation loss relates to the LOBO restatement to amortised cost.

2007/08	Financial Assets		
	Loans and Receivables	Fair value through P&L	Total
	£000	£000	£000
Interest income	669	1,060	1,729
Gains on derecognition	0	52	52
Interest & investment income	669	1,112	1,781
Losses on revaluation	(68)	0	(68)
Net gain for the year	601	1,112	1,713

	2007/08	
	£000	£000
Interest received as above		1,713
Interest allocated to other areas:		
Major Projects	169	
Private Sector Housing Admin	56	
Other	10	
		(235)
Interest Receivable		1,478

The adjustments for the interest payable and receivable form the balance of the Financial Instruments Account. The Financial Adjustments Account balance (£174k) comprises Soft Loans (£68k) and LOBO loans adjustments (£106k).

Comparable figures are not available for 2006/07 due to the change in accounting standards.

38. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below. The Council has not calculated fair values as at 31.03.07.

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2008, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 064/08:
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender:
- Interpolation techniques between available rates have been used where the exact maturity period was not available:
- No early repayment or impairment is recognised:

- The Council has calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value: and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 07		31 March 08	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	4,000	n/a	4,000	5,726
PWLB - EIP	6	n/a	4	4
LOBOs	3,000	n/a	3,104	3,000
Market Loans	0	n/a	2,000	2,002
Financial liabilities	7,006	n/a	9,108	10,732

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 07		31 March 08	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	2,464	n/a	3,530	3,530
Deposits with banks and building societies	1,000	n/a	11,146	11,143
Other	22,000	n/a	14,414	14,414
Financial assets	25,464	n/a	29,090	29,087

39. SOFT LOANS

The Council has made a number of renovation loans to home owners and landlords at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 at a higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan on 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 the amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement in the General Fund Balance.

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £3m and a limit on the maximum size of one transaction in placing a deposit of £3m, the limit for the RBS group is £5m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. Credit limits were exceeded during the financial year for a short time; however, these investments have now been repaid. The Council expects full repayment on the due date of deposits placed with its counterparties:

CREDIT RISK (A)

	Amounts as at 31.03.08	Historical experience of default	Historical experience adjusted for market conditions as at 31.03.08	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	14,676	0	0	0
Bonds and other securities	14,418	0	0	0
Total	29,094			0

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The Council does not generally allow credit for customers. However, £7.378m of the Council's debt is overdue for payment. The risk that these debts will not be paid is mitigated by a provision for bad and doubtful debts of £3.312m (of which £1.449m relates to the Collection Fund), which is calculated in accordance with the Council's accounting policies. In addition, the risk in relation to Council Tax and NNDR debtors is shared with the preceptors on the Collection Fund and the national NNDR pool. The past due amount can be analysed by age as follows:

	31.03.08
General Fund/HRA:	£000s
Less than three months	800
Three to six months	663
Six months to one year	405
More than one year	1,693
Total	3,561

Collection Fund:	
Less than one year	1,873
More than one year	1,944
Total	3,817

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 50% of loans are due to mature within any financial year.

The maturity structure of financial liabilities is as follows (at nominal value):

LIQUIDITY RISK

On 31.03.07 £000s	Loans outstanding	On 31.03.08 £000s
4,007	Public Works Loans Board	4,004
0	Market debt	2,000
3,000	LOBO	3,000
7,007	Total	9,004
3,003	Less than 1 year	5,000
1	Between 1 and 2 years	1
2	Between 2 and 5 years	2
0	Between 5 and 10 years	0
4,001	More than 10 years	4,001
7,007	Total	9,004

3. Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account:
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account:
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value, which would also be reflected in the STRGL: and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	30
Increase in interest receivable on variable rate investments	(35)
Increase in government grant receivable for financing costs	<u>0</u>
Impact on Income and Expenditure Account	<u>(5)</u>
Share of overall impact debited to the HRA	(2)

The impact of a 1% fall in interest rates would reverse the interest receivable on variable rate investments, however the variable rate borrowing consists of a LOBO for £3m and the interest rate will not decrease. Therefore if interest rates were to fall by 1% the net outcome would be a reduction of £35k in interest.

Price Risk

The Authority does not invest in equity shares and is not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

41. CONTRIBUTION TO/(FROM) RESERVES

EARMARKED RESERVES

	Balance as at 01.04.07	Receipts in year	Applied in year	Balance as at 31.03.08
	£000	£000	£000	£000
General Fund				
Historic Buildings	66	0	(66)	0
Special Projects	2,691	308	(606)	2,393
Investment Income Equalisation Reserve	100	0	0	100
Leisure Centres Equipment	4	0	0	4
Local Development Framework	447	250	(136)	561
Planning Delivery Grant	450	407	(383)	474
Major Events	200	0	0	200
Corporate Training Initiative	40	0	(40)	0
Cluster Preparation	100	50	0	150
Corporate Review Reserve	150	8	(121)	37
Invest To Save	400	0	0	400
Benefits Overpayments Reserve	0	170	0	170
General Fund Total	4,648	1,193	(1,352)	4,489
Housing Revenue Account				
Major Repairs Reserve	548	3,178	(2,943)	783
Total	5,196	4,371	(4,295)	5,272

Historic Buildings – set up primarily to assist with any refurbishment of the Dover Town Hall. In 2007/08 the balance on this reserve has been transferred to the Special Projects Reserve as any works required should follow the standard Special Projects approval process.

Special Projects – this sum is held in reserve to be used to finance the costs of special and one-off projects. It can be used for both revenue and capital projects. Expenditure financed from the reserve in 2007/08 totalled £606k. A sum of £242k was transferred to the reserve from the General Fund and £66k from Historic Buildings in 2007/08.

Investment Income Equalisation Reserve – this reserve has been set up to prevent any future shortfall in returns from impacting on-going budgets.

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

Local Development Framework – this reserve has been created to hold the monies set aside to fund the Local Development Framework. A sum of £150k has been transferred to the reserve from the General Fund and a further £100k from the Planning Delivery Grant.

Planning Delivery Grant – the Planning Delivery Grant is received from the Government on the basis of planning performance. The amount held in the reserve at 31 March 2008 represents the unspent grant that will be utilised in future years. An announcement from Government on a successor scheme to be called Housing & Planning Delivery Grant is expected in summer 2008. In the interim, additional funding has been added to the reserve to fund the initial costs associated with employing a Section 106 officer to maximise funds available to the Council and to cover the anticipated cost of a public enquiry into the planning appeal regarding the construction of a wind farm in the district.

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

Corporate Training Initiative – the Council is engaged in a major training initiative that resulted in a significant increase in training costs of £32k in 2007/08 being funded from the reserve established in 2006/07. The balance has been transferred to the Corporate Review Reserve in 2007/08.

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

make initial investments that secure longer-term joint working benefits and savings.

Corporate Review Reserve – the Council has reviewed the provision of health care to staff. Savings will be generated in future years but the costs of the period of staff consultation in 2007/08 were met from this reserve. The balance of the Corporate Training Reserve has been transferred in 2007/08 to allow the costs of the Job Evaluation process to be funded from this reserve in 2008/09.

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

Benefits Overpayments – recovery of benefits overpayments is difficult to forecast. Contributions to this reserve are to be made in 2007/08 and 2008/09 which are to be used to smooth out future fluctuations in performance.

Major Repairs Reserve – the Government grants the Council a Major Repairs Allowance to assist in the financing of the Housing Revenue Account capital programme and for the repayment of HRA debt. Any amount not spent in one year is placed in the Major Repairs Reserve for future years' housing capital expenditure. The Major Repairs Reserve for 2007/08 was £3.726m of which £2.943m was used to finance housing capital expenditure. The balance of £783k will be used in future years to meet the Government's Decent Homes target.

42. REVENUE BALANCES

	Balance as at 01.04.07	Net Movement in Year	Balance as at 31.03.08
	£000	£000	£000
General Fund	2,545	151	2,696
Housing Revenue Account	5,736	913	6,649
Collection Fund (DDC proportion)	229	(54)	175
Total	8,510	1,010	9,520

43. CONTINGENT LIABILITIES

At the date of the Balance Sheet there are no contingent liabilities.

44. LOCAL AREA AGREEMENT

The Council is a participant in a Kent LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the third year of its three-year agreement.

The purpose of the LAA is:

- To form an agreement between the Kent Partnership, Government (represented by the Government Office of the South East), and other external agencies, to ensure that together we achieve the 2006 vision in the Sustainable Community Strategy (The Vision for Kent).
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Kent by pooling and aligning funding streams.

The LAA partners are:

- Kent local government bodies
- Kent community protection authorities
- Health bodies – West Kent Primary Care Trust, Eastern and Coastal Kent Primary Care Trust
- Learning bodies – Kent and Medway Learning Skills Council, University of Kent
- Voluntary organisations – Kent Council for Voluntary Youth Services, East Kent Council for Voluntary Services
- Other partners – Kent Invicta Chamber of Commerce, Creative Foundation, Pfizer, Natural England, Saga, Environment Agency, Port of Dover, Federation of Small Businesses, Kent Economic Board, Job Centre Plus, Land Securitas, North West Kent Racial Equality Council, Churches Together in Kent, Kent Association of Parish Councils, Business Link Kent

Kent County Council acts as the accountable body for the LAA. The total amount of LAA grant received by the LSP in 2007/08 is £19.7m.

45. CONTINGENT ASSETS

The Council is still awaiting final confirmation that it has satisfied criteria for receipt of Performance Reward Grants under Public Service Agreements 1 & 2 (PSA1 & PSA2). The amounts payable are subject to final determination and confirmation of entitlement and, while the gains are probable, the final amounts are not considered sufficiently certain for inclusion in the Balance Sheet.

PSA1 was a district-wide agreement between KCC and four partners (DDC, Kent Police, Eastern and Coastal Primary Care Trust and KCC Education), running from April 2004 to March 2007. Under the agreement, reward monies would be given by KCC up to a maximum of £280,000 (being approximately 2% of DDC's 2002/03 budget) for 100% achievement of targets set within five distinct areas. Targets were achieved in some areas and as a result the reward monies are currently estimated by KCC to be in the region of £196,000. If this sum is formally agreed, DDC's share is likely to be about £42,000, subject to agreement between the four partners.

PSA2, which is also known as Kent Agreement 1 (KA1), was a Kent-wide agreement between KCC and the 11 Kent Local Authorities (on behalf of the Local Strategic Partnerships, each comprising a Local Authority and its partners), running from April 2005 to March 2008. Under the agreement, reward monies would be given by KCC up to a maximum of £500,000 per District Council/Local Strategic Partnership (LSP) for 100% achievement of targets. Targets were achieved in some areas and, as a result, KCC have provisionally calculated that reward monies are likely to

be in the region of £300-£350k per District, which will be paid direct to each Local Authority.

46. MINIMUM REVENUE PROVISION

The Minimum Revenue Provision (MRP) represents the statutory minimum amount that local authorities must charge to their revenue accounts each financial year in respect of debt repayments. The amount due is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendment Acts.

In calculating the 2007/08 Statutory General Fund MRP, the Council has based it on 4% of the opening capital financing requirement. This is in line with regulations implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. We will review this charge in 2008/09 to determine whether the new DCLG guidance issued in 2007/08 will have any impact on this provision. Any changes will be implemented in 2008/09

In the 2007/08 accounts the MRP for Dover District Council is nil (nil in 2006/07).

47. PRIVATE FINANCE INITIATIVE

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

The PFI contract with Kent Community Partnerships Limited (KCP), a special purpose vehicle wholly owned by Housing 21, is held by KCC, and the participation of the district, borough and city councils is controlled through a "back-to-back" agreement with KCC. The contract and agreements were completed on 5 October 2007.

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail, older people. It is anticipated that there will be 47 units in the Dover District Council area, 40 for the elderly, frail and vulnerable and 7 for residents with learning difficulties.

Dover District Council's main contribution towards the scheme is through the provision of the Roly Eckhoff House site and adjoining land, which has been leased to KCC for 99 years for a nominal annual rent. In exchange, and in consideration of the acceptance of a fixed proportion of the risks inherent in the Better Homes Active Lives PFI, Dover District Council will receive nomination rights over the new units to be built on the site. The nomination rights will be for the first thirty years of the project, with an entitlement to extend these rights for a further five years and, by agreement with Kent Community Partnership Limited, for a further period of five years thereafter. From the time that these nomination rights expire until the end of the 99-year term of the Lease, the properties will be used for social housing. The site, valued at £480k, has been removed from the Council's Accounts.

Kent County Council has assured the district, borough and city councils that the risks of an early termination of the agreement are extremely low. Assurances have been provided that, on the best evidence available, the PFI credits and the interest earned on these over the 30 year period of the PFI, together with the income derived from lettings, should be sufficient to enable the project to be wholly self-financing.

However, if the amounts that are payable to the PFI Contractor exceed the sums that are held, the partner Councils are required, under the back-to-back agreement, to contribute towards this shortfall. Payments to the PFI Contractor do not start to fall due until the site is built and is ready for occupation and, as the PFI credits accrue from the date of completion of the Agreement, there is likely to be an appreciable buffer in place during the initial years. The risk of a contribution being required from the District Council under these provisions increases towards the end of the 30year period.

The back-to-back agreement also includes contingency provisions for Contractor default and in the event of major difficulties being encountered. The initial proposal would be to seek to pass the PFI Contract to an alternative Contractor. In the event of a suitable alternative Contractor not being appointed there may be a need for the County Council to terminate the PFI Contract and, dependent upon the prevailing circumstances, to compensate the original Contractor and its funders. Effectively this would mean that all partners would take the units back and the level of Dover District Council's liability is estimated as follows:

- Contractor default - £3.876m in year 10 and £3.740m in year 20.

The PFI Contract also provides for the Contractor to be compensated in the event of the project being seriously prejudiced or rendered impossible to perform by circumstances outside the control of the parties – (force majeure). In the case of the Roly Eckhoff site it is estimated that the maximum amounts payable by the District Council would be in the order of:

- Force majeure - £4.488m in year 10 and £3.332m in year 20.

Apart from those risks identified above there are not believed to be any other significant risks, liabilities or obligations arising from this PFI.

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

2006/07 £000			2007/08 £000
	(Surplus)/deficit per:		
3,475	Income and Expenditure Account	Page 22	2,862
21	Collection Fund	Page 69	426
<u>3,496</u>	Net Surplus		<u>3,288</u>
Non-Cash Transactions:			
(2,063)	Depreciation, amortisation and impairment		(2,227)
346	Capital Contributions Deferred		551
(301)	Deferred Charges		(336)
0	Financial Instrument adjustments		(174)
(670)	FRS17 Pension cost adjustment		1,360
(1,558)	Housing Capital Receipts		(1,656)
320	Contributions to/from Provisions		0
917	Direct Revenue Financing		37
(225)	Excess depreciation charged to the HRA over Major Repairs Allowance		(169)
(556)	Trading Account recharges to non-revenue accounts		(546)
0	Transfer of interest to capital contributions deferred		179
Items on an accruals basis:			
64	Increase/(decrease) in Stock and Work in Progress		(135)
581	Increase/(decrease) in Debtors		(785)
(1,356)	(Increase)/decrease in Creditors		897
(33)	(Increase)/decrease in Receipts in Advance		(621)
Items classified elsewhere in the cash flow:			
874	Servicing of Finance		1,373
1,594	Capital Activities		(2,175)
(3,576)	Management of Liquid Resources		(3,556)
(3)	Financing		1,996
<u>(2,149)</u>	Net Cash outflow from Revenue Activities		<u>(2,699)</u>

49. ANALYSIS OF MOVEMENT OF LIQUID INVESTMENTS

	As at 31.03.07 £000	Net Movement	As at 31.03.08 £000
Investec Asset Management	22,087	(7,666)	14,421
Banks and Building Societies	3,252	10,146	13,398
Global Treasury Fund	44	813	857
Long-Term Debtors	713	(3)	710
Soft Loans	100	266	366
Net Cash (Inflow)/Outflow	<u>26,196</u>	<u>3,556</u>	<u>29,752</u>

50. ANALYSIS OF GOVERNMENT GRANTS

Restated 2006/07 £000		2007/08	
		£000	£000
1,874	Revenue Support Grant		1,265
	DSS Grants for Rebates		
15,604	Rent allowances	15,823	
9,226	Rent rebates	9,324	
6,052	Council Tax benefits	7,298	
469	Council homeless rent rebates	484	
90	Fraud incentive	0	
993	Administration	983	
			33,912
153	National Non-Domestic Rate collection	153	
632	Other	673	
			826
35,094	Total Government Grants		36,003

51. ANALYSIS OF BALANCE OF CASH

	As at 31.03.07 £000	Net Movement £000	As at 31.03.08 £000
Bank (Overdraft)/Balance	81	337	418

52. ANALYSIS OF CHANGES IN FINANCING

	As at 31.03.07 £000	Net Movement £000	As at 31.03.08 £000
Short-term Borrowing	3,003	1,997	5,000
Public Works Loan Board	4,004	0	4,004
Net Cash (Inflow)/ Outflow	7,007	1,997	9,004

53. MOVEMENT IN NET DEBT

	As at 1.04.07 £000	Net Movement £000	As at 31.03.08 £000
Cash in hand	81	337	418
Cash overdrawn	0	0	0
Short-term investments	25,383	3,293	28,676
Short-term borrowing	(3,003)	(1,997)	(5,000)
Long-term investments	4	0	4
Long-term borrowing	(4,004)	0	(4,004)
Long-term debtors	713	(3)	710
Soft loans	100	266	366
	19,274	1,896	21,170

Reconciliation of Net Debt

	£000
Opening net debt at 1 April	19,274
Increase in cash balance	337
Increase in short-term investments	3,293
Increase in short-term borrowing	(1,997)
Decrease in long-term borrowing	0
Long-term debtors	(3)
Soft loans	266
	<u>21,170</u>

SORP 2007 has introduced soft loans as classified under loans and receivables whereas in 2006/07 these were included in long-term debtors.

54. ACCOUNTS AUTHORISED FOR ISSUE

The date that the accounts were authorised for issue was the date that the Head of Finance and ICT, Mike Davis, signed the Statement of Responsibilities for the Statement of Accounts on page 10.

55. PENSION ARRANGEMENTS

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

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

In 2007/08 the Council paid an employer's contribution of £2.716m representing 27.26% of employees' pensionable pay into Kent County Council's Superannuation Fund (2006/07 £2.674m, 28.50%), which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last review being at 31 March 2007.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2007/08 these amounted to £605k representing 6.07% of pensionable pay (2006/07 £645k, 6.85%).

The Fund's actuary has advised that the current service costs to be charged to the Income and Expenditure Account in the year in accordance with FRS17 are £1.92m (2006/07 £2.09m). There are no past service costs for the year (2006/07 £0k). Curtailments and settlements equate to £10k (2006/07 £370k).

The actuary has also advised that the expected return on employer assets for the year to 31 March 2008 is £4.61m representing 46.3% of the payroll (2006/07 £4.13m, 44.0%). Interest on the pension scheme liabilities for the year is £5.94m (2006/07 £5.52m).

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

PENSION COMMITMENTS

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

The accounts show a liability of £39.9m as at 31 March 2008 (£45.04m as at 31 March 2007). Whilst this figure represents a substantial long-term liability, it is comparable with all other districts within the Kent scheme. The deficit will vary in accordance with the investment values of the fund as influenced by national economic conditions, principally through the stock market.

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

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

The latest formal valuation of the scheme was carried out as at 31 March 2007, with the next formal valuation due as at 31 March 2010. In addition, the actuaries have considered the effect of contributions paid into and, estimated benefits paid from, the Fund by Dover District Council and its employees. Therefore, to facilitate the calculations the actuaries have used the following items of data:

- The individual membership data submitted as at 31 March 2007 for the purpose of the formal funding valuation at that date (or for employers who joined the Fund after 31 March 2007, membership data as at the date of joining);
- The individual pensioner data in respect of LGPS unfunded pensions and Teachers' pensions where appropriate;
- The latest numbers of employees, deferred pensioners and pensioners;
- Employer and employee contributions up to the latest available date (in order to estimate contribution income and pensionable payroll for the accounting period this year);
- The actual split of fund assets as at the latest available date;
- The actual fund returns from 1 April 2007 up to the latest available date; and
- Any new early retirements from 1 April 2007 to the latest available date on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non ill-health retirements before the earliest of the employee's Rule of 85 retirement age (minimum of 60) or normal retirement age, which are not reduced), as set out in Section 1 of the Results Schedule.

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

	31.03.07	31.03.08
	% per annum	% per annum
Price increases	3.2%	3.6%
Salary increases	4.7%	5.1%
Pension increases	3.2%	3.6%
Discount rate	5.4%	6.9%
Proportion of employees opting to take a commuted sum	25%	50%

Assets (Whole Fund)	Expected Return at 31.03.07	Expected Return at 31.03.08
	(% per annum)	(% per annum)
Equities	7.8%	7.7%
Bonds	4.9%	5.7%
Property	5.8%	5.7%
Cash	4.9%	4.8%
Total		

Net Pension Assets for DDC	As at 31.03.07	As at 31.03.08
	£000	£000
Estimated Employee Assets (A)	65,920	59,480
Present value of scheme liabilities	(101,450)	(90,200)
Present value of unfunded liabilities	(9,510)	(9,180)
Total Value of Liabilities (B)	(110,960)	(99,380)
Net Pension Liability (A) – (B)	(45,040)	(39,900)
Movement in Surplus/Deficit During the Year	Year to 31.03.07	Year to 31.03.08
	£000	£000
Surplus/(deficit) at beginning of the year	(50,700)	(45,040)
Current service cost	(2,090)	(1,920)
Employer contributions	2,650	2,730
Contributions in respect of un-funded benefits	530	560
Other income	0	0
Other outgoings (e.g. expenses, etc.)	0	0
Past service costs	0	0
Impact of settlements and curtailments	(370)	(10)
Net return on assets	(1,390)	(1,330)
Actuarial gains/(losses)	6,330	5,110
Surplus/(deficit) at end of year	(45,040)	(39,900)

Amount Charged to Operating Profit	Year to 31.03.07 £000	Year to 31.03.08 £000
Service cost	2,090	1,920
Past service costs	0	0
Curtailments and settlements	370	10
Decrease in irrecoverable surplus	0	0
Total Operating Charge (A)	2,460	1,930
Amount Credited to Other Finance Income	Year to 31.03.07 £000	Year to 31.03.08 £000
Expected return on employer assets	4,130	4,610
Interest on pension scheme liabilities	(5,520)	(5,940)
Net Return (B)	(1,390)	(1,330)
Net Revenue Account Cost (A) – (B)	3,850	3,260

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)	Year to 31.03.07 £000	Year to 31.03.08 £000
Actual return less expected return on pension scheme assets	(420)	(8,110)
Experience gains and losses arising on the scheme liabilities	610	(1,590)
Changes in assumptions underlying the present value of the scheme liabilities	6,140	14,810
Actuarial gain/(loss) in pension plan	6,330	5,110
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial gain/(loss) recognised in STRGL	6,330	5,110

History of Experience Gains and Losses	Year to 31.03.05 £000	Year to 31.03.06 £000	Year to 31.03.07 £000	Year to 31.03.08 £000
Difference between the expected and actual return on assets	1,965	9,860	(420)	(8,110)
Value of assets	49,601	62,520	65,920	59,480
Percentage of assets	4.0%	15.8%	(0.6%)	(13.6%)
Experience gains/(losses) on liabilities	(7,947)	(668)	610	(1,590)
Present value of liabilities	97,124	113,220	110,960	99,380
Percentage of the present value of liabilities	(8.2%)	(0.6%)	0.5%	(1.6%)
Actuarial gains/(losses) recognised in STRGL	(20,705)	(2,458)	6,330	5,110
Present value of liabilities	97,124	113,220	110,960	99,380
Percentage of the present value of liabilities	(21.3%)	(2.2%)	5.7%	5.1%

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

HOUSING REVENUE ACCOUNT

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

HRA INCOME AND EXPENDITURE ACCOUNT

Restated Actual 2006/07 £000	Income	Note	Actual 2007/08 £000
(14,757)	Dwellings Rents	8	(15,422)
(335)	Non-Dwelling Rents		(338)
(572)	Charges for Services and Facilities		(661)
(266)	Contributions towards expenditure - Supporting People		(169)
(296)	Contributions towards expenditure - Leaseholders		(213)
(144)	Net Change in Bad Debt Provision	11	0
(16,370)	Total Income		(16,803)
	Expenditure		
4,531	Repairs and Maintenance		4,880
3,630	Supervision and Management		3,458
73	Rent, Rates, Taxes and other charges		72
4,344	Negative Subsidy Entitlement (including MRA)	9	4,602
0	Negative Subsidy Entitlement transferable to the General Fund		0
4,025	Depreciation and Impairment of Fixed Assets	3/7	3,829
0	Increased Provision for Bad Debts	11	48
16,603	Total Expenditure		16,889
233	Net Cost of HRA Services per Authority Income and Expenditure Account		86
69	HRA Share of Corporate and Democratic Core		113
302	Net Cost of HRA Services		199
(525)	Interest and Investment Income		(728)
35	Pension interest costs and expected return on pensions assets	12	235
(188)	(Surplus)/deficit for the year on HRA Services		(294)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

Restated Actual 2006/07 £000		2007/08 £000
(188)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	(294)
(1,057)	Amount required by statute to be credited to the HRA balance for the year	(831)
1,060	Net additional amount required by statute to be debited to the HRA balance for the year	212
<u>(185)</u>	(Increase)/decrease in the HRA balance	<u>(913)</u>
<u>(5,551)</u>	HRA surplus brought forward	<u>(5,736)</u>
<u>(5,736)</u>	HRA surplus carried forward	<u>(6,649)</u>

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

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

Restated Actual 2006/07 £000		Note	2007/08 £000
(679)	Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	7	(489)
(378)	Net charges made for retirement benefits in accordance with FRS17	12	(342)
<u>(1,057)</u>			<u>(831)</u>
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
(225)	Transfer to/(from) the Major Repairs Reserve	3	(169)
380	Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners	12	381
905	Capital expenditure funded by the HRA	6	0
<u>1,060</u>			<u>212</u>
3	Net additional amount required by statute to be debited/(credited) to the HRA balance for the year		(619)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPES OF DWELLING

Movement in Housing Stock 2007/08

	Stock at 01.04.07	Sales	Transfers/ Disposals	Additions/ Transfers	Stock at 31.03.08
Houses/bungalows	2,882	18	1	2	2,865
Flats	1,783	4	0	0	1,779
Total	4,665	22	1	2	4,644

Total Value of Assets

	01.04.07 £000	31.03.08 £000
Operational assets:		
- Dwellings	258,356	262,237
- Garages	2,040	2,282
- Other land and buildings	205	144
- Equipment	380	285
Non-operational assets	1,268	835
	262,249	265,783

2. HOUSING STOCK

The vacant possession value of dwellings within the Authority's HRA as at 1 April 2007 was £583m (1 April 2006 £533m). The difference between the vacant possession and Balance Sheet value of dwellings reflects the economic cost of providing social housing.

3. ANALYSIS OF MOVEMENT ON THE MAJOR REPAIRS RESERVE

The housing subsidy includes a grant in the form of a Major Repairs Allowance which is transferred to the Major Repairs Reserve. The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years. The balance available in the reserve for allocation in future years at 31 March 2008 is £783k (31 March 2007 £548k).

Major Repairs Reserve

	2006/07 £000	2007/08 £000
Balance as at 1 April	(638)	(548)
Major Repairs Allowance:		
Depreciation	(3,346)	(3,347)
Transfer to/from Major Repairs Reserve	225	169
Transfer from reserve for capital expenditure	3,211	2,943
Balance as at 31 March	(548)	(783)

4. SUMMARY OF CAPITAL EXPENDITURE

	2006/07 £000	2007/08 £000
Capital expenditure:		
Dwellings	4,483	3,362
Total	4,483	3,362
Financed by:		
Capital receipts	180	232
Direct revenue financing	905	0
Major Repairs Reserve	3,211	2,943
Government supported borrowing	187	187
	4,483	3,362

5. SUMMARY OF CAPITAL RECEIPTS

	2006/07 £000	2007/08 £000
Receipts from sales during the year:		
Dwelling sales	2,486	2,477
Other HRA sales	16	16
Sub total	2,502	2,493
Amount pooled to Government *	(1,558)	(1,656)
	944	837

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

6. DIRECT REVENUE FINANCING

This relates to improvements to existing Housing Revenue Account properties, partly funded by the Housing Revenue Account; there has been no requirement for this financing in the 2007/08 financial year.

7. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised the following impairments during the year: £480k in respect of Roly Eckhoff House, Roosevelt Road (a Dover sheltered housing scheme), which has been revalued from £480k to nil, to reflect the transfer to the Countrywide Public Finance Initiative; and £9k relating to other minor impairments.

8. RENT OF DWELLINGS

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

The average weekly rent at 31 March 2008 was £65.59, compared with £61.82 at 31 March 2007.

9. HOUSING SUBSIDY

The Government has notionally calculated that income from rents and investments is greater than its notional expenditure, resulting in a payment of subsidy to the Government of £4.602m in 2007/08 (£4.344m in 2006/07). Details are shown below:

	2006/07 £000	2007/08 £000
Rents	(13,809)	(14,505)
Interest on receipts	(17)	(9)
	<u>(13,826)</u>	<u>(14,514)</u>
Less:		
Management allowance	1,956	1,996
Maintenance allowance	4,396	4,628
Major repairs allowance	3,121	3,169
Prior year adjustment	9	119
	<u>9,482</u>	<u>9,912</u>
Subsidy Paid	<u>(4,344)</u>	<u>(4,602)</u>

10. RENT ARREARS

The position for rent arrears is shown below:

March 2007				March 2008			
Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000	Former Tenant Arrears £000	Current Tenant Arrears £000	Housing Repairs Arrears £000	Total Rent Arrears £000
216	338	161	715	211	384	206	801

11. PROVISION FOR BAD DEBTS

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

	£000
Balance brought forward as at 01.04.07	487
Provision made in the year	48
Less amounts written off	<u>(63)</u>
Balance carried forward as at 31.03.08	<u>472</u>

12. FRS17 AND THE HOUSING REVENUE ACCOUNT

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

	2006/07	2007/08
Income & Expenditure Account	£000	£000
Reverse actual contributions	(341)	(350)
Reverse unfunded benefits	(38)	(31)
Current service costs	268	105
Curtailments	75	2
Past service costs	0	0
Included within Net Cost of Services	(36)	(274)
Interest cost per actuary	138	1,050
Expected return on assets per actuary	(103)	(815)
Pensions Interest Cost & Expected Return on Assets	35	235
Statement of Movement on the HRA Balance		
Current service costs per actuary	(268)	(105)
Curtailments per actuary	(75)	(2)
Past service costs per actuary	0	0
Interest cost per actuary	(138)	(1,050)
Return on assets per actuary	103	815
Net Charges Made for Retirement Benefits in Accordance with FRS17	(378)	(342)
Contributions in respect of unfunded benefits	38	31
Payments to the Pension Fund	341	350
Employer's Contribution Payable to the Pension Fund	379	381

13. BACKLOG MAINTENANCE

The Council is required to meet the Government's Decent Homes standards by 2010. This Council has produced an HRA Business Plan that demonstrates that it can meet the Decent Homes target.

There are six sheltered accommodation sites requiring significant investment; the Council is looking at these sites, in conjunction with the HRA business plan, in order to make a decision so that the Council remains on target for the Decent Home deadline.

THE COLLECTION FUND

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

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2007/08

2006/07 £000		Note		2007/08 £000
INCOME				
(43,286)	Council Tax	1		(45,846)
(28,946)	Non-Domestic Rates	2		(29,697)
(7,002)	Transfers from General Fund	3		(7,070)
(79,234)				(82,613)
EXPENDITURE				
Precepts and Demands:				
35,858	Kent County Council		38,070	
2,319	Kent and Medway Fire Authority		2,434	
6,594	Dover District Council		7,045	
4,542	Kent Police Authority		4,824	
Collection Fund surplus paid out:				
119	Dover District Council		46	
655	Kent County Council		251	
43	Kent and Medway Fire Authority		16	
83	Kent Police Authority		32	52,718
Non-Domestic Rates:				
28,792	Payment to National Pool	2	29,544	
154	Cost of Collection Allowance		153	29,697
96	Provision for non-payment of Council Tax	4		624
79,255				83,039
21	(Surplus)/deficit for the year			426
(1,747)	Surplus as at 1 April 2007			(1,726)
(1,726)	Surplus as at 31 March 2008			(1,300)

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

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

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

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

Band	Estimated number of taxable properties after discount	Proportion of Band D charge	Band D equivalent dwellings
Dis A	7.75	5/9	4.31
A	5,173.55	6/9	3,449.03
B	13,755.25	7/9	10,698.53
C	11,659.00	8/9	10,363.56
D	5,988.85	1	5,988.85
E	3,660.70	11/9	4,474.19
F	2,016.40	13/9	2,912.58
G	1,286.15	15/9	2,143.58
H	45.60	2	91.20
	43,593.25		40,125.83
	Less adjustment for collection rates		98.40%
	Council Tax Base 2007/08 *		39,483.82

*Tax Base 2006/07 was 39,030.59

Estimated income from this Tax Base was £52.373m including Town and Parish Council precepts of £1.486m. Actual income was £52.916m, an increase of £0.543m.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Under arrangements for uniform business rates the Council collects Non-Domestic Rates for its district based on rateable values multiplied by a uniform rate in the pound. The non-domestic rate multiplier for 2007/08 was 44.1p for qualifying properties of less than £15,000 rateable value and 44.4p for all others (2006/07 42.6p and 43.3p respectively). The aggregate rateable value for the Council's district as at 31 March 2008 was £76.238m (£76.447m as at 31 March 2007).

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

The contribution for the Pool was calculated as follows:

	2006/07	2007/08
	£000	£000
Gross Amount	29,135	30,004
Gross amount payable net of amounts in respect of transition, small property relief, empty property rates and mandatory relief		
Less: Discretionary Relief	(93)	(101)
Reductions for charitable occupation, non-profit making bodies and hardship		
Losses in Collection: Bad and doubtful debts	(91)	(186)
Overpayments: Interest on repayments	(5)	(20)
NNDR Income	28,946	29,697
Costs of Collection: Allowance for collecting rates	(154)	(153)
Net Contribution to NNDR Pool	28,792	29,544

3. TRANSFERS FROM THE GENERAL FUND

Where Council Tax benefit has been granted, an amount equal to the benefit subsidy payable to the Authority's General Fund, plus the proportion that is not subsidised, is transferred into the Collection Fund from the Authority's General Fund. The transfer from the General Fund in 2007/08 was £7.070m (£7.002m in 2006/07). This transfer was after the reduction for overpaid benefits where single person discounts had not previously been applied and amounted to £132k, which includes prior years.

4. PROVISIONS FOR BAD OR DOUBTFUL DEBTS

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

	NNDR £000	Community Charge £000	Council Tax £000	Total Tax £000
Brought forward 01.04.07	102	0	637	739
Add: Provision made in year	186	0	624	810
Less: Amounts written off	(77)	0	(23)	(100)
Provision 31.03.08	211	0	1,238	1,449

CHARITIES ADMINISTERED BY DOVER DISTRICT COUNCIL

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

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

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

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

Sir Ernest Bruce Charles (Charity No. 1021750)

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

SIR ERNEST BRUCE CHARLES	2006/07	2007/08
	£	£
Income	1,079	3,717
Expenditure	0	0
Surplus	1,079	3,717
Fund balance 1 April	66,546	67,625
Fund balance 31 March	67,625	71,342
Represented by:		
Investments	65,461	69,178
Bank	2,164	2,164
	67,625	71,342

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

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

CHARITY OF FREDERICK FRANKLIN FOR A PUBLIC PARK	2006/07	2007/08
	£	£
Income	746	213
Expenditure	(746)	(2,703)
Deficit for year	0	(2,490)
Fund balance 1 April	230,559	230,559
Revaluation	0	133,714
Fund balance 31 March	230,559	361,783
Represented by:		
Dwellings	55,000	190,000
Land and other buildings	175,559	174,273
Creditor	0	(2,490)
	230,559	361,783

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).

Annual Governance Statement

FOR THE PERIOD 1 APRIL 2007 TO 31 MARCH 2008

1.1 **SCOPE OF RESPONSIBILITY**

- 1.1.1 Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Dover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.1.2 In discharging this overall accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.dover.gov.uk or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.
- 1.1.4 This statement explains how Dover District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement of internal control.
- 1.1.5 Dover District Council has in place appropriate management and reporting arrangements to satisfy itself that its approach to Corporate Governance is both adequate and effective. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:
- Overseeing the implementation and monitoring the operation of the Local Code;
 - Reviewing the operation of the Local Code in practice; and
 - Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it

and ensure its effectiveness in practice.

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

1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of Dover District Council's functions, and that includes arrangements for the management of risk.

1.2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

1.2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Dover District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.2.3 The governance framework has been in place at Dover District Council for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Performance Plan and Statement of Accounts.

1.3 **THE GOVERNANCE FRAMEWORK**

1.3.1 The key elements of the systems and processes that comprise the authority's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

A Corporate Plan was in existence throughout the year, with Members agreeing the revised version in February 2008. The Corporate Plan is available on the Council's web site. This document sets out the Council's objectives for the period 2008

to 2012.

Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives will be monitored through the Performance Management Framework, the Performance Report, the Regeneration Board and through other internal review mechanisms.

Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

Revised Communication and Consultation (Draft) strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. There are two overview and scrutiny committees who support and monitor the work of the Executive. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Dover District Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- Members' revised code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives

- A prevention of fraud and corruption policy
- Member/officer protocols
- A Standards Committee with five independent members

Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective formal and informal complaints procedure. We have received no findings against Dover District Council from the Local Government Ombudsman.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Head of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last review was adopted by Council on 11 July 2007. The significant changes were:

- Removal of staffing issues from members to the Head of Paid Service.
- Inclusion of the six Heads of Service as designated Chief Officers.
- Review of the responsibilities of the Governance Committee.
- Review of the Council Procedure Rules.
- Allocation of responsibility for the discharge of powers in relation to emergencies or disasters to the Chief Executive.
- Revision of signatories witnessing the sealing of documents.
- Members' remuneration.
- Revisions to the budget and policy framework procedure rules.

In addition, it was noted that only minor revisions were made to the Contract Procedure Rules, in anticipation of a Kent-wide standard set being agreed. No changes were proposed to the Members Code of Conduct in view of the nationwide consultation being performed, and that this Code would be adopted in due course.

Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

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

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

In 2002 as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to a quarterly review. This strategy was last reviewed as part of the 2007 update.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

The Solicitor to the Council has also provided his opinion on the Council's compliance with its legal obligations. He is satisfied that the Council is complying with relevant legal obligations.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Dover District Council through its budgetary monitoring and control processes ensures that financial resources are being used to their best advantage, via monthly management reporting to the Corporate Management Team and Members.

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

Through the quarterly Performance Report, corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's VFM tool, through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

Financial Management

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

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

In particular, the process in 2007/08 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget on a monthly basis;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

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

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

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

A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. The effectiveness review also considered the operation of the Council's Governance (Audit) Committee. The review concluded that the Governance (Audit) Committee was effective and added value to the internal control system.

Performance and Risk Management

Dover District Council produces a quarterly "Performance Report" which reports on all the Best Value Performance Indicators and all local performance indicators. Additionally, it

provides key information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Corporate Management Team and by Members. All Members receive a copy of the report, and it is placed on the Council's Intranet.

The Performance and Risk Manager has provided a positive opinion on the Council's compliance with its Risk Management Strategy. The Governance Committee considers the effectiveness of the risk management arrangements and has not provided any adverse comments.

The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A fully resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

Incorporating good governance arrangements in respect of partnerships and other group working

A partnership evaluation criteria has been established to help ensure that all key governance criteria are incorporated into new and existing partnerships. This will be reviewed during 2008/09 to ensure continuing relevance of arrangements.

The ethical conduct of members and officers of this Council

The Independent Chair of the Standards Committee and the Human Resources Manager have provided a positive opinion on the Council's compliance with its Ten Principles of Good Conduct.

1.4 **REVIEW OF EFFECTIVENESS**

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

- The work of the Internal Auditors and the Head of the East Kent Audit Partnership's Annual Report.
- The work of Heads of Service and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment.
- The external auditors in their Annual Audit and Inspection Letter and other reports, including the CPA Use of Resources and Direction of Travel Statements.

1.4.2 The following process have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

At a corporate level the Corporate Plan, Service Plans and the Constitution have all been subject to review in the period leading up to a report to Cabinet on 2 June 2008. The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year. The Council has also adopted the revised model code of conduct for members.

Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet and Scrutiny (Policy and Performance) Committee receive the quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets.

Governance Committee

The Governance Committee receives quarterly updates from the Head of EKAP on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end.

The Governance Committee has reviewed reports presented to it by the Head of EKAP in connection with the review of internal control. The Committee keeps a check on those areas that have not achieved one of the two highest levels of audit assurance. Additionally, this committee receives the Council's annual Constitutional Review, for recommendation on to Council and ensures the effectiveness of the Council's risk management arrangements.

Standards Committee

The Standards Committee receives a quarterly report on progress of formal complaints against the Council. During 2007/2008, it has also reviewed the member code of conduct and recommended the revised model code to the Council. It has considered no breaches of the code of conduct by members of Dover District Council. An Annual Report of the work of the Standards Committee was presented to the Annual Council Meeting on 14 May 2008. It gave a positive opinion on the ethical conduct of the members of this Council.

Internal Audit

Based on the work undertaken by them during the year, the Head of EKAP considered that positive steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to Reasonable or

Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work, current risk assessments, and the Heads of Service Assurance Statements, the Head of EKAP places a Reasonable Assurance on the systems of internal control in place. (Definitions of assurance levels follow the signatures at the end of this statement).

External Agencies and Commissioned reviews

Within the year the Council commissioned reviews of its Development Control service and Strategic Housing service. The recommendations from the Development Control review are being implemented in stages. The Housing review was in advance of an inspection by the Audit Commission. The results of this inspection will not be known until mid 2008.

1.5 **IMPROVEMENTS DURING THE YEAR**

1.5.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

High Priority

- Detailed risk assessments for each division are now embedded. A Risk Register has been compiled and will be used as a tool to help monitor risk and identify areas that need management attention. Training was provided to Members on risk management within the Council.
- A Leader as Coach programme to better equip heads of service, managers and supervisors has been rolled out across the Council.
- There has been significant improvement of the Council's budgetary reporting in order to demonstrate accountability both to Members and to the community.
- A corporate project group has been tasked with improving income collection.
- A new Business Continuity Plan was approved by management in August 2007.

Medium Priority

- Training has been provided to Members on the revised Code of Conduct.

- The Council undertook its annual review of the Constitution in an effort to improve the governance arrangements of the Council. The Contract Procedure Rules were not reviewed pending the adoption of Kent-wide rules.

Low Priority

- Training sessions including topics such as 'Equality and Diversity' and 'the implications of the revised Members' Code of Conduct' have been provided for Members.
- The Register of Disclosures is accessible to, and reviewed by the Monitoring Officer to ensure sign off by managers.

1.6 **SIGNIFICANT GOVERNANCE ISSUES**

1.6.1 On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by the Heads of Service, we are satisfied that, except for the matters listed below, the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

1.6.2 Areas for Improvement:

1.6.2.1 Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area

Greater focus is required in relation to the following services to ensure that the purpose and aims of those services are met within the limited resources available to them. These services include Property Management, Development Control, Licensing, Regeneration and Strategic Housing. Although we have a Partnerships database, we now need to ensure a continual review process around the Partnerships we are involved with to ensure that these remain relevant to the work we are trying to achieve. Similarly, we need to ensure a continual review process surrounds our general governance processes – for example Contract Procedure Rules – to ensure these remain fit for purpose. Additionally, we continue to seek to embed the Council's Equality and Diversity policies into service delivery.

1.6.2.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

An annual review of the Constitution occurs to ensure that

there is clarity between the respective roles of Members and Officers. However, Members do not yet have job descriptions linked to their individual roles. These will be developed during the year.

The Council's current pay scheme for Officers is old and anomalous. We are undertaking a Job Evaluation process for Officers during 2007/08 and 2008/09, to ensure that the staffing structure and terms and conditions are robust and fair to promote a healthy working environment.

The East Kent Local Strategic Partnership is a key body the Council will rely on in future to achieve some of its aims. The Governance arrangements for this body, including the respective roles of Members and Officers in the LSP's decision-making processes were agreed by the East Kent LSP on 19 May 2008.

1.6.2.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Sickness levels have caused some concern. New monitoring processes have been introduced, and will be carefully reviewed during 2008/09 to assess their impact.

The Council's Contract Procedure Rules are expected to be replaced with a Kent-wide set of rules, which would facilitate inter-authority working. However, these have yet to be agreed, and the revised target for implementation is July 2008.

The Dover Compact sets out key shared principles for public sector/voluntary sector working. Greater use of the Compact should be promoted through the Council's partnership working.

1.6.2.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Whilst the Council has a robust risk management strategy, it has been identified that managers may need additional support in identifying risk – particularly in relation to the performance of Health and Safety risk assessments. Training on this subject is to be provided.

1.6.2.5 Developing the capacity and capability of members and officers to be effective

Further enhancements to the Council's budget monitoring system is planned to improve budgetary control.

Although the Council has had basic induction training for all new officers, this is considered to be inadequate and a new style induction will be introduced during the year. In addition,

ongoing training of officers to develop both specific skills and future managers will be available to help build capabilities. Member training has been poorly attended in the past, and additional consultation will take place with members to devise future training to meet their needs.

1.6.2.6 Engaging with local people and other stakeholders to ensure robust public accountability

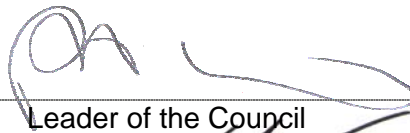
The Council's Communications and Consultation Policy is currently at Draft stage and needs to be finalised and fully adopted and implemented. The policy needs to address areas we have not previously completed well, such as how to publicise the feedback received as part of any consultation exercise.

1.7 STATEMENT OF THE LEADER OF THE COUNCIL & THE CHIEF EXECUTIVE.

1.7.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Governance Committee and the Scrutiny (Policy and Performance) Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

1.7.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:



Leader of the Council

Date: 20 June 2008



Chief Executive

Date: 20 June 2008

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

Evaluation: Either there is a sound system of control designed to achieve the system objectives, or, while most of the necessary controls of the system are in place, there are minor weaknesses which result in a negligible level of risk to achievement of the system objectives.

And/Or

Testing: Either the controls are being consistently applied and are operating as intended, or, there is evidence that the level of non-compliance with some of the key controls may result in a negligible level of risk to achievement of the system objectives

Reasonable Assurance

Evaluation: While most of the necessary controls of the system are in place, there is scope for some improvement, resulting in a marginal level of risk to achievement of the system objectives;

And/Or

Testing: There is evidence that the level of non-compliance with some of the key controls may result in a marginal level of risk to achievement of the system objectives.

Limited Assurance

Evaluation: Only some of the necessary controls of the system are in place, putting achievement of the system objectives at a critical level of risk;

And/Or

Testing: There is evidence of substantial non-compliance with many key controls not operating as intended, leaving the achievement of the system objectives at a critical level of risk.

No Assurance

Evaluation: A substantial number of the necessary key controls of the system are absent or weak leaving the system open to fundamental error or abuse;

And/Or

Testing: There is evidence of significant non-compliance with the basic controls leaving the system open to fundamental error or abuse.

GLOSSARY OF FINANCIAL TERMS

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

AUDIT COMMISSION - an independent body created by the Local Government Finance Act 1982 with the responsibility for the external audit of local authority accounts.

BALANCE SHEET - a statement of the assets, liabilities and other balances of an authority at the end of an accounting period.

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

BUDGET - a statement of the council's plans for net revenue and capital expenditure over a specified period of time.

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

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

CAPITAL FINANCING COSTS - annual charges to the revenue accounts of council services to cover the interest on and repayment of loans raised for capital expenditure.

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

CENTRAL SERVICES TO THE PUBLIC - this includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

COLLECTION FUND - the fund into which Council Tax and Non-Domestic Rates are paid, prior to the distribution of the various precepts and prior to payment to the Non-Domestic Rates Pool.

COMMUNITY ASSETS - assets that the council intends to hold in perpetuity, that have no determinable finite useful life, and in addition may have restrictions on their disposal e.g. parks and cemetery land.

CORPORATE AND DEMOCRATIC CORE - comprises all activities that local authorities engage in because they are elected, multi-purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management, bank charges and the cost of democratic representation.

COUNCIL TAX - a local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

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

CURRENT SERVICE COST (PENSIONS) - the increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

DEBTORS - amounts due to the authority but unpaid at the balance sheet date.

DEFERRED CHARGES - capital payments that do not give rise to an asset such as house renovation grants.

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

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FIXED ASSETS - tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year. Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the authority. Examples of intangible assets are computer software licences and patents for goods or services.

GENERAL FUND - the main revenue account of the council from which payments are made to provide services, and into which receipts are paid, including the district council's share of Council Tax.

HOUSING REVENUE ACCOUNT - the statutory account to which are charged the annual revenue costs of providing, maintaining and managing council dwellings, financed by rents, grants and other income.

IMPAIRMENT - a reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

NET BOOK VALUE - the amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT - the authority's borrowings less cash and liquid resources.

NET SERVICE EXPENDITURE - comprises all expenditure less all income, other than income from Council Tax and Revenue Support Grant, in respect of a particular service.

NON-DISTRIBUTED COSTS - overheads that do not benefit specific end-services and therefore cannot be attributed to them. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

NON-DOMESTIC RATES - businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of their business premises. The total business rate collected nationally is re-distributed to district councils based on population.

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

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

PRECEPT - the demand on the collection fund by one authority (e.g. Kent County Council, Police or Fire Authorities), which is collected from the Council Tax payer by another (e.g. Dover District Council). Precepts on Dover are also made by town and parish councils in the district. These are charged to the General Fund.

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

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

PUBLIC WORKS LOANS BOARD - a government agency that provides longer-term loans to the public sector at interest rates only slightly higher than those at which the Government itself can borrow.

REVENUE EXPENDITURE - the day-to-day running costs of services including salaries, running expenses and capital charges.

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

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

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

TEMPORARY LOANS - money borrowed for an initial period of less than one year.

USABLE CAPITAL RECEIPTS - funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

WORK IN PROGRESS - the cost of work done on an incomplete project at the year-end that had not been recharged at the balance sheet date.