

# **DARTFORD**

BOROUGH COUNCIL

## **STATEMENT OF ACCOUNTS**

**2003/04**



**DARTFORD**  
BOROUGH COUNCIL

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# EXPLANATORY FOREWORD

## Introduction

The Council's accounts for the year 2003/04 reflect the CIPFA Accounting Code of Practice. These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts. The Code is a "proper accounting practice" with which local authorities must comply in preparing their financial statements in accordance with the Accounts and Audit Regulations 2003. The accounts are set out on the following pages, and consist of:

- **The Consolidated Revenue Account**  
The Council's Revenue Account, covering income and expenditure on all services. This incorporates the General Fund Revenue Account, and also includes a summary of the transactions with the Collection Fund and the Housing Revenue Account.
- **The Housing Revenue Account**  
This shows income and expenditure on Council housing.
- **The Collection Fund Revenue Account**  
This shows the transactions of the Council acting as a billing authority for non-domestic rates, council tax and the community charge and illustrates the way which these have been distributed to preceptors and the General Fund.
- **The Consolidated Balance Sheet**  
This sets out the financial position of the Council as at 31 March 2004.
- **The Total Movement in Reserves Statement**  
This shows all the recognised gains and losses of the Council during the year and identifies those which have not been recognised in the Consolidated Revenue Account.
- **The Cash Flow Statement**  
This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

The Council's accounts now comply fully with the requirements of Financial Reporting Standard 17 (FRS17) which impacts on how Retirement Benefits are shown in the Consolidated Revenue Account, Housing Revenue Account and the Consolidated Balance Sheet. Both Revenue Accounts now recognise the cost of providing retirement benefits in the period in which they are earned, and related finance costs and changes in the value of assets and liabilities. The Balance Sheet now recognises the net liability relating to the Council's share of the Kent County Council Superannuation Fund.

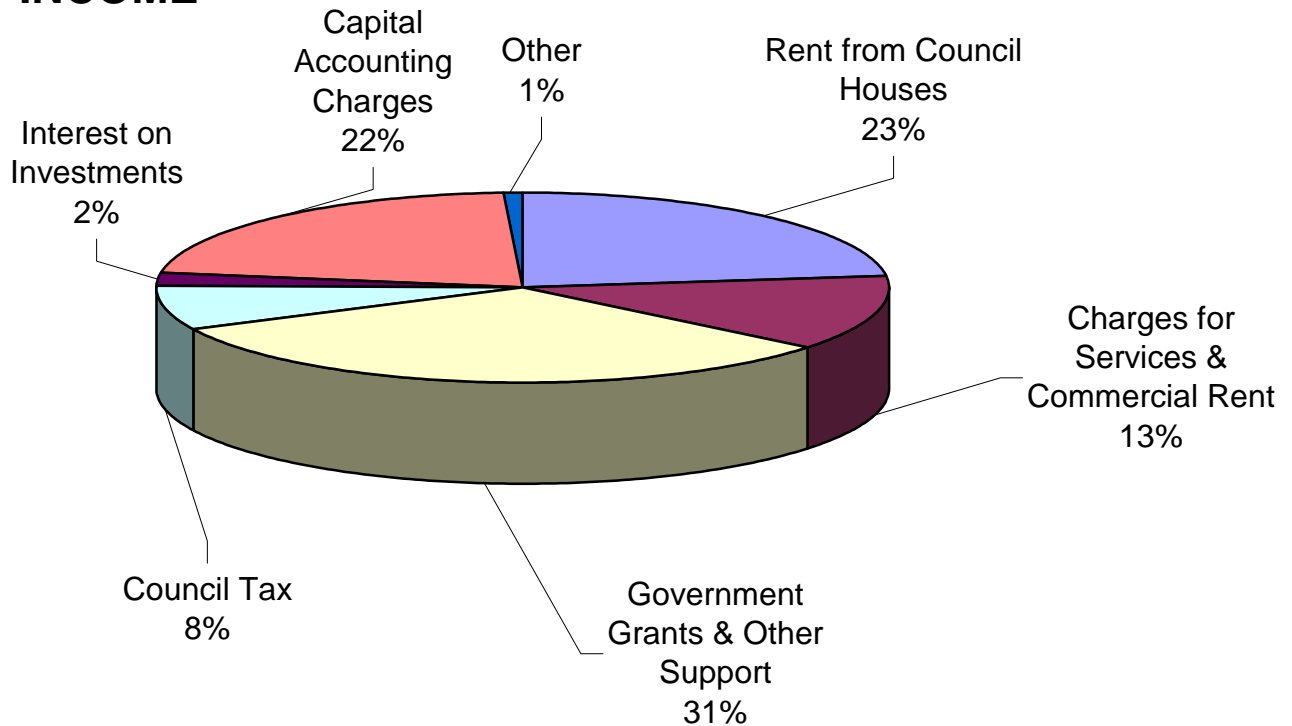
There is no effect on Council Tax or Housing rents charged to residents/tenants, as the accounting entries are 'reversed out' of the Consolidated Revenue Account after Net Operating Expenditure. Similarly, the pensions liability in the Balance Sheet is matched by a pensions reserve within the financing part of the statement.

## Key Financial Information

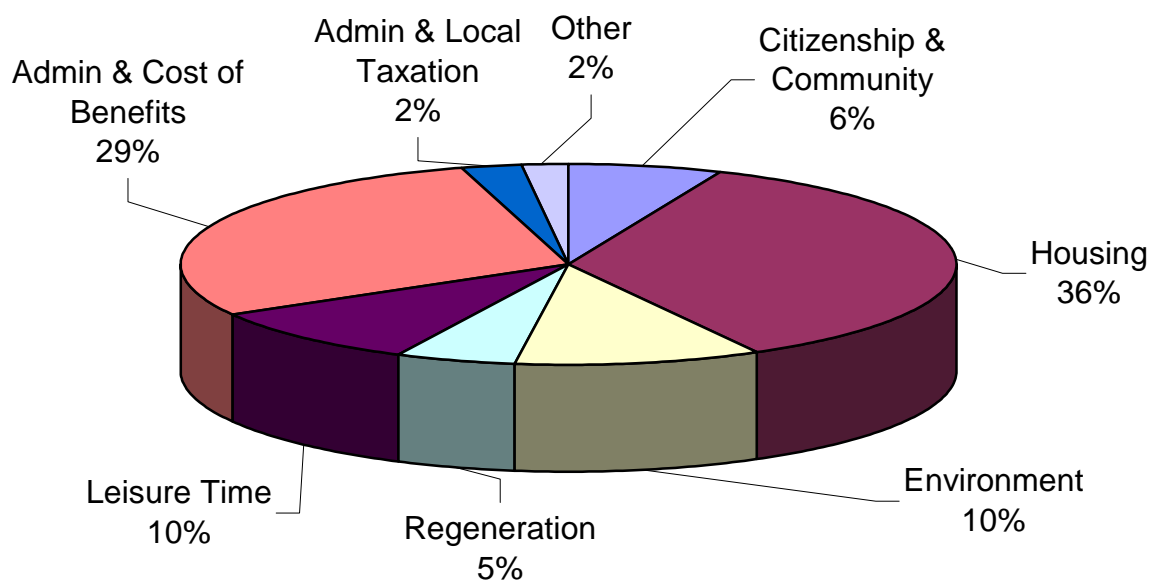
This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

The pie-charts below provide (a) a breakdown of where the money came from, and (b) a partial summary of the revenue expenditure incurred in respect of the key themes adopted as corporate priorities and also the cost of paying benefits and collecting local taxation. Further information is available in the Council's Annual Performance Plan 2004/2005.

### INCOME



### SERVICE EXPENDITURE



## Revenue Expenditure

The main components of the budget and how these compare with actual expenditure are set out below:

	Original Budget £,000	Actual £,000	Difference £,000
Gross expenditure on all services	60,577	57,218	(3,359)
Income	(33,304)	(32,440)	864
	-----	-----	-----
<b>Net cost of services</b>	27,273	24,778	(2,495)
Precepts - Parishes & Environment Agency	641	641	0
Housing - Negative Subsidy	(30)	(30)	0
Interest / Unrealised gains	(1,310)	(1,269)	41
Non Operational Assets	606	294	(312)
Asset Management Revenue Account	(1,572)	(1,572)	0
Capital Charges - HRA (Notional Interest)	(10,100)	(9,354)	746
Pensions Interest Costs & Expected Return on Pensions Assets	1,062	1,062	0
	-----	-----	-----
<b>Net operating expenditure</b>	16,570	14,550	(2,020)
Transfer to / (from) HRA Balances	(94)	298	392
Transfer from Reserves	(2,674)	(1,475)	1,199
Contribution from Capital Reserve	(1,070)	(1,070)	0
Deferred Charges Credit	(584)	(584)	0
Release of Government Grant Deferred	170	170	0
	-----	-----	-----
<b>Amount to be met from government grants and local taxpayers</b>	12,318	11,889	(429)
Demand on the Collection Fund	(4,459)	(4,459)	0
Business Rate Income	(2,999)	(2,999)	0
Revenue Support Grant	(3,521)	(3,521)	0
	-----	-----	-----
Transfer from balances	1,339	910	(429)
	=====	=====	=====

The Council does not include charges for capital in the original budget, whereas they are included in the actual figures. Accordingly, to aid comparison between the two the original budget figures above include the actual figures for capital charges. The above will not agree to the Revenue Account on page 14 as the above excludes the Collection Fund.

The main reasons for the underspend are staff vacancies and increased income particularly from interest receivable and productions at The Orchard Theatre.

### Capital Expenditure

In 2003/04 the Council spent just under £7.5 million on capital projects. This includes £4.8 million on council dwellings, £218,000 on home improvement grants/disabled facilities grants, £1.27 million on the purchase of IT equipment and £204,000 on E-Government projects.

This expenditure was financed from usable capital receipts (£2.2 million), Provision for Credit Liabilities (£1.7 million), the Major Repairs Reserve (£2.08 million), government grants (£314,000), and £1.2 million accruals.

### The Euro

The adaptation of operational and information systems to accommodate the 'Euro' will be required if Britain joins the European Monetary Union.

If the Council replaces any systems and equipment that might be affected by the introduction of the euro, any tender will include an undertaking from the supplier that the goods will accommodate euro requirements.

Due to the ongoing uncertainty surrounding the issue, no detailed work has yet been undertaken to identify the costs likely to be incurred. Consequently no provision has been established to cover future costs arising from the introduction of the Single European Currency.

# REPORT OF THE AUDITORS TO THE MEMBERS OF DARTFORD BOROUGH COUNCIL

We have audited the statement of accounts on pages 11 to 40 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 13.

This report is made solely to Dartford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

## Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 6 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

We review whether the statement on internal control on page 8 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

## Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

## Opinion

In our opinion the statement of accounts presents fairly the financial position of Dartford Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

## Certificate

We certify that we 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.

Signature: 

Date: 13 October 2004

PricewaterhouseCoopers LLP  
London

# RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS AND CERTIFICATE OF THE CHIEF FINANCE OFFICER

## RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Managing Director who is the named Chief Finance Officer under section 151 of the Local Government Act 1972.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

### The Managing Director's responsibilities

The Managing Director is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

In preparing that statement of accounts, the Managing Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the CIPFA Code of Practice on Local Authority Accounting in Great Britain;

The Managing Director has also:

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

## CERTIFICATE OF MANAGING DIRECTOR

The Statement of Accounts set out on the following pages summarises the Council's accounts for the financial year ended 31 March 2004. The Statement of Accounts has been prepared in accordance with the accounting policies set out on pages 11 to 13.



G. J. HARRIS CPFA  
MANAGING DIRECTOR  
26 July 2004

**APPROVAL OF THE STATEMENT OF ACCOUNTS IN ACCORDANCE  
WITH THE ACCOUNTS AND AUDIT REGULATIONS 2003**

**COMPLETION OF THE APPROVAL OF THE ACCOUNTS**

The Statement of Accounts was formally approved by the General Assembly of the Council on the 26<sup>th</sup> July 2004.

*KFM Leadbeater*

KENNETH LEADBEATER  
LEADER OF THE COUNCIL  
26 July 2004

# STATEMENT ON INTERNAL CONTROL

## Scope of Responsibility

Dartford Borough 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. Dartford 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.

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

## The Purpose of the System of Internal Control

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

Much of the system of internal control described below has been in place during the year to 31 March 2004 but some key elements have been developed subsequently.

## The Internal Control Environment

### *Policy and decision making*

The Council has an established written Constitution that sets the framework for decision-making.

The General Assembly of the Council is the ultimate decision making body and determines the extent to which it delegates its powers and to whom, and can vary or withdraw them at any time.

The Cabinet, Committees, Boards and Panels are accountable to the General Assembly of the Council and work to terms of reference agreed by the General Assembly.

Most day to day decisions, including proposing the policy framework and budget to the Council, are the responsibility of the Cabinet. Decisions of the Cabinet are reached collectively.

It is impractical for the Cabinet to make all decisions and the General Assembly therefore approves each year a Scheme of Delegation to Officers. This sets out what decisions can be made by specified officers without reference to Members.

### *Establishing and monitoring the achievement of the Council's objectives*

In October 2003 the Council approved a new system of performance management. At the heart of this new system is the Council's Corporate Plan that is reviewed annually. The Corporate Plan drives financial planning and both corporate and financial planning determines service plans. Corporate strategic targets and detailed service targets are established as an integral part of this process. Performance on key targets is reviewed quarterly by Cabinet.

### *Ensuring compliance with established policies, procedures, laws and regulations*

Directors are responsible for ensuring that staff within their respective Directorate adhere to agreed rules and regulations. All such rules and regulations are published on the Council's intranet and duties are organised, wherever possible, so that one person acts as a check on another.

Independent evidence of compliance is obtained from internal and external audit. Internal audit bases its audit plan on an assessment of risk and following each audit issues a report to management. The Audit and Standards Board receive summary copies of all audit reports. External Audit has a statutory role and part of that is to examine financial aspects of corporate governance. This includes examining the legality of financial transactions and the systems of financial internal control.

### *Corporate Governance and Risk Management*

The Council has adopted a local Code of Corporate Governance. The Code is reviewed each year and an annual assurance statement produced, which includes action points for the coming year.

Risk Management is one element of corporate governance and during 2004, the Council introduced a risk management framework. The General Assembly approved a risk management strategy; Cabinet approved the key corporate risks. A risk assessment was undertaken for each service plan and an action plan produced for managing those risks. Internal Audit are compiling the risk register and will use it to review their own audit risk index. An update on the key corporate risks will be reported to Cabinet quarterly.

### *Ensuring Economic, Effective and Efficient Use of Resources*

The Council reviews its use of resources in a number of ways:

The Quality Services Committee carries out in depth service reviews during the year, reporting to the Cabinet.

The Scrutiny Committee monitors the decisions of Cabinet and may review and make recommendations and assist in the development of future strategies and policies.

As part of the performance management framework and budget process Members will review resources against the priorities agreed in the Corporate Plan.

Internal Audit will consider effective use of resources as part of routine audits.

### ***Financial Management***

Budget responsibility is assigned to Directors and nominated Spending Officers. The budget is approved annually as are the cash limiting rules that set out the flexibility for virement of budgets.

The Council has approved Financial Regulations and these are reviewed each year.

Financial information is available on line for Spending Officers and reports are sent to them monthly. Regular budget monitoring reports are submitted to Cabinet.

### ***Performance Management***

As noted above the Council approved a new performance management framework in October 2003. The key elements are:

- The Council produces a Corporate Plan taking account of its own objectives and the relevant parts of the Community Strategy
- The Corporate Plan is reviewed annually following consultation.
- Top level priorities and objectives from the Corporate Plan are cascaded down the organisation through service plans.
- The Corporate Plan influences, and is influenced by, the budget. Service plans are produced to reflect both the Corporate Plan and budget.
- Service plans include targets for the coming year and a risk assessment of the barriers to achieving the aims and objectives of the service plan.
- Individual objectives and targets are linked to service plans through the appraisal system.

### ***Performance Monitoring***

Key performance indicators and strategic targets are monitored quarterly by Cabinet on an exception basis.

A new streamlined Best Value Review process is a key element to securing continuous improvement.

The Annual Performance Plan provides a clear indication of how the Council is performing against its own targets and in comparison with others. The Plan also sets out the priorities and targets for the year ahead.

Residents will receive feedback on the performance of the Council.

### ***Review of Effectiveness of Internal Control***

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of Internal Audit; Directors, who are responsible for the development and maintenance of the internal control environment, have regard to External Audit and other review agencies and inspectorates' comments.

The following has informed the review this year of the effectiveness of the Council's internal control environment.

- The annual review of the Constitution, Standing Orders and Financial Regulations.
- The approval of a new framework for performance management.
- The approval of a Risk Management Strategy and key corporate risks.
- The approval of a revised management structure to complement the aims and objectives in the Corporate Plan.
- The completion of 19 audits by Internal Audit during the year and referral to the Audit and Standards Board.
- Approval by the Board of revised terms of reference for Internal Audit, and a revised format of reporting and the framework for issuing an audit opinion for each audit.
- The review by the External Auditor of the effectiveness of the system of internal control as part of the core audit work.
- The Council has also this year been subject to Best Value inspections and Comprehensive Performance Assessment including a Peer Challenge.
- An independent review of the Council's corporate governance arrangements was undertaken and reported to Cabinet with an action plan for improvement.

**Issues to Consider**

Having reviewed the internal control environment during the year the Council took certain decisions to improve it, e.g. a new performance management system; risk management strategy; revised management structure. In the coming year, the Council will develop these further and review their effectiveness.

Internal Audit will review the agreed management action from all audit reports and report any non-compliance to the Managing Director and the Audit and Standards Board.

Reports on any review that impacts on the internal control environment will include an action plan and performance against it will be monitored by the relevant Director.

Internal Audit will, at the end of this year, be able to give an overall opinion on the internal control environment.



Managing Director

KFM Leadbetter

Leader of the Council

# STATEMENT OF ACCOUNTING POLICIES

## ACCOUNTING POLICIES

### General

The accounts have been prepared, unless otherwise stated, in accordance with the revised Code of Practice on Local Authority Accounting, the Best Value Accounting Code of Practice, and accompanying guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and other relevant accounting recommendations of CIPFA, so that the authority's statement of accounts "presents fairly" the financial statements and transactions of the Council.

## ACCRUALS OF INCOME AND EXPENDITURE

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

## ACQUIRED AND DISCONTINUED OPERATIONS

Any income and expenditure relating to acquired or discounted operations is shown separately in the consolidated revenue account, while any liabilities are disclosed in the notes to the consolidated balance sheet.

## ALLOCATION OF SUPPORT SERVICE CHARGES

### General

All costs of management and administration are fully allocated to services and also to Corporate Management and Democratic Representation and Management where appropriate, which are not service specific. This is in accordance with the Best Value Accounting Code of Practice, which requires the total cost of services to be disclosed in the Council's accounts. Costs are allocated on the basis of actual or estimated time spent by staff, headcount or by activity analysis. Administrative buildings are allocated to users on the basis of area occupied.

## CONTINGENCIES

### Material Contingency

Where a material contingency has not been provided for in the accounts, it will have been disclosed by way of a note to the relevant statement.

## DEFERRED CHARGES

### Basis of Accounting for Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. The Council's policy is to finance this expenditure from existing resources in the year of account in which the cost is incurred.

## EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS, AND PRIOR YEAR ADJUSTMENTS

### Exceptional Items

Any exceptional items have been included in the cost of the service to which they relate.

### Extraordinary Items

Any extraordinary items are disclosed separately in the consolidated revenue account. They will be items that are not part of the ordinary activities of the authority.

### Prior Period Adjustments

The majority of prior period adjustments have arisen due to corrections and adjustments that are the result of estimates that constitute a standard part of the accounting process. These adjustments represent normal transactions for the year in which they are identified and have been accounted for accordingly. Should any material adjustments occur applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors, comparative figures for the preceding period in the statement of accounts will be restated as will associated notes. Opening balances of related reserves will reflect the cumulative effect, and a note will be added to the statement of total movements in reserves for the current period.

## FIXED ASSETS

### Recognition

Most expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, these have been included in the balance sheet using the bases for valuation set out in note 1 to the balance sheet. However, where expenditure has been incurred on a scheme which is incomplete as at 31<sup>st</sup> March 2004, it has been shown as Assets in the Course of Construction/Enhancement in the balance sheet.

Consideration has been given to whether expenditure on complete capital schemes actually enhanced the value of the assets benefiting from that work. Where this is not considered the case, the expenditure was charged to the Fixed Asset Restatement Reserve.

### Measurement

Operational land and properties and other operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use except for infrastructure assets and community assets which have been included in the balance sheet at historical cost, net of depreciation (where appropriate). Non-operational assets, including investment properties and assets that are surplus to requirements, have been included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties this is open market value.

## **Revaluations**

All assets were valued on 1 April 1994, and since that date have all been revalued, except those based on historical cost, as part of the annual revaluation of 20% of the Council's assets. The rolling programme recommenced on 1<sup>st</sup> April 2000. All Housing Revenue Account dwellings are also revalued annually by reference to industry indices.

## **Impairment**

Fixed assets are reviewed at the end of each financial year for impairment where a) no depreciation charge is made on the grounds that it would be immaterial or b) the estimated remaining useful life exceeds 50 years.

## **Disposals**

The income from any disposal of fixed assets has been credited to the useable capital receipts reserve, and accounted for on an accruals basis. Upon disposal, the net book value of the asset disposed of is written off against the fixed asset restatement reserve.

## **Depreciation**

Assets which have a finite useful life are being depreciated over that life, in accordance with the requirements of FRS15 'Tangible Fixed Assets'.

## **Basis of Charges for Capital to Revenue**

The capital charges made to service revenue accounts and central support services equate to the sum of depreciation, if applicable, plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 1 April 2003. The notional rates of interest used are 3.5% for those fixed assets included in the balance sheet at current value and 4.625% for infrastructure assets and community assets which are included in the balance sheet at historical cost. The capital charges to the General Fund and the Housing Revenue Account have no net effect on the amount charged to Council Taxpayers or Tenants.

## **Government Grants**

Capital grants are accounted for on an accruals basis and income has been credited to a Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grant relates.

## **FOREIGN CURRENCY TRANSLATION**

### **Basis of Foreign Currency Translation**

Any transactions denominated in a foreign currency are translated into £ sterling either at the exchange rate in operation on the date on which the transaction occurred, or, where the rates do not fluctuate significantly, an average rate for a period is used as an approximation.

## **GOVERNMENT GRANTS**

### **Revenue Grants**

Revenue grants are matched with the expenditure to which they relate. The Revenue Support Grant and the Redistributed National Non-Domestic Rates Amount which finance the general activities of the Council are shown separately in the consolidated revenue account.

### **Capital Grants**

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 Government Grants Deferred Account. The grant is then released to the Asset Management Revenue Account over the useful life of the asset, matching the depreciation charge made for that asset.

All government grants are accounted for on an accruals basis and only recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

## **INVESTMENTS**

### **Basis of Valuation**

Cash investments of the Council are valued at cost. Investments managed on the Council's behalf by external fund managers Investec and Cazenove, are valued at the lower of cost or market value.

## **PENSION COSTS**

### **Financial Reporting Standard 17**

In accordance with the Code of Practice on Local Authority Accounting, the Council has fully recognised in its accounts the requirements of FRS 17 – Retirement Benefits with effect from 1 April 2003. This includes recognition of the net liability and a matching pensions reserve in the balance sheet and entries in the Consolidated Revenue Account (CRA) for movements in the liability relating to the Council's defined benefit scheme. The accounting entries do not affect the sum chargeable to Council Taxpayers/Council Tenants, as the difference between the employer's contribution paid to the Kent County Council Superannuation Scheme and the assessed actuarial cost charged to the CRA is reversed out, via the appropriations section.

The objectives of FRS 17 are to ensure that:

- (a) financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- b) the operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- c) the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

The next actuarial valuation is due as at 31 March 2004 and any change in contribution rates and/or changes in the liability to the Council as a result of that valuation will take effect from 1 April 2005.

## **POST BALANCE SHEET EVENTS**

Any material post balance sheet event which provides additional evidence relating to conditions existing at the balance sheet date or indicates that application of the going concern concept to a material part of the authority is not appropriate, will result in changes to the relevant amounts included in the accounts. The occurrence of a similar event concerning conditions which did not exist at balance sheet date will be disclosed as a note to the accounts, incorporating the nature of the event and if possible an estimate of the financial effect.

## **PROVISIONS**

### **General Provisions**

Provisions are made for any liabilities or losses which are likely to be incurred, or certain to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise. All contributions to provisions are charged initially to the appropriate service, and utilised only for the purpose for which they were established.

### **Provisions for Uncollectable Amounts**

Provision is made for bad and doubtful debts and successful appeals against valuation banding on Council Tax.

## **RESEARCH AND DEVELOPMENT**

### **Expenditure on Research and Development**

Expenditure on research and development is treated as part of the continuing operations of the authority and is charged to the consolidated revenue account as it occurs.

## **RESERVES**

### **Maintaining Reserves**

The Council maintains earmarked reserves set aside for specific policy purposes and general reserves which represent balances set aside for purposes such as contingencies and cash flow management. Expenditure financed from these reserves is shown against the appropriate services. The movements relating to reserves are shown in the "Total Movement in Reserves" Statement on pages 36 and 37.

## **STOCKS AND WORK IN PROGRESS**

### **Basis of Valuing Stocks and Work in Progress**

Stocks and work in progress are valued in accordance with the requirements of the code and SSAP 9, which require these to be shown at actual cost or net realisable value, if lower.

## **VALUE ADDED TAX**

### **VAT**

VAT has been included in the income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

## CONSOLIDATED REVENUE ACCOUNT

		2003/04 Gross Exp. £,000	2003/04 Income £,000	2003/04 Net Exp. £,000	2002/03 Revised Net Exp. £,000
<b>Expenditure on Continuing Services</b>	Note 1				
Building Control	Note 2	495	(291)	204	143
Business Rates Collection		142	(165)	(23)	(47)
Cemetery, Crematorium & Mortuary Services		386	(167)	219	249
Community Development		381	(5)	376	375
Community Safety		235	(57)	178	145
Conducting Elections		113	0	113	22
Consumer Protection		1	0	1	1
Corporate Management	Note 3	627	(17)	610	663
Council Tax Collection Costs		4,507	(3,601)	906	965
Culture & Heritage		338	(40)	298	303
Democratic Representation & Management	Note 4	1,585	(2)	1,583	1,499
Development Control		1,012	(406)	606	503
Economic Development		789	(336)	453	680
Emergency Planning		37	0	37	26
Environmental Health	Note 5	1,287	(177)	1,110	1,070
Environmental Initiatives		269	0	269	332
Flood Defence & Land Drainage		214	(33)	181	199
Highways/Roads (Structural)		323	(126)	197	(43)
Highways/Roads Routine		486	(350)	136	129
Homelessness		349	(153)	196	123
Housing Advances		0	(3)	(3)	(6)
Housing Benefits Administration		681	(367)	314	319
Housing Benefits Payments		5,491	(5,202)	289	365
Housing Revenue Account Services	Note 6	26,436	(16,710)	9,726	15,323
Housing Strategy		333	(3)	330	302
Local Land Charges		212	(336)	(124)	(184)
Open Spaces		780	(65)	715	667
Orchard Theatre	Note 7	3,515	(2,674)	841	1,085
Other Council Property		62	(27)	35	9
Parking Services		803	(735)	68	135
Planning Policy		577	(28)	549	549
Private Sector Housing Renewal		472	0	472	2,233
Public Transport		299	(15)	284	242
Recreation & Sport		483	(9)	474	587
Registration of Electors		139	(2)	137	121
Street Cleansing (Non Highway)		985	(32)	953	798
Street Lighting		48	0	48	43
Tourism		4	0	4	1
Traffic Management & Road Safety		48	0	48	71
Transport Planning, Policy & Strategy		160	0	160	130
Non Distributed Costs	Note 8	0	0	0	180
Waste Collection		1,437	(306)	1,131	1,033
<b>Net Cost of Services</b>		<b>56,541</b>	<b>(32,440)</b>	<b>24,101</b>	<b>31,340</b>
Housing Negative Subsidy				(30)	(330)
Parish Precepts	Page 26			541	508
Precepts: Environment Agency				100	101
Contribution from Collection Fund in respect of Comm Charge	Page 25			0	(2)
Net External Interest Receivable				(1,263)	(1,139)
Net External Interest Receivable - Housing Revenue Account				(154)	(186)
Unrealisable Losses/(Gains) (net)				148	(271)
Asset Management Revenue Account	Note 9			(1,572)	(2,331)
Capital Charges (Notional Interest) Housing Revenue Account				(9,354)	(13,692)
Non Operational Assets	Note 10			294	694
Pension Interest Cost & Expected Return on Pensions Assets	Note 13			1,062	630
<b>Net Operating Expenditure</b>				<b>13,873</b>	<b>15,322</b>
Reversal of Housing Revenue Account (deficit) surplus	Note 6			298	(713)
Net Transfer from Reserves				(419)	(1,091)
Contribution from Capital Reserve				(1,070)	(873)
Deferred Charges Credit	Page 30			(584)	(2,088)
Transfer from Major Repairs Reserve				(631)	(887)
Release of Government Grant Deferred				170	38
Movement on Pension Reserve	Note 13			252	421
<b>Amount to be met from government grants and local taxpayers</b>				<b>11,889</b>	<b>10,129</b>
<b>This was financed by</b>					
Collection Fund Demand	Page 25			(4,459)	(4,175)
Business Rate Income				(2,999)	(3,611)
Revenue Support Grant				(3,521)	(2,855)
Deficit/(Surplus) on Collection Fund for the year	Page 25			57	(183)
<b>Deficit/(Surplus) for the year on the General and Collection Funds</b>				<b>967</b>	<b>(695)</b>

# CONSOLIDATED REVENUE ACCOUNT NOTES

## 1. Service Expenditure Analysis

The Best Value Accounting Code of Practice requires a minimum disclosure of expenditure and income within the Consolidated Revenue Account, which is set out in this note; this aids comparison with other local authorities providing the same range of services.

	2003/04	2003/04	2003/04	2002/03
	Gross	Income	Net	Net
	£,000	£,000	£,000	£,000
<u>Service Expenditure Analysis</u>				
Central Services to the Public	5,150	(4,104)	1,046	903
Cultural, Environmental & Planning Services	13,188	(4,626)	8,562	8,720
Highways, Roads & Transport Services	2,167	(1,226)	941	707
Housing Services	33,824	(22,465)	11,359	18,668
Corporate & Democratic Core	2,212	(19)	2,193	2,162
Non Distributed Costs	0	0	0	180
	-----	-----	-----	-----
Total	56,541	(32,440)	24,101	31,340
	=====	=====	=====	=====

## 2. Building Control Trading Accounts

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 Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and the non-chargeable activities.

Trading Account	Fee Total	Non Fee Total	Total	Total
2003/04	£'000	£'000	£'000	2002/03
	£'000	£'000	£'000	£'000
Employees	173	138	311	273
Supplies & Services	21	15	36	24
Transport	12	9	21	16
Other Costs	9	9	18	10
Net Central/Support Charges/Recharges	76	33	109	120
	-----	-----	-----	-----
Gross Expenditure	291	204	495	443
Building Control Fees	(291)	0	(291)	(300)
Public Entertainment*	0	0	0	0
	-----	-----	-----	-----
Gross Income	(291)	0	(291)	(300)
Deficit	0	204	204	143
	=====	=====	=====	=====

\* In accordance with the requirements of the Best Value Accounting Code of Practice, Public Entertainment Licence fees are included under Environmental Health in the Consolidated Revenue Account.

## 3. Corporate Management

These activities provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability.

## 4. Democratic Representation and Management

This includes all aspects of Members' activities including corporate, programme and service policy making, general governance and representing local interests.

## 5. Trading Services - Markets

The Council operates two markets in Dartford town centre. The Thursday market is held in the Priory Centre car park and the Saturday market is held in the High Street. The financial results were as follows:

	2003/04 £,000	2002/03 £,000
<u>Trading Services - Markets</u>		
Income from stallholders	(335)	(311)
Expenditure	330	319
	-----	-----
(Surplus)/Deficit taken to General Fund	(5)	8
	=====	=====

These figures are included under Environmental Health in the Consolidated Revenue Account.

## 6. Housing Revenue Account (HRA)

This is the Council's landlord/tenant account. For a fuller analysis of the financial position of the Housing Revenue Account please refer to the Housing Revenue Account Statement on page 20.

## 7. Trading Services - The Orchard Theatre

The only other significant trading undertaking is The Orchard Theatre, whose financial results were as follows:

	2003/04 £,000	2002/03 £,000
Income from the box office	(2,196)	(2,086)
Other income	(478)	(393)
	-----	-----
Total income	(2,674)	(2,479)
Direct Expenditure	3,049	2,781
	-----	-----
Net direct costs	375	302
Capital Charges	246	351
Major Refurbishment Works	28	181
Support Services	192	251
	-----	-----
Deficit taken to General Fund	841	1,085
	=====	=====

## 8. Non Distributed Costs

In accordance with CIPFA guidelines on accounting for central services as stated in the Best Value Accounting Code of Practice, non distributed costs are shown separately in the Consolidated Revenue Account. For the year 2003/04 there were no such costs.

	2003/04 £,000	2002/03 £,000
Early Retirements in Year	0	180

## 9. Asset Management Revenue Account

The Asset Management Revenue Account reverses out the capital charges for the use of assets charged to services. This ensures that the capital charges in the accounts have no net effect on the charge to Council Tax payers or Rent payers. The Housing Revenue Account has been produced in accordance with Resource Accounting requirements, which has resulted in entries within the Asset Management Revenue Account.

	2003/04 £,000	2002/03 £,000
Income		
Capital charges: General Fund	(2,472)	(3,166)
Capital charges: HRA	(9,354)	(13,692)
Govt Grant deferred-provision for depreciation	(170)	(38)
Depreciation HRA	(2,985)	(2,995)
	-----	-----
	(14,981)	(19,891)
Expenditure		
Provision for depreciation-General Fund	1,070	873
Notional interest charge to the HRA	9,354	13,692
Provision for depreciation-HRA	2,985	2,995
	-----	-----
	(1,572)	(2,331)
	=====	=====

## 10. Non Operational Assets

These are assets held by the Council which do not meet operational objectives and any related costs or income therefore cannot be included under service expenditure analysed on the Consolidated Revenue Account (CRA).

## 11. Agency Services

The Council carried out work under the Highways Management Agreement for Kent County Council. The agreement with Kent County Council relates to highways work in the Dartford area. Expenditure in 2003/04 was £1.862m (£2.025m in 2002/03).

The Borough Council no longer acts as contractor for Thames Water Utilities Ltd. for the maintenance, repair and construction of sewers.

## 12. Publicity

Under the requirements of Section 5 (1) of the Local Government Act 1986, the Council's spending on publicity was as follows:

	2003/04 £,000	2002/03 £,000
Recruitment Advertising	74	78
Public Relations Department	61	75
	-----	-----
	135	153
	=====	=====

## 13. Pension Costs

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Kent County Council. This is a defined benefit statutory scheme whereby the Authority and employees pay contributions into a Fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that must be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:-

	2003/04 £,000	2002/03 £,000
<i>Net Cost of Services</i>		
• Current Service Cost	(1,157)	(1,060)
• Past Service Costs	-	(180)
<i>Net Operating Expenditure</i>		
• Interest Cost	(3,208)	(3,240)
• Expected Return on Assets in the Scheme	2,146	2,610
<i>Amounts to be met from Government Grants and Local Taxation</i>		
Pension back funding	513	445
Enhanced early retirement	151	153
Unfunded pensions	13	13
• Movement on Pensions Reserve	<u>(252)</u>	<u>(421)</u>
<i>Actual amount charged against Council Tax for Pensions in the year</i>		
• Employers' Contributions Payable to the Scheme	(1,794)	(1,680)

Note 18 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. A note to the Total Movement in Reserves details actuarial gains and losses the costs that have arisen in the year.

Further information can be found in Kent County Council's Pension Fund's Annual Report which is available upon request from:

Investment Section  
Sessions House  
Kent County Council  
County Hall  
Maidstone  
Kent ME14 1XQ

#### 14. Prior Period Adjustment

The accounting policies for pensions costs represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund. The new policies better reflect our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the restated 2002/03 figures:-

- The overall amount to be met from Government grants and local taxation remain the same, but the costs disclosed for individual services is 1.36% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.21% higher than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Council by 7.93%

#### 15. Minimum Revenue Provision

Both at 31 March 2003 and 31 March 2002, the Council had no external debt and accordingly no Minimum Revenue Provision was required in either 2002/03 or 2003/04.

## 16. Employee Remuneration

The total number of employees whose emoluments fell within the following ranges were:

		2003/04	2002/03
		Total	Total
£	£	No.	No.
40,000	- 50,000	21	15
50,001	- 60,000	12	8
60,001	- 70,000	2	2
70,001	- 80,000	0	4
80,001	- 90,000	4	1
90,001	- 100,000	1	1
100,001	- 110,000	1	0
Total		41	31

Remuneration includes all sums paid to or receivable by an employee (whether or not received during the financial year), and sums due by way of expenses allowance chargeable to income tax and the money value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

The benefits provided to the Council's staff are in line with similar packages available to employees of other local authorities. Posts that were vacated or filled during the year have also been included. Pay is determined under local agreements.

## 17. Members' Allowances

In 2003/04 the Council's expenditure for Members' allowances, including independent members, was £296,589. For 2002/03 this was £272,624.

## 18. Transactions with Related Parties

Details of related party transactions with central government departments and other bodies are included in the Consolidated Revenue Account and its notes and in the notes to the Cash Flow Statement.

The Member of Parliament rents an office from Dartford Borough Council at the Civic Centre. The rent was agreed by officers of the Council, under delegated authority from the General Assembly of the Council. The rent is based on a proportion of actual running costs of the Civic Centre, reduced by 50%, because it is estimated that 50% of the work of the MP's office will be on Council business and thus the true cost of parliamentary work is only 50%. Councillor Mrs Deborah Stoate is employed by the Member of Parliament as his office manager. The Council considers this arrangement to be a related party transaction, which is material to an individual Member and therefore of significance to the Council

## 19. Disclosure of Audit Costs

In 2003/04 the Council incurred the following fees relating to external audit and inspection : -

	2003/04 £,000	2002/03 £,000
Fees payable to the Audit Commission for external audit services	157	79
Fees payable to the Audit Commission for statutory inspection	16	15
Fees payable to the Audit Commission for the certification of grant claims	<u>21</u>	<u>19</u>
Total	<u>194</u>	<u>113</u>

The Audit Commission has changed its accounting period, which now coincides with the Council's financial year, i.e. April to March. In 2003/04, the Council paid for external audit services to cover a period of 17 months, in order to bring our accounts into line. From 2004/05, payments will again cover a twelve month period.

# HOUSING REVENUE ACCOUNT

## Income and Expenditure Account

		2003/04	Revised 2002/03
		£,000	£,000
<b>Income</b>			
Rents from houses	Note 1	(13,296)	(13,541)
Other rents		(520)	(465)
Charges for services and facilities		(193)	(119)
Government grants receivable	Note 2	(2,267)	(2,142)
Supporting People Grant		(422)	0
Miscellaneous		(12)	(1)
		-----	-----
<b>Total Income</b>		<b>(16,710)</b>	<b>(16,268)</b>
<b>Expenditure</b>			
General management		2,904	2,900
Special management		526	514
Housing services for the elderly		642	666
Planned repairs		776	898
General repairs		2,045	2,597
Repairs - Millstone Close	Note 3	16	20
Rent rebates		7,129	6,939
Capital charges			
notional interest		9,354	13,692
depreciation - dwellings		2,861	2,868
depreciation - non dwellings		124	127
Increase in Provision for Bad Debts	Note 1	8	20
Miscellaneous		21	20
Negative Transitional Subsidy		30	330
		-----	-----
<b>Total Expenditure</b>		<b>26,436</b>	<b>31,591</b>
		-----	-----
<b>Net cost of services</b>		<b>9,726</b>	<b>15,323</b>
		-----	-----
Capital charges - interest		(9,354)	(13,692)
Interest receivable		(154)	(186)
		-----	-----
<b>Net operating expenditure</b>		<b>218</b>	<b>1,445</b>
<b>Appropriations</b>			
Transfer from Major Repairs Reserve - Negative Subsidy	Note 4	(30)	(330)
Transfer from Major Repairs Reserve - Depreciation (non-dwellings)	Note 4	(124)	(127)
Transfer from Major Repairs Reserve - Repairs/Renewals		(477)	(430)
Contribution to Pensions Reserve		115	155
		-----	-----
<b>Deficit (Surplus) for the year</b>		<b>(298)</b>	<b>713</b>
		=====	=====
<b>Surplus balance brought forward</b>		<b>(209)</b>	<b>(922)</b>
		-----	-----
<b>Surplus balance carried forward</b>		<b>(507)</b>	<b>(209)</b>
		=====	=====

# HOUSING REVENUE ACCOUNT NOTES

## 1. Rent Income and Arrears

Total rent income from houses due in the year was:

	2003/04 £,000	2002/03 £,000
Direct from tenants	6,152	6,580
From housing benefit	7,144	6,961
	-----	-----
	13,296	13,541
	=====	=====

Average rents for the year were £52.39 per 52 week rent year, an increase of 2.5 % over the previous year. Gross rent arrears at the end of the year were 4.1 % of rent income due (3.6% in 2002/03). The amounts were as follows:

	2003/04 £,000	2002/03 £,000
Arrears at 31 March	560	488
Less Provision for Bad Debts	(371)	(339)
	-----	-----
	189	149
	=====	=====

The Provision for Bad Debts (including rent rebate overpayments) was as follows:

	2003/04 £,000	2002/03 £,000
Provision Brought Forward	572	575
Write offs during year	(33)	(23)
Change in provision	8	20
	-----	-----
Provision Carried Forward	547	572
	=====	=====
Provision Analysed as follows: -		
Former Tenants Arrears	181	189
Current Tenants Arrears	190	150
	-----	-----
Total Provision - Rent Arrears	371	339
Rent Rebate Overpayments/Other	176	233
	-----	-----
	547	572
	=====	=====

## 2. Government Grants

Under the Local Government and Housing Act 1989, government grant, in the form of the Housing Revenue Account subsidy, is payable to housing authorities. The amount payable by the government is based on a notional revenue account, with any deficit on that account being the subsidy due.

<u>Notional Housing Revenue Account</u>	2003/04 £,000	£,000	2002/03 £,000	£,000
Income				
Rents	(12,482)		(12,218)	
Interest Receivable	(161)		(203)	
	-----		-----	
		(12,643)		(12,421)
Expenditure				
Management and Maintenance	5,269		5,003	
Major Repairs Allowance	2,861		2,868	
Rent Rebates	6,764		6,625	
	-----		-----	
		14,894		14,496
		-----		-----
Net Surplus		2,251		2,075
Adjustment for Previous Years		16		67
		-----		-----
Government Grant		2,267		2,142
		=====		=====

### 3. Repairs - Millstone Close

The Council experienced flooding at Millstone Close in December 2002. The storm water pumps, which should have coped with the situation, were out of action, and as a result exceptional, unbudgeted expenditure was incurred to provide temporary pumping facilities and meet associated costs. The Housing Revenue Account met 20% of the total costs, the remainder being chargeable to Flood Defence & Land Drainage within the Consolidated Revenue Account (Page 14).

### 4. Major Repairs Reserve

2003/2004 was the third year of additional Government funding to enable local authorities to improve their stock.

	2003/04 £,000	2002/03 £,000
Balance brought forward	(155)	(428)
Contribution to the Reserve		
Major Repairs Allowance	(2,862)	(2,867)
Interest	(12)	(6)
Payments from the reserve		
Capital Expenditure	2,078	2,259
Revenue Expenditure	477	430
Appropriations		
Transitional Negative Subsidy	30	330
Non Dwellings Depreciation	124	127
Transfer to Capital Financing Reserve	(375)	0
	-----	-----
Balance carried forward	(695)	(155)
	=====	=====

## 5. Housing Stock

The stock was made up as follows:

	31.03.04	31.03.03
Bedsits	15	17
Houses	2,251	2,335
Flats/Maisonettes	1,443	1,480
Bungalows	130	130
Sheltered Units	640	640
	-----	-----
	4,479	4,602
	=====	=====

121 properties were sold during the year compared to 106 in 2002/2003. The sales comprised of 84 houses and 37 flats/maisonettes. One property, originally two bedsits, was converted into a 3 bedroom house, and a further property was sold at auction.

## 6. Capital Receipts

The total capital receipts arising from the sale of HRA assets are:

	2003/04	2002/03
	£,000	£,000
Dwellings	8,397	5,817
Repayment of Mortgage Capital	139	181
Land	72	140
	-----	-----
	8,608	6,138
	=====	=====

## 7. Fixed Assets in the Housing Revenue Account

	31.03.03					31.03.04
	Balance	Adjustment	Additions	Disposals	Depreciation	Balance
	Sheet	to Valuation	in Year	in Year	in Year	Sheet
	Valuation					Valuation
	£,000	£,000	£,000	£,000	£,000	£,000
Operational Assets						
Dwellings	220,709	45,703	5,675	(7,586)	(2,861)	261,640
Garages, other land and buildings	5,106	(25)	0	0	(123)	4,958
	-----	-----	-----	-----	-----	-----
	225,815	45,678	5,675	(7,586)	(2,984)	266,598
	=====	=====	=====	=====	=====	=====

## 8. Vacant Possession Value of Dwellings in the HRA

The difference between the vacant possession value and the balance sheet value of the dwellings represents the economic cost to Government of providing social housing at rents lower than those in the open market.

	31.03.04	31.03.03
	£,000	£,000
Open Market Value	494,701	422,587
Balance Sheet Value	(261,640)	(220,709)
	-----	-----
Economic Cost	233,061	201,878
	=====	=====

## 9. Capital Expenditure

The total capital expenditure on dwellings, land and other properties within the HRA:

	2003/04	2002/03
	£,000	£,000
Work in Progress	1,073	1,912
Non-enhancing Works	704	1,499
Additions to Fixed Assets	3,131	462
	====	====
	4,908	3,873
Funded by:		
Capital Receipts	1,101	353
Contribution from Major Repairs Reserve	2,078	2,259
Housing Corporation Grant	1,704	1,198
Home Office Grant	25	63
	-----	-----
	4,908	3,873
	====	====

## 10. Capital charge to the HRA

Following the introduction of Resource Accounting into the HRA from 1 April 2001, there is a new requirement to show capital charges in the HRA.

Previously, any capital charge in the HRA was the statutory charge under the Local Government and Housing Act 1989. This is linked to notional housing debt but because the Council is debt free no capital charge was shown in the accounts.

With the introduction of Resource Accounting it is necessary to show a charge in the HRA for the cost of capital used. The capital charge comprises a notional charge for interest and a charge for depreciation. The notional charge for interest is 3.5% of the value of the housing stock. The charge for depreciation is equal to the Major Repairs Allowance. This is shown in the expenditure part of the HRA and therefore influences the "net cost of services".

However, because the net charge to the HRA is still based on the 1989 Act legislation, in effect the charge for depreciation and notional interest is reversed out of the HRA and has no overall effect.

## COLLECTION FUND REVENUE ACCOUNT

		2003/04		2002/03	
		£,000	£,000	£,000	£,000
<b>Income</b>					
	Income from Business Ratepayers	Note 2	(46,382)		(44,655)
	Income from Council Tax	Note 3			
	Gross Charge		(34,869)	(30,580)	
	Less Benefits		3,307	2,864	
			-----	-----	
			(31,562)		(27,716)
	Transfers from General Fund				
	Council Tax Benefits		-----	-----	(2,864)
			(3,307)		
			-----	-----	
	<b>Total Income</b>		(81,251)		(75,235)
<b>Expenditure</b>					
	Precepts and Demands	Note 4			
	Kent County Council		27,090	23,708	
	Kent Police Authority		3,006	2,297	
	Dartford Borough Council		3,919	3,667	
	Dartford Borough Council - Parishes		541	508	
			-----	-----	
			34,556		30,180
	Provision for Uncollectable Amounts	Note 5	370		215
	Business Rates				
	Contribution to National Pool		46,217	44,477	
	Allowable Cost of Collection		165	178	
			-----	-----	
			46,382		44,655
	Transfers to General Fund				
	Contribution of surplus on Community Charge income		0		2
			-----	-----	
	<b>Total Expenditure</b>		81,308		75,052
			-----	-----	
	<b>Deficit/(Surplus) for year</b>		57		(183)
			====		====
	<b>Balance Brought Forward (Surplus)</b>		(1,510)		(1,327)
			-----	-----	
	<b>Balance Carried Forward (Surplus)</b>		(1,453)		(1,510)
			====		====

# COLLECTION FUND REVENUE ACCOUNT NOTES

## 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, and is consolidated with the Council's accounts. The account has been prepared on the accruals basis.

## 2. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other reductions, is paid to a central pool (the National Non-Domestic Rate (NDR) pool) managed by central government, which in turn pays back to the authority's General Fund their share of the pool, which is based on a standard amount per head of resident population. For Dartford this amounted to £3.0 million in 2003/04 (£3.6 million in 2002/03).

The total non-domestic rateable value as at 31 March 2004 was £123.7 million (£130.6 million as at 31 March 2003). The reduction has been due to the high level of successful appeals to the Valuation Office in 2003/04. The national non-domestic multiplier for the year was 44.4p (43.7p in 2002/03).

## 3. Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police Authority, and the Council for the year 2003/04 and dividing this by the council tax base. The total number of properties in each band is adjusted by a proportion to convert the number to a Band D equivalent and adjusted for collection costs and anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled relief and exempt properties. The total of the adjustment for 2003/04 is 30,964 (for 2002/03 it was 30,599). The basic amount of £1,070.46 council tax for a Band D property for 2003/04 (for 2002/03 £948.62) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A to H of the Band D charge:

Band	Range of property values	Ratio
A	£40,000 or less	0.67
B	£40,001 to £52,000	0.78
C	£52,001 to £68,000	0.89
D	£68,001 to £88,000	1.00
E	£88,001 to £120,000	1.22
F	£120,001 to £160,000	1.44
G	£160,001 to £320,000	1.67
H	More than £320,000	2.00

## 4. Precepts and Demands on the Collection Fund

	2003/04 £,000	2003/04 £,000	2002/03 £,000	2002/03 £,000
Kent County Council				
Precept	26,408		23,197	
Surplus from previous years	682		511	
		27,090		23,708
Kent Police Authority				
Precept	2,940		2,253	
Surplus from previous years	66		44	
		3,006		2,297
Dartford Borough Council				
Precept	3,798		3,577	
Surplus from previous years	121		90	
		3,919		3,667
Parish and Town Councils				
Bean	6		7	
Darenth	41		41	
Longfield and New Barn	41		34	
Southfleet	4		4	
Stone	149		147	
Sutton-at-Hone and Hawley	29		28	
Swanscombe and Greenhithe	212		192	
Wilmington	59		55	
		541		508
		-----		-----
		34,556		30,180
		=====		=====

## 5. Provision for Uncollectable Amounts

	2003/04		2002/03	
	£,000	£,000	£,000	£,000
Balance Brought Forward		1,534		1,708
Additional provision for uncollectable amounts for Council Tax	370		215	
Reduction in provision for uncollectable amounts for Community Charge	0		(1)	
Additional/(reduced) provision for uncollectable amounts for Business Rates	189		(58)	
	-----		-----	
		559		156
Less written off - Council Tax		(95)		(232)
Less written off - Community Charge		(1)		(40)
Less written off - Business Rates		(37)		(58)
		-----		-----
Balance Carried Forward		1,960		1,534
		====		====

# CONSOLIDATED BALANCE SHEET

		31.03.04	31.03.03
		£,000	£,000
<b>Fixed Assets</b>			
Operational Assets	Note 1	284,670	243,177
Non-Operational Assets	Note 1	21,680	21,048
Deferred Charges	Note 4	0	0
Long Term Investments	Note 5	22	22
Long Term Debtors			
Mortgages	Note 6	682	825
Other	Note 6	62	49
Assets in the Course of Construction/Enhancement	Note 7	1,310	1,917
		-----	-----
<b>Total Long Term Assets</b>		<b>308,426</b>	<b>267,038</b>
		=====	=====
<b>Current Assets</b>			
Stocks and Work in Progress		12	14
Debtors	Note 8	2,607	5,500
Cash in Hand	Page 39	0	553
Temporary Investments	Note 9	35,842	25,880
		-----	-----
<b>Total Current Assets</b>		<b>38,461</b>	<b>31,947</b>
		=====	=====
<b>Current Liabilities</b>			
Creditors	Note 10	(9,238)	(6,025)
Cash Overdrawn	Page 39	(626)	0
Other		0	(65)
		-----	-----
<b>Total Current Liabilities</b>		<b>(9,864)</b>	<b>(6,090)</b>
		=====	=====
<b>Net Current Assets</b>		<b>28,597</b>	<b>25,857</b>
<b>Long Term Liabilities</b>			
Pensions Liability		(20,179)	(23,370)
Government Grants Deferred Account	Note 11	(656)	(601)
		-----	-----
<b>Total Net Assets</b>		<b>316,188</b>	<b>268,924</b>
		=====	=====
<b>Financed by:</b>			
Fixed Asset Restatement Reserve	Note 12	(282,104)	(243,445)
Capital Financing Reserve	Note 13	(21,719)	(21,984)
Usable Capital Receipts Reserve	Note 15	(18,809)	(12,423)
Major Repairs Reserve	Page 22	(695)	(155)
Deferred Capital Receipts	Note 16	(681)	(821)
Earmarked Reserves	Page 37	(7,240)	(7,680)
Pensions Reserve	Page 36	20,179	23,370
Revenue Balances :			
General Fund	Page 36	(3,158)	(4,067)
Housing Revenue Account	Page 20	(507)	(209)
Collection Fund	Page 25	(1,454)	(1,510)
		-----	-----
		<b>(316,188)</b>	<b>(268,924)</b>
		=====	=====

# CONSOLIDATED BALANCE SHEET NOTES

## 1. Fixed Assets

The non-operational assets, council dwellings and other land and buildings were valued as at 1 April 1994 by Mr D.E. Fletcher B.Sc., FRICS (Director of Property and Regeneration, Dartford Borough Council), in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The five year rolling programme of revaluations recommenced on 1 April 2000. Other assets were valued in accordance with the CIPFA Code of Practice on Local Authority Accounting. The policy on the revaluation of fixed assets is shown on page 12.

	31.3.03		2003/04			31.3.04
	Balance					Balance
	Sheet Valuation £,000	Adjustment to Valuation £,000	Additions in Year £,000	Disposals in Year £,000	Depreciation in Year £,000	Sheet Valuation £,000
<b>Operational Assets</b>						
Council Dwellings	220,709	45,703	5,676	(7,586)	(2,861)	261,641
Land and Buildings	13,457	(42)	73	0	(366)	13,122
Land and Buildings - HRA	5,106	(25)	0	0	(123)	4,958
Community Assets	872	0	0	0	0	872
Infrastructure Assets	2,024	0	41	0	(110)	1,955
Vehicles, Plant and Equipment	1,008	0	1,649	0	(535)	2,122
Sub Total	243,176	45,636	7,439	(7,586)	(3,995)	284,670
<b>Non-operational Assets</b>						
General	21,048	685	7	0	(60)	21,680
Sub Total	21,048	685	7	0	(60)	21,680
<b>Grand Total</b>	<b>264,224</b>	<b>46,321</b>	<b>7,446</b>	<b>(7,586)</b>	<b>(4,055)</b>	<b>306,350</b>

The following are the main assets included in the balance sheet:

Operational Assets	Number
<b>Council Dwellings</b>	
Bedsits	15
Houses	2,251
Flats/Maisonettes	1,443
Bungalows	130
Sheltered Units	640
	<u>4,479</u>
<b>Other Land and Buildings</b>	
Civic Centre	1
The Orchard Theatre	1
Multi Storey Car Park	1
Public Conveniences	4
Community Centres	4
<b>Community Assets</b>	
Central Park	1
Hesketh Park	1
Playgrounds	12
<b>Equipment</b>	
Mainframe Computer	1
Geographical Information System	1
The Orchard Theatre Box Office Computer	1

### Non-Operational Assets

The Council has significant non-operational assets, the main ones being:

76 hectares of land at North Dartford

32 hectares of land at Stone Lodge

A freehold interest in the following land and buildings:

Enterprise House

The Manor Gatehouse

The Orchards Shopping Centre

Crown Buildings

The Princes Golf and Leisure Club

Stone Lodge Indoor Bowls Centre

Fairfield Pool

The Council depreciates additions to Fixed Assets in the financial year following the year of acquisition. The depreciation methods and useful lives used in the preparation of the accounts have been as follows:-

Category	Basis	Useful Lives
Council Dwellings	Equivalent to Major Repairs Allowance	Not applicable
Operational Buildings	Reducing Balance	5 to 50 years
Operational Buildings - HRA	Reducing Balance	20 to 50 years
Community Assets	Not applicable - all land	
Infrastructure Assets	Reducing Balance	40 years
Vehicles, Plant and Equipment	Straight Line (60%, 30%, 10%)	3 years
Non-Operational Buildings	Reducing Balance	10 to 50 years
Non-Operational Buildings - HRA	Reducing Balance	10 to 50 years

## 2. Capital Expenditure

During the year the Council spent just under £7.5 million on capital projects, the main ones being:

	£,000
Council Dwellings	4,824
Purchase of IT Equipment & E-Government	1,475
Home Improvement Grants	70
Disabled Facilities Grant	148
Vehicles for Grounds Maintenance & Playgrounds	174
Works to Cemetery Buildings	67

The capital expenditure was financed as follows:

<u>Application of Funds</u>	£,000	<u>Source of Funds</u>	£,000
Fixed Assets	4,896	Movement in Capital Creditors (Note 10)	1,179
Non Enhancing Works	727	Capital Receipts (Note 13)	2,222
Work in Progress	1,290	Government Grants (Note 13)	314
Deferred Charges (Note 4)	584	Local Authority Social Housing Grant (Note 13)	1,704
		Major Repairs Reserve (Note 13)	2,078
	<u>7,497</u>		<u>7,497</u>

## 3. Capital Commitments

As at 31 March 2004, the Council was contractually committed to capital expenditure which amounted to approximately £3.5 million.

## 4. Deferred Charges

Movement in Deferred Charges during the year were:

	£,000
Balance as at 1 April 2003	0
Expenditure	584
Amounts Written Off to Capital Financing Reserve	(584)
Balance as at 31 March 2004	0

## 5. Long Term Investments

The Council holds investments in undated 2.5% Consolidated Stock. In 1989/90 the Association of District Councils (ADC) sought an additional subscription (£20,000) to help finance the purchase of new office accommodation. In recognition of this additional subscription, the Council received £20,000 of First Mortgage Debenture Stock (1996/2011). The debenture stock does not bear interest, but the debenture holders are entitled to participate, at redemption, in the capital growth of the properties purchased. The successor organisation to the ADC, the Local Government Association, was formed on 1 April 1997. The Association of District Councils (Properties) Ltd remains responsible for redeeming the Debenture Stock in 2011.

	Balance as at 31.03.03 £,000	New Investments £,000	Investments Repaid £,000	Balance as at 31.03.04 £,000
2.5% Consolidated Stock	2	0	0	2
ADC Debenture Stock	20	0	0	20
	-----	-----	-----	-----
	22	0	0	22
	=====	=====	=====	=====

## 6. Long Term Debtors

	Balance as at 31.03.03 £,000	New Advances £,000	Amounts Repaid £,000	Balance as at 31.03.04 £,000
<u>Mortgages</u>				
Outstanding loans on Council Houses	820	0	(138)	682
Individuals and Housing Associations	5	0	(5)	0
	-----	-----	-----	-----
	825	0	(143)	682
	=====	=====	=====	=====
<u>Other</u>				
Car Loans to Employees	49	56	(43)	62
	-----	-----	-----	-----
	49	56	(43)	62
	=====	=====	=====	=====

## 7. Assets in the Course of Construction/Enhancement

The value of the work on assets in the course of construction/enhancement as at 31<sup>st</sup> March 2004 totalled £1,309,992. The equivalent figure for 2002/03 was £1,917,185.

## 8. Debtors

	31.3.04 £,000	31.3.03 £,000
Gross amount owing at year end		
Government Departments	718	3,963
Other Public Bodies	154	113
Community Charge	14	15
Council Tax	1,972	1,534
Business Rates	631	374
Interest	129	3
Other	1,909	1,971
	-----	-----
	5,527	7,973
Less Provision for Bad Debts analysed below	(2,920)	(2,473)
	-----	-----
	2,607	5,500
	=====	=====

<u>Provision for Bad Debts</u>	Balance as at 31.03.03 £,000	Amounts Written Off £,000	Amounts Written On £,000	Adjustments to Provisions £,000	Balance as at 31.03.04 £,000
Bad Debts - General Fund	367	(30)	0	76	413
Bad Debts - Housing Revenue Account	572	(33)	0	8	547
Bad Debts - Collection Fund - Council Tax	1,283	(95)	0	370	1,558
Bad Debts - Collection Fund - Community Charge	15	0	0	(1)	14
Bad Debts - Collection Fund - Business Rates	236	(37)	0	189	388
	-----	-----	-----	-----	-----
	2,473	(195)	0	642	2,920
	=====	=====	=====	=====	=====

## 9. Temporary Investments

Temporary Investments held at 31 March 2004 were as follows:

### Internally Managed Funds:

Borrower	31.03.04 £,000	Date of Maturity	Interest Rate %	31.03.03 £,000
Bank of Scotland	3,480	1/4/2004	4.00	
Cheshire Building Society	1,750	15/4/2004	3.67	
DEPFA Bank Europe	5,000	16/4/2004	4.04	
Chelsea Building Society	1,000	5/9/2005	4.54	
	-----			-----
	11,230			2,000

### Externally Managed Funds:

Investec	13,916		13,513
Cazenove	10,696		10,367
	-----		-----
	35,842		25,880
	=====		=====

## 10. Creditors

	31.03.04 £,000	31.03.03 £,000
Capital	2,023	844
Government Departments	2,909	343
Other Public Bodies	321	81
Council Tax	511	436
Business Rates	633	297
Rents	191	183
Other	2,650	3,841
	-----	-----
Total	9,238	6,025
	=====	=====

## 11. Government Grants 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 Government Grants Deferred Account. The grant is then released to the Asset Management Revenue Account over the useful life of the asset, matching the depreciation charge made for that asset.

<u>Government Grants Deferred Account</u>	£,000
Balance brought forward as at 1 April 2003	601
Add Income received in 2003/04	
E-Government	200
Small Retailers in Deprived Areas	25
Less applied in the year	(170)
	-----
Balance carried forward as at 31 March 2004	656
	=====

## 12. Fixed Asset Restatement Reserve

The system of capital accounting requires the establishment of the fixed asset restatement reserve. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is written down by the net book value of assets as they are disposed of and debited or credited as deficits or surpluses arising on revaluations.

<u>Fixed Asset Restatement Reserve</u>	£,000
Balance as at 1.04.03	(243,445)
Revaluation of Assets during the year	(47,047)
Disposal of Fixed Assets	7,586
Non-enhancing works	802
	-----
Balance as at 31.03.04	(282,104)
	=====

## 13. Capital Financing Reserve

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

<u>Capital Financing Reserve</u>	£,000
Balance as at 1.04.03	21,984
Transfer from Provision for Credit Liabilities	
2003/04 Capital Receipts set-aside	66
Deferred Government Grants applied	170
2003/04 Capital Financing;	
- Capital Receipts	2,222
- Government Grants	314
- Local Authority Social Housing Grant	1,704
- Major Repairs Reserve	2,078
Less	
Write down of Deferred Charges	(584)
Depreciation in excess of Minimum	
Revenue Provision	(1,070)
Use of previous year's Local Authority	
Social Housing Grant	(1,704)
Transfer to Government Grants	
Deferred Account	(225)
Depreciation (Housing Revenue Account)	(2,861)
Transfer from MRR	(375)
	-----
Balance as at 31.03.04	21,719
	=====

## 14. Provision for Credit Liabilities (Memorandum Account Only)

In accordance with statutory requirements, the Council is required to set aside sums as a provision to repay external loans. The Council does not keep an account within the accounting records for this provision as there is no need to do so, but maintains a memorandum account which is set out below:

<u>Provision for Credit Liabilities (Memorandum Account)</u>	£,000
Balance as at 1.04.03	5,059
Reserved Capital Receipts	66
Use of previous year's Local Authority Social Housing Grant	(1,704)
	-----
Balance as at 31.03.04	3,421
	=====

#### 15. Usable Capital Receipts Reserve

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts of the repayment of external loans.

<u>Usable Capital Receipts Reserve</u>	£,000	£,000
Balance as at 1.04.03		12,423
Capital Receipts 2003/04		8,674
Less		
2003/04 Capital Receipts Set Aside (Note 13)	(66)	
Capital Receipts Used for Financing (Note 13)	(2,222)	
	-----	(2,288)
		-----
Balance as at 31.03.04		18,809
		=====

#### 16. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise from sums left outstanding on sales of Council houses, which form part of mortgages under long term debtors (see Note 6 above).

<u>Deferred Capital Receipts</u>	Balance as at 31.03.03 £,000	New Advances £,000	Amounts Repaid £,000	Balance as at 31.03.04 £,000
Outstanding Loans on Council Houses	821	0	(140)	681

#### 17. Contingent Liabilities

The Council entered into a guarantee for £5.1 million in respect of a loan by Midland Bank (now part of HSBC) to a company to develop a leisure facility (Fantaseas) on Council owned land. The company went into receivership during 1992 and the Council has taken possession of the site. HSBC are seeking to enforce the guarantee, but the Council is of the opinion that it has no liability in this matter. If the Council were to be found liable, then it would be required to pay a sum in excess of £7 million as at 31 March 2004.

#### 18. Disclosure of Net Pension Liability

Note 13 to the Consolidated Revenue Account contains details of the Council's participation in the Government Pension Scheme administered by Kent County Council.

At 31 March 2004, the following overall assets and liabilities for retirement benefits attributed to the Council were:

	31.03.04 £,000	31.03.03 £,000
Estimated liabilities in scheme	56,984	52,870
Estimated assets in scheme	(36,805)	(29,500)
Net liability	20,179	23,370

The liabilities show the underlying commitments that the Council has over the long term to pay retirement benefits. Although the total liability of £20.2m is substantial, the Council still has net assets on its balance sheet of over £316m. The deficit on the scheme will reduce as contributions are increased over the remaining working life of employees, as assessed by the scheme actuary.

Scheme liabilities have been calculated by reference to the latest formal actuarial valuation as at 31 March 2001, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31 March 2004. The Council is able to identify its share of assets and liabilities on a reasonable and consistent basis.

Scheme liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. These liabilities have been assessed by Hymans Robertson, an independent firm of qualified actuaries. The main assumptions used in their calculations are:

	31.03.04	31.03.03
Rate of inflation	2.9%	2.5%
Rate of increase in salaries	4.4%	4.0%
Rate of increase in pensions	2.9%	2.5%
Rate for discounting scheme liabilities	6.5%	6.1%

The accounts are prepared in accordance with CIPFA guidance and thus a discount rate for scheme liabilities of 6.5% p.a. (6.1% p.a. at 31 March 2003) has been used. This represents a 3.5% p.a. real discount rate as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2002 – A Statement of Recommended Practice.

Assets in the Kent County Council Superannuation Fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion:

	31.03.04	31.03.03	Expected Long Term Return at 31.03.04	Expected Long Term Return at 31.03.03
Equity investments	76.9 %	74.3%	7.7%	8.0%
Bonds	12.9%	13.8%	5.1%	4.8%
Property	7.8%	9.3%	6.5%	6.0%
Cash	<u>2.4%</u>	<u>2.6%</u>	4.0%	4.0%
Total	100%	100%		

## TOTAL MOVEMENT IN RESERVES

### Movement of Capital Reserves:

	Fixed Asset Restatement Reserve £,000	Capital Financing Reserve £,000	Usable Capital Receipts £,000	Total £,000
Balance as at 1.04.03	(243,445)	(21,984)	(12,423)	(277,852)
Revaluation of Fixed Assets	(47,047)			(47,047)
Effects of disposal of Fixed Assets:				
Cost or value of assets disposed of	7,586			7,586
Proceeds of disposals			(8,674)	(8,674)
Non-enhancing works	802			802
Transfer from Provision for Credit Liabilities				
2003/04 Capital Receipts set-aside		(66)	66	0
Deferred Government Grants Applied		(170)		(170)
2003/04 Capital Financing:				
- Capital Receipts		(2,222)	2,222	0
- Government Grants		(314)		(314)
- Local Authority Social Housing Grant		(1,704)		(1,704)
- Capital Reserve				0
- Third Party Contributions				0
- Major Repairs Reserve		(2,078)		(2,078)
Less				
Write down of Deferred Charges		584		584
Depreciation in excess of Minimum Revenue Provision		1,070		1,070
Use of previous years Local Authority Social Housing Grant		1,704		1,704
Transfer to Government Grants Deferred Account		225		225
Depreciation - Housing Revenue Account		2,861		2,861
Transfer from Major Repairs Reserve		375		375
Balance as at 31.03.04	(282,104)	(21,719)	(18,809)	(322,632)

### Movement of Revenue Balances:

	General Fund £,000	Housing £,000	Collection £,000	Total £,000
Balance as at 1.04.03	(4,067)	(209)	(1,510)	(5,786)
Net (Surplus) Deficit	909	(298)	56	667
Balance as at 31.03.04	(3,158)	(507)	(1,454)	(5,119)

### Movement in Pensions Reserve

	£,000
Balance as at 1.04.03	23,370
Current Service Costs	1,157
Interest Cost	3,208
Added Years Element	1,475
Actuarial Gain	(5,091)
Payments to scheme	(1,794)
Expected Return on Assets	(2,146)
Balance as at 31.03.04	20,179

#### Added Years Element

This is the element of pension funded by Dartford Borough Council. The figure is the full accumulated sum, as the proportion relating to prior years is not available, and is therefore not included in the Balance as at 1.04.03.

#### Analysis of Actuarial Gain

The actuarial gains identified as movements on the Pensions Reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2004: -

	£,000	%
Difference between Actual and Expected Return on Scheme Assets	(5,110)	(13.89)
Experience Gains and Losses arising on Scheme Liabilities	19	0.03
Changes in the Demographic and Financial Assumptions made to estimate Liabilities	0	0
Actuarial Gain in 2003/04	(5,091)	
Actuarial Loss in 2002/03	9,950	

## Movement of Specific Reserves:

	Identified Initiatives £,000	Special Reserve £,000	Third Party Contribution Reserve £,000	Structural Changes £,000	Orchard Special Reserve £,000	Default and Exceptional Loss Reserve £,000	Carried Forward £,000
Balance as at 1.04.03	(3,359)	(2,441)	(558)	(296)	(300)	(401)	(7,355)
Expenditure for year	668	0	22	17	0	102	809
Transfer from General Fund	(259)	0	0	(121)	0	0	(380)
	-----	-----	-----	-----	-----	-----	-----
Balance as at 31.03.04	(2,950)	(2,441)	(536)	(400)	(300)	(299)	(6,926)
	=====	=====	=====	=====	=====	=====	=====

	Brought Forward £,000	Building Control £,000	Orchard Theatre Reserve £,000	Additional Pension Contributions £,000	ADC Offices £,000	Museum Donation Box £,000	Total £,000
Balance as at 1.04.03	(7,355)	(100)	(110)	(89)	(20)	(6)	(7,680)
Expenditure for year	809	0	12	0	0	0	821
Transfer from General Fund	(380)	0	0	0	0	(1)	(381)
	-----	-----	-----	-----	-----	-----	-----
Balance as at 31.03.04	(6,926)	(100)	(98)	(89)	(20)	(7)	(7,240)
	=====	=====	=====	=====	=====	=====	=====

These have been established for the following purposes:

The Identified Initiatives Reserve is to meet expenditure on projects of a non-recurring policy nature.

The Special Reserve is to meet any potential future liabilities.

The Third Party Contributions Reserve is the total of contributions received from third parties for the following purposes:-

- future revenue costs arising from Private Sector development in the Borough
- funding for capital schemes received as a condition of granting planning permission

The Structural Changes Reserve is to facilitate changes arising from Best Value which result in one-off additional costs.

The Orchard Special Reserve is to establish a safety net for the operation of the theatre.

The Default and Exceptional Loss Reserve is for:

- any possible default where the Council leases facilities to the private sector.
- for any exceptional losses where trading accounts need to adopt a commercial approach.
- for any exceptional changes to VAT liability or reductions in income.

The Building Control Reserve is for future potential losses on the Building Control trading account.

The Orchard Theatre Reserve is for future major internal repairs or other works and expenses related to the theatre.

The Additional Pension Contributions Reserve is to smooth the annual charge for the employers pension contribution rate.

The ADC Offices Reserve was to assist the Association of District Councils to purchase new offices and this was achieved by Debenture Stock.

The Museum Donation Box Reserve is to meet one-off expenditure for the Dartford Museum.

# CASH FLOW STATEMENT

	£,000	2003/04 £,000	£,000	£,000	2002/03 £,000	£,000
<b>Revenue Activities</b>						
Cash outflows						
Cash paid to and on behalf of Employees	13,011			12,324		
Other Operating Cash Payments	24,517			25,578		
Benefits paid out	5,269			5,817		
National Non-Domestic Rate payments to National Pool	44,822			49,821		
Precepts paid	30,637			26,513		
			118,256			120,053
Cash inflows						
Council Tax Income	(31,535)			(27,875)		
National Non-Domestic Rate payments from National Pool	(2,999)			(3,611)		
National Non-Domestic Rate receipts	(52,878)			(49,676)		
Revenue Support Grant	(3,521)			(2,855)		
Government Grants for Benefits	(8,901)			(7,579)		
Other Government Grants	(3,932)			(2,021)		
Charges for Goods and Services	(7,408)			(6,676)		
Rents (after rebates)	(7,733)			(7,815)		
Others	(3,848)			(4,054)		
			(122,755)			(112,162)
<b>Revenue Activities Net Cash Flow</b>			(4,499)			7,891
<b>Returns on Investment &amp; Servicing of Finance</b>						
Cash outflows						
Interest paid		0			0	
Cash inflows						
Interest received		(516)			(547)	
			(516)			(547)
			(5,015)			7,344
<b>Capital Activities</b>						
Cash outflows						
Acquisition of Fixed Assets	5,525			4,901		
Deferred Charges	584			2,088		
			6,109			6,989
Cash inflows						
Sale of Assets	(8,626)			(5,962)		
Government Capital Grants	(310)			(386)		
Contribution from Third Parties	0			0		
Other Capital Cash receipts	(66)			(1,704)		
Mortgages	(143)			(184)		
			(9,145)			(8,236)
<b>Capital Activities Net Cash Flow</b>			(3,036)			(1,247)
<b>Net Cash Outflow before Financing</b>			(8,051)			6,097
<b>Management of Liquid Resources</b>						
Short-Term Investments		9,230			(6,000)	
			9,230			(6,000)
<b>Decrease/(Increase) in Cash</b>			1,179			97

## CASH FLOW STATEMENT NOTES

### 1. Reconciliation of Revenue Cash Flow

	2003/04		2002/03		
	£,000	£,000	£,000	£,000	£,000
General Fund Deficit (Surplus)	910			(512)	
Housing Revenue Account Deficit	(298)			713	
D.S.O. Appropriation Accounts (Surplus) Deficit				0	
Collection Fund Deficit (Surplus)	57			(183)	
	-----			-----	
Gross Revenue Deficit (Surplus)		669			18
Deduct					
Direct Revenue Financing from Reserves	22			14	
Contribution to Earmarked Reserves	419			1,091	
Deduct contributions to (from) Provisions	(447)			147	
Deduct contributions to Major Repairs Reserve	(2,860)			(2,868)	
	-----			-----	
		(2,866)			(1,616)
Add					
Transfer from creditors	58			158	
Decrease in Revenue Creditors	0			3,700	
Increase in Stocks and Works in Progress	0			0	
Increase in Revenue Debtors	0			3,356	
Decrease in Cash Suspense	63			0	
Transfer from Externally Managed Funds	734			1,021	
Transfer from Creditors				0	
Transfer - Negative Housing Subsidy	0			330	
Transfer - Major Repairs Reserve expenditure	477			430	
Transfer - Expenditure charged to Provisions	154			0	
	-----			-----	
		1,486			8,995
Deduct					
Increase in Revenue Creditors	(2,013)			0	
Decrease in Stocks and Works in Progress	(2)			0	
Decrease in Revenue Debtors	(2,289)			0	
Increase in Cash Suspense	0			(53)	
	-----			-----	
		(4,304)			(53)
Add					
Financing items shown in cash flow statement	516			547	
	-----			-----	
		516			547
		-----			-----
Revenue Activities Net Cash Flow			(4,499)		7,891
			====		====

### 2. Movement in Cash

	As at 31.03.04	As at 31.03.03	Movement	As at 31.03.03	As at 31.03.02	Movement
	£,000	£,000	£,000	£,000	£,000	£,000
Cash with Officers	4	4	0	4	5	1
Cash (Overdrawn) in Hand	(630)	549	1,179	549	645	96
	-----	-----	-----	-----	-----	-----
Net Cash Flow	(626)	553	1,179	553	650	97
	====	====	====	====	====	====

### 3. Movement in Other Current Assets

(Including Capital Creditors)

	As at 31.03.04 £,000	As at 31.03.03 £,000	Movement £,000	As at 31.03.03 £,000	As at 31.03.02 £,000	Movement £,000
Debtors	5,589	8,022	(2,433)	8,022	4,441	3,581
Creditors	(9,238)	(6,025)	(3,213)	(6,025)	(9,714)	3,689
Stock and Work in Progress	12	14	(2)	14	14	0
	-----	-----	-----	-----	-----	-----
Net movement in other current assets	(3,637)	2,011	(5,648)	2,011	(5,259)	7,270
	=====	=====	=====	=====	=====	=====

### 4. Liquid Resources

The Liquid Resources of the Council are the items shown as Temporary Investments on the Balance Sheet.

Note 9 to the Balance Sheet provides details of the investments held at 31 March 2004, which include unrecognised gains not included in the Cash Flow Statement (note 5 below).

### 5. Reconciliation of Financing and Management of Liquid Resources

	As at 31.03.04 £,000	As at 31.03.03 £,000	Movement £,000
Temporary Investments	11,230	2,000	(9,230)

### 6. Analysis of Other Government Grants

	2003/04 £,000	2002/03 £,000
Housing Benefits	505	278
Fraud	0	0
Verification Framework	113	96
Housing Subsidy	2,786	1,271
Other Housing	85	0
Town Centre Wardens	17	6
Surestart	332	302
Communities Against Drugs	74	24
Partnership Support Fund	0	10
Partnership Development Fund	0	25
Safer Communities Initiative	8	9
Sustainable Promotion Grant	12	0
	-----	-----
	3,932	2,021
	=====	=====

# A GLOSSARY OF LOCAL AUTHORITY FINANCE

For the purposes of compiling the Statement of Accounts the following definitions have been adopted:

<b>Accruals</b>	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Acquired Operations</b>	Income and expenditure directly related to acquired operations shown separately on the face of the Consolidated Revenue Account.
<b>Assets</b>	These can be either: <ul style="list-style-type: none"><li>• Fixed Assets - Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.</li><li>• Community Assets - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.</li><li>• Infrastructure Assets - Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.</li><li>• Non-operational Assets - Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirement, pending sale or redevelopment.</li></ul>
<b>Balance Sheet</b>	A summary of all the assets, liabilities, funds, reserves, etc. of the Council. It brings together details of the individual funds maintained by the Council.
<b>Balances</b>	The capital or revenue reserves of an authority is made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax levy.
<b>Budget</b>	The Council's aims and policies set out in financial terms against which performance is measured. Both capital and revenue budgets are prepared.
<b>Capital Charge</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
<b>Capital Expenditure</b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b>Capital Receipts</b>	The proceeds of the sale of capital assets.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice, guidance to local authorities on best practice, etc.
<b>Code of Practice</b>	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which "present fairly" the financial position and transactions of an authority.
<b>Collection Fund</b>	A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
<b>Consistency</b>	The concept that the accountancy treatment of like items within an accounting period and from one period to the next are the same.
<b>Consolidated Balance Sheet</b>	This statement is fundamental to the understanding of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
<b>Consolidated Revenue Account</b>	A statement that brings together expenditure and income relating to all of the local authority's functions and demonstrates how that cost has been financed from government grants and income from local taxpayers.
<b>Contingency</b>	A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
<b>Corporate and Democratic Core</b>	This incorporates the following sub-divisions, the activities of which can not be charged to services under the Best Value Accounting Code of Practice:- <ul style="list-style-type: none"><li>• Democratic Representation and Management costs – includes <u>all</u> aspects of Members' activities including corporate, programme and service policy making, general governance and representing local interests.</li><li>• Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability.</li></ul>

<b>Credit Approvals</b>	These are authorisations given by the government to use credit to finance capital expenditure.
<b>Creditors</b>	Occur where the Council owes money at the year end to persons for goods and services supplied in year.
<b>Current Liabilities</b>	Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.
<b>Debtors</b>	Occur where money is due at the year end from persons for goods and services supplied to them by the Council.
<b>Deferred Charges</b>	Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants.
<b>Depreciation</b>	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.
<b>Discontinued Operations</b>	An operation is classified as discontinued if all the following conditions are met: (a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved; (b) the activities related to the operation have ceased permanently; (c) the termination of the operation is material to the overall activity of the authority.
<b>Employee Costs</b>	Pay and associated costs such as National Insurance, pension contributions.
<b>Estimates</b>	Same as budget.
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
<b>Extraordinary Items</b>	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.
<b>Fair Value</b>	The fair value of a fixed asset is 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.
<b>FRS</b>	Financial Reporting Standards as required within the SORP.
<b>Fund</b>	A major division of the Council's accounts.
<b>GB SORP</b>	The Statement of Recommended Practice (SORP) sets out the application of Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) to local authorities in Great Britain (GB).
<b>General Fund</b>	This is the main revenue account which summarises the cost of all services (except those related to Council Housing) provided by the Council.
<b>Going Concern</b>	The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
<b>Government Grants</b>	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
<b>Gross Expenditure</b>	The total cost of providing services before deducting any income.
<b>Housing Revenue Account</b>	Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.
<b>Income</b>	Monies received or due from rents, fees and charges for services, specific grants and investment interest.
<b>Investments</b>	These are only long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criteria they have been classified as current assets.
<b>Lease</b>	These can be either: <ul style="list-style-type: none"> <li>• Finance lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.</li> <li>• Operating lease - A lease other than a finance lease.</li> </ul>
<b>Liabilities</b>	Those amounts which will become payable by the Council in the short or long term.

<b>Long-Term Contracts</b>	A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service, where the time taken substantially to complete the contract is such that the contract falls into different accounting periods.
<b>Matching</b>	The concept that expenditure and income transactions including accruals are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.
<b>Materiality</b>	The concept of materiality derives from the premise that financial statements often cannot be precisely accurate but this need not detract from their ability to be fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the acceptability of the degree of this tolerance.
<b>Minimum Revenue Provision</b>	The minimum revenue provision (MRP) is the minimum amount of debt which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.
<b>National Non-Domestic Rates</b>	A national rate levied on businesses by the Government, collected by local authorities on the Government's behalf. The total proceeds are redistributed between local authorities in proportion to their adult populations.
<b>Net Book Value</b>	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.
<b>Net Expenditure</b>	Gross expenditure for a service, less directly related income.
<b>Net Realisable Value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
<b>Post Balance Sheet Event</b>	The occurrence of a material post balance sheet event that should be shown as an amendment or a note to the Statement of Accounts.
<b>Precept</b>	The amount of income collected in the Collection Fund on behalf of this Council, Kent Police Authority and the County, or the General Fund for Parish and Town Councils.
<b>Prior Year Adjustments</b>	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
<b>Provisions</b>	Provisions are required for any liabilities or losses which are certain or likely to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise.
<b>Prudence</b>	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.
<b>PWLB</b>	Public Works Loans Board - a government body which lends money to local authorities for a period of more than one year, often at preferential interest rates.
<b>Rateable Value (RV)</b>	Assessment by the Inland Revenue of a value on which rates payable are assessed.
<b>Recharges</b>	The transfer of costs from one account to another.
<b>Related Party Transactions</b>	The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.
<b>Reserves</b>	Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.
<b>Revenue Expenditure</b>	The cost related to the day-to-day running of services.
<b>Revenue Income</b>	The income related to the day-to-day running of services.
<b>Revenue Support Grant</b>	A general grant paid by Central Government to local authorities to help them finance the cost of their services.
<b>Running Expenses</b>	Regular revenue expenses other than employee costs and capital financing charges.
<b>SSAP's</b>	Statements of Standard Accounting Practice as recommended to local authorities.
<b>Substance Over Form</b>	The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.
<b>Useful Life</b>	The period over which the local authority will derive benefits from the use of a fixed asset.
<b>Work in Progress</b>	The cost of work completed on an unfinished project at the year end.

## **FURTHER INFORMATION**

### **For Further Information**

These accounting statements have been prepared for the benefit of all those interested in the Borough's activities, particularly Council Taxpayers and Business Ratepayers, and other parties who are associated directly or indirectly with the Council.

Further information and statistics on 2003/04 are contained in the "Annual Performance Plan 2004/05", which also incorporates planned performance indicators for 2004/05. Copies may be obtained from:

Noelle Flaherty,  
Performance Manager  
Dartford Borough Council,  
Civic Centre,  
Home Gardens,  
Dartford,  
Kent DA1 1DR

Further details on the general activities of the Council can be obtained from:

The Communications Unit,  
Dartford Borough Council,  
Civic Centre,  
Home Gardens,  
Dartford,  
Kent DA1 1DR.