

**DARTFORD**  
BOROUGH COUNCIL

**STATEMENT OF  
ACCOUNTS**

**2006/07**



**DARTFORD**  
BOROUGH COUNCIL

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## EXPLANATORY FOREWORD

### Introduction

This foreword provides a guide to the Council's accounts for the year ending 31 March 2007. The Accounts and Audit Regulations 2003 require the Statement of Accounts to be approved by the Council by 30 June 2007. The accounts are set out on pages 21 to 72.

The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- All relevant Financial Reporting Standards (FRS) issued by the Accounting Standards Board (ASB - a constituent board of the Financial Reporting Council)
- The Code of Practice on Local Authority Accounting in the UK 2006 (the Statement of Recommended Practice or SORP issued by the CIPFA/LASAAC Joint Committee, a body recognised by the ASB for the purpose of issuing SORPs)
- The Best Value Accounting Code of Practice 2006 (BVACOP issued by CIPFA) that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition

### **The Statement of Accounts comprise:**

**Statement of Accounting Policies:** This is a listing of the accounting policies followed in the production of the Council's accounts.

**The Statement of Responsibilities for the Statement of Accounts:** This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. This statement also carries the certification of the Chief Finance Officer.

**Income and expenditure Account:** This statement is fundamental to the understanding of a local authority's activities. It summarises the costs for the year of all the functions for which the Council is responsible and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

**Statement on the Movement on the General Fund Balance:** The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. However, there are other items that are required to be charged or credited to the General Fund that are not shown in the Income and Expenditure Account and they have to be taken into account in determining the Council's budget requirement and its Council Tax demand. These other items are shown in the Statement on the Movement on the General Fund Balance. While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with generally accepted accounting practice, the movement on the General Fund Balance is also an important aspect of the Council's stewardship. The Income and Expenditure Account and the Statement on the Movement on the General Fund Balance replace the Consolidated Revenue Account that was used up to 2005/6.

**Statement of Total Recognised Gains and Losses:** Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account, for example gains on revaluation of fixed assets and pension actuarial gains. This memorandum statement brings together all such gains and losses.

**Balance Sheet:** The Balance Sheet shows the financial position of the Council as at the 31 March 2007. It shows the balances and reserves at the Council's disposal, its long term indebtedness and the fixed and net assets employed in its operations, together with summarised information on the assets held.

**Cash Flow Statement:** This statement brings together the total movements of the Council's assets and liabilities during the financial year, inflows and outflows of cash arising from both revenue and capital transactions with third parties.

**Notes to the Accounts:** The various accounts and statements are supported by detailed notes to help the reader.

**Housing Revenue Account (HRA) Income and Expenditure Account and the Statement of Movement on the HRA Balance:** The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure: repairs and maintenance, administration and financing costs as well as how the expenditure is financed from rents, grants and other income. As with the Income and Expenditure Account this account is supported by Statement of Movement on the HRA Balance.

**Collection Fund:** There is a statutory requirement for local authorities that issue Council Tax bills (billing authorities) to maintain a separate fund to show the transactions in respect of council tax and non-domestic rates and the way in which these have been distributed to precepting authorities.

**The Statement on Internal Control:** This statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed. This is signed by the Chief Finance Officer and the Chairman of the Audit Board. This is not part of the accounts but is required to be shown alongside them.

**Glossary:** This provides a guide to some of the technical terms used in this document.

### **Accounting for Pensions**

The Council's accounts comply fully with the requirements of Financial Reporting Standard 17 (FRS17) which impacts on how Retirement Benefits are shown in the Income and Expenditure Accounts, Statements of Movements of Balances and the Balance Sheet. Income and Expenditure Accounts now recognise the cost of providing retirement benefits in the period in which they are earned, the 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. The net liability has reduced by over £4m during the year to £30m.

There is no effect on Council Tax or Housing Rents charged to residents/tenants, as the accounting entries are 'reversed out' in the Statement of Movement in the General Fund Balance. Similarly, the pension liability in the Balance Sheet is matched by a pensions reserve within the financing part of the statement.

### **Main changes to the 2006/7 Statement of Accounts**

There have been several main changes to the Statement of Accounts for 2006/7 compared with 2005/6. Firstly, the notional interest charge for capital previously included in revenue accounts no longer applies. The only charge for capital is now depreciation. This means a significant reduction in the net cost of services. The second is that Government grant for specific services is now credited to the cost of services rather than previously in the Asset Management Revenue Account, which no longer exists. As noted earlier in this explanatory foreward, the Consolidated

Revenue Account has been replaced by an Income and Expenditure Account and Statement of Movement in the General Fund Balance. Similar changes have been made to the HRA. Because of these significant changes from 2005/6 to 2006/7, it has been necessary to restate some of the figures for 2005/6 in the new format.

## **Summary of financial performance in the year**

### **The General Fund**

The General Fund accounts for all revenue (day to day) services other than those provided in respect of Council Housing. The Budget Requirement is the sum to be met from Government Grant (Revenue Support Grant and the Council's share of National Non-Domestic Rates) and Council Tax.

The Council set its Budget Requirement for 2006/7 using £387,000 from balances. The General Fund Balance was budgeted to reduce by this amount from £2,568,000 to £2,181,000. Actual net expenditure on the General Fund was £212,000 less than expected, with the balance at the end of the year being £2,393,000.

### **Revenue Reserves**

£940,000 expenditure was funded from revenue reserves during the year. No expenditure was transferred from the General Fund to any reserve. The total amount carried forward in revenue reserves totals approximately £5.5m.

### **The Housing Revenue Account**

The Housing Revenue Account accounts for all revenue (day to day) services in respect of council housing.

The Housing Revenue Account is "ringfenced", i.e. it cannot subsidise or receive subsidies from other Accounts. It is also known as the Landlord Account as all costs and income relate to the provision of council housing.

When the original budget was set for 2006/7, the account was budgeted to break even maintaining the balance at the end of the year at approximately £1.4m. The budget included £1m revenue contribution to capital. It was subsequently decided to use the Major Repairs Reserve to fund capital expenditure rather than revenue. Accordingly, there was a surplus on the account for the year. The actual surplus for 2006/7 was £1.7m bringing the balance carried forward to just over £4m. The balance will be used in future years to help fund the decent homes capital programme.

### **The Capital Programme**

The Capital Programme consists of a number of projects where expenditure is incurred on investment in new assets or improving existing ones. Ongoing revenue costs, such as those charged to the General Fund or Housing Revenue Account cannot be charged to Capital.

The Council budgeted to spend £16.9m in investment in assets. Actual expenditure was just over £14m. This was funded mainly from Capital Receipts, and the Major Repairs Reserve. At the end of the year the Council had £1.8m of capital contractual commitments.

The usable Capital Receipts Reserve had a balance at the beginning of the year of £15m. New usable receipts during the year totalled £2m and £9.4m was used to fund expenditure in 2006/7. The balance carried forward at the end of the year is £7.6m. This plus other capital resources is sufficient to meet budgeted expenditure.

The Balance Sheet valuation of fixed assets at the end of the year is £352.9m, an increase in the previous year of £38m. In addition to new investment, existing assets increased by an assessed value of £26m. The main new investment during the year was on Princes Park, a new Town Hall in Swanscombe and improvements to the housing stock.

### **Debt and Investments**

The Council remained debt free other than for temporary borrowing to meet cash flow requirements. At the end of the year the Council held £28m in temporary investments, a reduction of £6m on the previous year.

### **Influences affecting the authority's income and expenditure**

The authority's main items of expenditure are payments to: contractors, staff, those in receipt of benefits and to government for business rates collected. These are generally known in advance and can be budgeted with some certainty. Similarly, income from government, business rates and council tax can be estimated with reasonable certainty. The main variable and risk is income from charges made for the provision of services. This income is monitored regularly and any shortfall from budget identified early.

The Council prepares a medium term financial plan covering three forward years. This sets the policy of the Council in financial terms. Because the majority of income comes from government grant and council tax, it is these that dictate the level of net expenditure.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARTFORD BOROUGH COUNCIL**

### **Opinion on the financial statements**

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

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

### **Respective responsibilities of the Chief Finance Officer and Auditors**

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

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

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

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. 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 financial statements. 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

## **Basis of audit opinion**

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

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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

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

Baker Tilly UK Audit LLP  
Lancaster House  
7 Elmfield Road  
Bromley  
BR1 1LT

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**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Authority's Responsibilities**

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

- We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Dartford Borough Council made proper arrangements

to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

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.

Baker Tilly UK Audit LLP  
Lancaster House  
7 Elmfield Road  
Bromley  
BR1 1LT

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## **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 the United Kingdom, 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 2007.

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

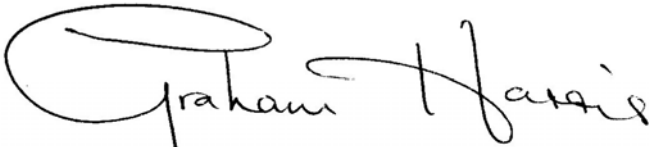
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom;

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.

**CHIEF FINANCE OFFICER'S CERTIFICATION TO THE STATEMENT OF ACCOUNTS**

For the purpose of identifying the relevant accounts on which the Auditors are to express their opinion, in accordance with regulation 10 (2) of the Accounts and Audit Regulations 2003, I certify that the accounts to the Council set out on pages 21 to 71 have been submitted to the Council's Auditors – Baker Tilly – and that they present fairly the financial position and transactions of the Council at 31<sup>st</sup> March 2007, and its income and expenditure for the same year then ended.

A handwritten signature in black ink that reads "Graham Harris". The signature is written in a cursive style with a large initial 'G'.

G. J. HARRIS CPFA  
MANAGING DIRECTOR  
21 June 2007

**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 Audit Board on the 26<sup>th</sup> June 2007.

A handwritten signature in black ink, appearing to read 'D A Hammock', written in a cursive style.

**COUNCILLOR D A HAMMOCK  
CHAIRMAN OF THE AUDIT BOARD**

26 June 2007

## **STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31 MARCH 2007**

### **1. 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, and used economically, efficiently and effectively.

Dartford Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

### **2. 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 in achieving policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dartford Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Dartford Borough Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

The control environment comprises the systems of governance, risk management and internal control, across the organisation as detailed below.

#### **3.1 Policy & Decision Making**

The Council has an adopted Constitution that sets the framework for local governance, including decision making. The Constitution itself is kept under continuous review with periodic reports to the Cabinet and General Assembly of the Council when changes are required.

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 executive part of the Council is the Cabinet, which is responsible for most day-to-day decisions, in particular for proposing the policy framework and budget to the Council and for implementing the Council's policy framework.

A Scrutiny Committee has been appointed to review and/or call-in decisions made, and to consider matters of local concern which are not the responsibility of the Council. Other statutory and ordinary Committees, Boards and Panels have been established by the Council. Terms of Reference dictate the workings of these Committees, Boards & Panels.

A Scheme of Delegation to Officers is adopted annually by the General Assembly of the Council. The Scheme delegates functions to a number of specified officers. Delegated powers are exercised in accordance with the policies of the Council and in accordance with the Council's Standing Orders and Financial Regulations.

### **3.2 Establishment of Council Priorities**

The Council in conjunction with a local strategic partnership covering the boroughs of Dartford and Gravesham adopted a three year Community Strategy in January 2004 covering 8 key themes. This Strategy and the Local Area Agreement overarch all strategic planning for the Council.

The Council sets out its vision, strategies, aspirations, targets and objectives as well as details of performance against national and local indicators within a Corporate Plan. The Corporate Plan then drives financial planning, both corporate and financial planning then determine service plans. Corporate strategic targets and detailed service targets are an integral part of this process.

The Corporate Plan is also a three year plan. This plan is reviewed annually but will include longer term objectives identified from the Community Strategy, the Local Area Agreement and any other strategic priorities from other local partnerships.

The Council has undertaken leisure surveys and other consultations with specific groups (eg youths) and carried out a general user satisfaction survey across the Borough. The Council draws on a range of other information sources to determine the priorities, including national and local benchmarks and comparisons, feedback from residents and users, complaint or compliment records and internal reviews.

### **3.3 Performance Management and Reporting**

The fundamentals of performance management are becoming increasingly embedded in the way the Council operates, however strengthening performance management continues to be a priority for the Council, as a tool to improve services.

A workforce development plan is in place, incorporated within the Pay and Workforce Strategy. All Service Plans include details about current and future workforce requirements.

Action plans are intended to help it manage potential staff shortfalls. For example, the Council is progressing an apprenticeship scheme for areas of key skills shortages such as grounds maintenance; and the recently let housing contract includes a requirement for apprenticeships to be used and employment of local labour to support sustainable communities.

Service Managers produce detailed service plans setting out key objectives, actions, targets, risks and performance indicators. From April 2006, monitoring has been undertaken using the new performance management software. Key aspects of the current arrangements are –

- Key strategies and action plans, such as the community strategy and the equalities strategy, are aligned to the corporate plan;
- The medium term financial plan is aligned to the priorities in the corporate plan;
- Service Plans across all directorates are aligned to the Council's strategic aims and are incorporated onto the system using a scorecard methodology. Additionally a culture of appraisal and personal objectives link into priorities and objectives. These links are set out in a Performance Framework adopted in 2004;
- A new monitoring system was introduced in 2006 and reports are submitted regularly to Cabinet and the Quality Services Committee. The management team monitors progress against actions and critical success factors and service managers are held to account for slippage or deteriorating performance;
- Best Value and local performance indicators form the central part of the Council's Annual Performance Plan, which includes an assessment of the Council's performance for the previous year, what it intends to do in the following year and how it intends to improve;
- An on-line performance/risk module provides visual warnings by use of traffic light scheme to relevant portfolio holders, Senior Management and assigned officers and the system offers a "snapshot" of current performance that includes trend analysis of performance indicators; and
- Triggers are set (automatic notification) to notify service management of approaching "action completion dates" and again once overdue.

The Quality Services Committee (formerly Best Value Committee) will review all external inspection reports on the Council's performance and monitor resulting improvement plans.

The Contract Monitoring Working Group will review external contractors' performance on major contracts on an ad-hoc basis where performance issues have been identified

### **3.4 Compliance with established policies, procedures, laws and regulations**

Directors are responsible for ensuring that staff within their respective Directorates, adhere to corporate rules and regulations. All such rules and regulations are published on the Council's Intranet. An Induction Course for new starters also communicates the general behaviour and requirements expected of each employee in relation to governance matters and where the information can be found. Duties are also organised, wherever possible, by officers providing an independent check on each other.

Legal Services provide regular updates to Managers on legal issues affecting local authorities, in particular on implications and impact of new legislation (and on occasions where relevant to all staff). The Council also has access to a daily update legal advice service via a subscription service to "Lawtell".

All decision making reports require the financial and legal implication to be detailed. This must be "signed off" by both Finance and Legal before the final report is produced.

Internal Audit will report on material non-compliance to policies, procedures, laws or regulations to service management and the Section 151 Officer of the Council. Audit reports are also reported in summary to the Audit Board, with full reports issued on request.

All financial systems are approved by the Section 151 Officer.

### **3.5 Corporate Governance and Risk Management**

The Council adopted a Local Code of Corporate Governance in 2002. Corporate policies, procedures and guidance material, approved by either Management Team or Cabinet, mitigate the more general organisational risks and support the Council in achieving good Governance. Main policies are available on the Council's website (or on the Intranet if only applicable to staff).

A peer review was undertaken by KCC on the process in 2003, which generally acknowledged that the process was sound. There has not been any further in-depth review on the process other than monitoring the agreed action plan. The planned 2006 full review was delayed, due in the main to organisational restructure. A full review of the Governance Code and associated procedures is scheduled to be undertaken and completed by September 2007. A Corporate Governance Statement will be issued at this time which will be published on the Council's website.

Revisions to the Code however have been made on an ad-hoc basis when the need is identified. Revisions have been approved for 2006/07, including renaming of the Audit Board (formerly Audit & Standards Board) for clarity of the role; mandatory training for Members; the role of the Standards Committee widened to review the Whistleblowing Policy and to ensure robust arrangements are in place for the investigation of such matters and follow-up actions; and to allow full voting rights to the four independent members of the Standards Committee.

The Council has an Ethical Framework in place that includes various Codes of Conduct that provide direction on acceptable standards of behaviour for both Members and Officers. The various codes of conduct are reviewed annually.

The framework also includes Equality Policies and monitoring procedures to support the Governance process. An annual review is undertaken by the Monitoring Officer on the Review of Governance Arrangements with a report submitted to the General Assembly of Council. There was no significant breach reported within the 2006/07 Monitoring Officer's report.

Risk Management is through self assessment (profiling) for key strategic/business risks by Management Team and key operational risks for each service unit by service management.

Training and guidance was undertaken for relevant officers at the implementation stage of the software; however it is recognised that there is a need to develop a structured training programme. There is also the need to develop the process of profiling risk to provide a more standardised assessment of unacceptable risk to the Council.

The Council's performance & risk management software incorporates a risk module. This provides for information to be presented in a variety of risk registers. The system however was not fully populated with all risk data until the latter part of 2006, and the report engine was not working as anticipated. This impacted on the reporting cycle which was not fully introduced until January 2007.

However from September 2006 risks linked to strategic and operational objectives of the corporate plan could be monitored on-line by Management Team and service managers at any time. Quarterly risk reports based on the Corporate Plan Themes are now provided to Management Team and the Audit Board.

Monthly Directorate risk reports are now provided to the Service Director and service management for each service plan. Newly arising significant risk issues are required to be escalated to Management Team and, if appropriate, to Cabinet for resolution / response. One recorded risk event occurring was escalated during the year, where a major project was refused planning permission impacting on the timing of delivering some of the elements of the town centre regeneration.

In recognition of the link between performance and risk, a change has also been made to the Council's organisational structure to bring the previous separate resources together, to provide resilience and aid the improvement programme for the performance and risk management process.

Resources provided for Risk Management have also been increased (funded by efficiency savings), to further aid embedding risk management within the culture of the Council. An external review of the Risk Management Process assessed that the Council has improved the process, moving from an "Unsatisfactory" to an "Adequate" assessment. Improvement action plans have been drawn up and are monitored by Audit Board.

The desire of the Council is to thoroughly embed the process into the decisions made by all the Members/Officers and to include significant partnerships in the process.

The Use of Resources report assessed the Council at a level 2 for Risk Management but confirms that the Council has met all the bold criteria of level 3 except for the following issues;

- whilst risks in relation to partners are considered as part of the services' risk registers, there is currently no way of determining the more strategic risks related to significant partnerships on an individual basis
- Members with responsibility for corporate risk management (namely the Audit Board) do not currently receive reports on corporate risks on a regular basis.

Monitoring Reports are now scheduled to be presented at each Audit Board meeting. No further development needed in this area. The need to develop the process to allow identification of the significant partnership risks remains and this will be added to the 2007/08 Risk Management action plan.

### **3.6 Value for Money/ Best Value**

The Council has undertaken an ambitious “Improvement Process” with the commencement of a Corporate Fitness Check, the revision of the procurement strategy, structure changes within the Council and development of the Customer Contact Centre (CCC) to better provide efficient, economic and effective customer services and implementation of Covalent performance management software.

The Council is focused on improving cost effectiveness through review, evidence of which can be found in the ongoing significant efficiency gains. It will, however, take some time for all the benefits to become apparent, and the changes to be fully implemented. The Council achieved savings of some £1.8m in 2005/06, more than double that of 2004/05, achieving its three year efficiency target one year early.

The Quality Services Committee undertook a review programme of work that covered the Museum Service, Housing Garages and a Post Implementation Review of the Customer Contact Centre (CCC) during 2006/07. The CCC review identified further efficiency savings than originally planned from Stage 1 of the project, and feedback obtained from users is that the CCC has had a significant positive impact on customer perception. The restructure in the previous year of housing services identified problems with the management of garages.

Options have been developed and are being explored on improving the revenue to the Council and/or the satisfaction of tenants with the garages remaining in the Council’s ownership, or whether a partnership approach with a developer could provide the residents with a better alternative. The review on the museum identified it is not utilised to its full capacity. Closure was not considered an option due to the considered importance of the local heritage. Options on how to improve revenue and/or citizen satisfaction were fully explored with a working group looking at innovative ways to improve the use of the museum facilities.

Compared to the Nearest Neighbour Group the Council’s net costs are average, and are lower than last year, but this masks variations with some costs exceeding the average, and some comparatively low. The Use of Resources assessment acknowledges that the key priorities of the Council are environment and housing and correspondingly represent the highest spend of the Council; that processes for reviewing and improving value for money are comprehensive and linked, but are relatively new and have yet to demonstrate improvements across the board. The UoR however suggests there is scope for all employees, specifically Members, to more fully consider and challenge whether expenditure provides value for money. The Quality Services Committee will be considering key areas in its work programme.

### **3.7 Financial Management and Reporting**

The system of financial internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. All include regular review for relevance and effectiveness.

Budget responsibility is assigned to Directors and nominated Spending Officers. The budget is approved annually, as are cash limiting rules that set out the flexibility for virement of budgets. Budget monitoring concentrates on areas of highest risk and exception reporting.

The Council's financial management system provides for on-line interrogation and reporting and enforces a degree of separation in the procurement process. Information is provided to Managers within a few days of the month end and monthly statements are produced for Directors and Members. This is reinforced by guidance /best practice. Details below of information provided.

- Comprehensive budgeting systems;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly-defined capital expenditure guidelines;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts; and
- Summary Accounts are produced.

The Use of Resources overall assessment was level 3: performing well and consistently above minimum requirements. The assessment in the categories of Financial Reporting and value for money were both scored at 2. An error within the accounts prevented the Council achieving the level 3 attained in the previous year within the Financial Reporting category.

#### **4. REVIEW OF EFFECTIVENESS**

##### **Scope of Review**

Dartford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The system of internal control should:

- Set out clear responsibility for policy and decision-making;
- Establish the council's objectives;
- Identify, evaluate and manage the risks which may impact on the council's ability to meet its objectives;
- Ensure compliance with law, regulations, policies and procedures;
- Ensure the economical, efficient and effective use of resources; and
- Ensure the accuracy and reliability of financial statements and other published information.

The system of internal control is based on an ongoing process to identify, evaluate and manage the risks to the council in the achievement of its objectives. It is a management responsibility to establish, maintain and ensure compliance with the internal control system.

Assurance of the effective operation of the system of internal control can be sought from Internal Audit, External Audit, other review bodies, Member challenge and management. The current review process relies heavily on the combination of opinions from published

reports from a variety of both external and internal reviews, researched and compiled by one officer. The intention for future years is to develop a process that will achieve corporate input to the Review of Effectiveness.

## **Internal Audit**

The Council has an internal audit team whose core purpose is to objectively review systems and provide an opinion of whether internal controls are adequate, properly applied and effective in achieving operational goals, mitigating risks, seizing opportunities, adding value, making best use of resources and discharging obligations to customers. Internal Audit also provides support and advice on risk and control issues arising from the development of new systems, major contracts or projects and when required undertakes contingency work and special investigations into potential fraud, theft, corruption or loss to the Council.

The Internal Audit Team operates in accordance with the standards and practice statements issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and other relevant professional bodies as well as local policies (eg Internal Audit Charter, Corporate Governance and Risk Management Strategy, Anti Fraud and Corruption Strategy), standing orders, financial regulations and codes of conduct.

The Audit Manager is authorised to direct a programme of internal audits within the Council based on risk assessment and to act as a contact person for purposes of the Public Interest Disclosure Act. Internal Auditors have full, free and unrestricted access to all the Council's facilities, records, information, property, and personnel for the purposes of audit.

The Audit Manager reports operationally to the Head of Finance and Resources and also has unhindered reporting lines to the Managing Director (S151 Officer), Monitoring Officer and Council Members if required. Internal Audit reports are initially directed to managers and Directors. The Audit Manager periodically reports in person to the Audit Board on the outcomes of internal audit activity and implementation progress of audit report recommendations.

The Audit Board approves the audit annual plan and receives summary reports of all planned audit work undertaken and follow-up progress monitoring reports.

The Audit Manager has provided the following opinion on the Council's internal control environment. The opinion is based on the work of the Internal Audit Section during 2006/07. Details of the work undertaken can be found within the Annual Internal Audit Report 2006/07.

“Dartford Borough Council's system of internal control adequately contributes to the proper, economic, efficient and effective use of resources in achieving the council's objectives. Whilst it has been identified that the authority has mainly established adequate internal controls within the areas subject to internal audit review during 2006/07, there are areas where compliance with existing controls should be enhanced or additional controls could be introduced to reduce the risk of loss to the authority. Where such findings have been made by internal audit, recommendations have been made to management to improve the controls within the systems and processes they operate.

In 2006-07, the work of the council's internal auditors highlighted significant weaknesses within the internal control systems in place to ensure compliance with the requirements of the Data Protection Act. Members have been alerted to the control weaknesses identified by the audit. Recommendations to improve internal control arrangements have been made and management has identified actions to address the control weaknesses identified. Internal audit will review these actions in the 2006-07 financial year as part of its follow-up processes. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness."

There is now a requirement for the authority to undertake a review on the effectiveness of the system of Internal Audit. This review has been carried out and a report was submitted to Management Team on June 4<sup>th</sup> 2007. The Management Team concluded that "the arrangements put in place by the Council provide substantial assurance of the adequacy of the control environment..."

#### **External Audit**


External Audit classified the internal control environment within the Use of Resources review as adequate and was able to place reliance on the work of the Internal Audit section. This is improvement from 2005/06.

#### **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

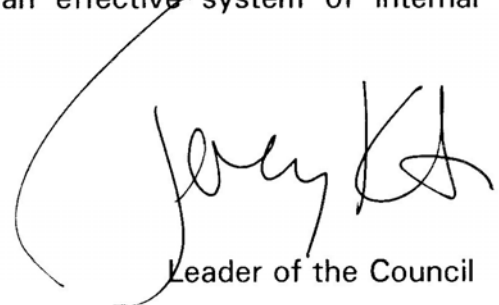
There has been no significant internal control issue other than the significant weaknesses identified in the Data Protection Act process. As noted above an action plan is in place to address the control weaknesses identified. The action plan will be monitored via the Internal Audit Follow - Up process. This process includes reports to the Audit Board on progress for agreed actions. Furthermore, the actions will be noted and monitored by management via Covalent, the Performance & Risk Management system. Otherwise there have been no significant internal control issues reported for the year ended 31 March 2007.

#### **6. ASSURANCE STATEMENT**

The review undertaken has not provided any information that would affect the assurance statement. The Council has in place an effective system of internal control.



Managing Director



Leader of the Council

## **STATEMENT OF ACCOUNTING POLICIES**

### **ACCOUNTING POLICIES**

#### **General**

The accounts have been prepared using the historical cost convention, unless otherwise stated. This is in accordance with the revised Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (referred to hereafter as the SORP), the Best Value Accounting Code of Practice, 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 SORP. 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 discontinued operations is shown separately in the Income and Expenditure account, while any liabilities are disclosed in the notes to the Balance Sheet.

#### **ALLOCATION OF SUPPORT SERVICE CHARGES**

##### **General**

All costs of management and administration which are non service specific are fully allocated to services and to Corporate Management and Democratic Representation and Management, where appropriate.

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 tangible or intangible 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.

This is in accordance with the SORP which requires this treatment where the Council is unlikely to control the economic benefits arising from the expenditure 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 Income and Expenditure 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 applicable to prior years occur – whether 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 any associated notes.

Opening balances of related reserves will reflect the cumulative effect, and a note will be added to the Statement of Total Recognised Gains and Losses for the current period.

## **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.

## **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 Income and Expenditure 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, and written off in the service revenue account over the useful life of the asset, matching the depreciation charge made for it.

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.

## **INTANGIBLE FIXED ASSETS**

The Statement of Recommended Practice requires separate disclosure in the Balance Sheet of intangible and tangible fixed assets, in accordance with Financial Reporting Standard 10 – Goodwill and Intangible Assets.

The definition of intangible fixed assets is ‘non-financial fixed assets that do not have a physical substance but are identifiable and are controlled by the entity (the Council) through custody or legal rights’.

### **Recognition**

Intangible fixed assets are capitalised as assets to be included in the balance sheet.

### **Measurement**

Intangible fixed assets are capitalised at cost.

### **Amortisation**

Intangible fixed assets are charged (amortised) to service revenue accounts over their useful lives – 3-5 years for IT systems and software licences.

### **Impairment**

Intangible fixed assets are reviewed for impairment at the end of first full financial year following purchase, or where a change in circumstances indicates that the carrying values may not be recoverable.

## **Disposals**

The income from any disposal of intangible fixed assets will be credited to Usable Capital Receipts, 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 Account.

## **Basis of Charges to Revenue**

The charges made to service revenue accounts, trading accounts and central support services equate to a provision for amortisation, and any related impairment cost, where appropriate. The charge to the General Fund, and the Housing Revenue Account where determined by statutory provision, has no net effect on the amount charged to Council Taxpayers or Council Tenants.

## **INVESTMENTS**

### **Basis of Valuation**

Cash investments of the Council are valued at cost. Investments managed on the Council's behalf by its external fund manager, Investec, are valued at the lower of cost or market value. The long-term investments held by the Council are valued at cost.

## **PENSION COSTS**

### **Financial Reporting Standard 17**

In accordance with the SORP, the Council has recognised fully in its accounts the requirements of FRS 17 – Retirement Benefits. This includes recognition of the net liability and a matching pensions reserve in the balance sheet and entries in the Income and Expenditure Account 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 or 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 Income and Expenditure Account is reversed out.

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.

Scheme liabilities have been calculated by reference to the latest formal actuarial valuation as at 31 March 2004, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31 March 2007.

## **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 the 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, up to the date when the Statement of Accounts are authorised for issue, 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 Un-collectable Amounts**

Provision is made for bad and doubtful debts and for 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 Income and Expenditure 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 Notes 21-24 to the Balance Sheet.

## **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 SORP and Statement of Standard Accounting Practice 9, which require these to be shown at the lower of actual cost or net realisable value.

## **TANGIBLE 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 basis for valuation set out in note 2 to the balance sheet.

However, where expenditure has been incurred on a scheme, which was incomplete as at 31 March 2007, 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 to be the case, the expenditure was charged to the Fixed Asset Restatement Account.

### **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 all have been re-valued, except those based on historical cost, as part of the annual revaluation of 20% of the Council's assets. In addition to the 20% rolling programme, all Housing Revenue Account dwellings are re-valued 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 Account

### **Depreciation**

Assets with a finite useful life are depreciated over that life, in accordance with the requirements of Financial Reporting Standard 15 'Tangible Fixed Assets'. The depreciation charged to the General Fund and the Housing Revenue Account has no net effect on the amount charged to Council Taxpayers or Council Tenants.

**Government Grants**

Capital grants are accounted for on an accruals basis and income has been credited to the 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.

**VALUE ADDED TAX**

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.

## Income and Expenditure Account

	2006/07	2006/07	2006/07	2005/06
	Gross	Gross	Net	Net
	Expenditure	Income	Expenditure	Expenditure
	£,000	£,000	£,000	Restated £,000
Central services to the public	6,339	(5,472)	867	502
Cultural, environmental and planning services	17,261	(7,224)	10,037	9,217
Highways, roads & transport services	1,947	(725)	1,222	878
Local authority housing (HRA)	17,381	(18,744)	(1,363)	(2,012)
Other housing services	18,474	(16,871)	1,603	1,222
Corporate and democratic core	2,324	(32)	2,292	2,230
Non distributed costs	193	(722)	(529)	(420)
<b>Net Cost of Services</b>	Note 1	63,919	(49,790)	14,129
(Gain) or loss on the disposal of fixed assets			(576)	(1,346)
Parish council precepts			603	565
(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services			0	0
Interest payable and similar charges			0	0
Contribution of housing capital receipts into Government pool			1,375	1,295
Investment losses			57	36
Interest and investment income			(1,588)	(1,789)
Pensions interest cost and expected return on pensions	Note 13		780	1,140
<b>Net Operating Expenditure</b>			14,780	11,518
Demand on the Collection Fund			(5,154)	(4,858)
General government grants			(1,152)	(3,882)
Non-domestic rates redistribution			(5,855)	(2,488)
<b>(Surplus) / Deficit for the year</b>			2,619	290

## Statement of Movement on the General Fund Balance

	2006/07	2005/06 Restated
	£,000	£,000
Deficit for the year on the Income and Expenditure Account	2,619	290
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(2,444)	(302)
(Increase)/Decrease in General Fund Balance for the year	175	(12)
General Fund Balance Brought Forward	(2,568)	(2,556)
General Fund Balance Carried Forward	(2,393)	(2,568)
Amount of General Fund Balance generally available for new expenditure	(2,393)	(2,568)

## Reconciliation for the Statement of Movement on the General Fund Balance

		2006/07		2005/06 Restated	
		£,000	£,000	£,000	£,000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year					
Amortisation of intangible assets	BS note 1	(400)		(287)	
Depreciation and impairment of fixed assets	BS note 2	(1,225)		(1,068)	
Government Grants Deferred amortisation		318		243	
Write downs of deferred charges to be financed from capital resources	BS note 5	(569)		(677)	
Net (losses) gains on sale of fixed assets		576		1,346	
Net charges made for retirement benefits in accordance with FRS17	I&E note 13	(2,690)		(2,780)	
			(3,990)		(3,223)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year					
Minimum revenue provision for capital financing		0		0	
Capital expenditure charged in-year to revenue		0		879	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	BS note 16	(1,375)		(1,295)	
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	I&E note 13	2,269		2,045	
			894		1,629
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year					
Housing Revenue Account Balance		1,764		1,399	
Voluntary revenue provision for capital financing		0		0	
Net transfer to or from earmarked reserves		(1,112)	652	(107)	1,292
Net additional amount required to be credited to the General Fund Balance for the year			(2,444)		(302)

## Statement of Total Recognised Gains and Losses

	2006/07	2005/06
	£,000	Restated £,000
Income & Expenditure Account Surplus/(Deficit)	(2,618)	(290)
(Loss)/gain arising on revaluation of fixed assets	24,287	(28,608)
Actuarial gain/(loss) on pension assets and liabilities	4,570	(1,185)
Movement in earmarked reserves not reflected in I&E account	(392)	(142)
Change in the Collection Fund Balance	284	347
Total recognised gains and losses	<u>26,131</u>	<u>(29,878)</u>

## Balance Sheet

		31.03.07 £,000	31.03.06 £,000
<b>Fixed Assets</b>			
Intangible Fixed Assets	Note 1	1,393	1,510
Fixed Assets:			
Operational Assets	Note 2	304,204	269,213
Non-Operational Assets	Note 2	47,268	44,127
Assets in the Course of Construction/Enhancement	Note 8	1,760	9,424
<b>Total Fixed Assets</b>		<u>354,625</u>	<u>324,274</u>
Long Term Investments	Note 6	3,022	22
Long Term Debtors			
Mortgages	Note 7	255	369
Other	Note 7	34	48
<b>Total Long Term Assets</b>		<u>357,936</u>	<u>324,713</u>
<b>Current Assets</b>			
Stocks and Work in Progress		22	16
Debtors	Note 9	3,764	7,980
Temporary Investments	Note 10	28,110	36,826
<b>Total Current Assets</b>		<u>31,896</u>	<u>44,822</u>
<b>Current Liabilities</b>			
Short Term Borrowing	Note 11	0	0
Creditors	Note 12	(11,381)	(13,884)
Cash Overdrawn	Page 60	(263)	(628)
<b>Total Current Liabilities</b>		<u>(11,644)</u>	<u>(14,512)</u>
<b>Net Current Assets</b>		20,252	30,310
<b>Long Term Liabilities</b>			
Pensions Liability		(30,370)	(34,530)
Government Grants Deferred Account	Note 13	(9,480)	(8,310)
		<u>(39,850)</u>	<u>(42,840)</u>
<b>Total Net Assets</b>		<u><u>338,338</u></u>	<u><u>312,183</u></u>
<b>Financed by:</b>			
Fixed Asset Restatement Account	Note 14	(305,272)	(283,677)
Capital Financing Account	Note 15	(38,715)	(31,127)
Usable Capital Receipts Reserve	Note 16	(7,558)	(14,990)
Major Repairs Reserve	Page 65	(1,876)	(2,372)
Deferred Capital Receipts	Note 17	(255)	(369)
Earmarked Reserves	Page 57	(5,678)	(6,698)
Pensions Reserve	Page 58	30,370	34,530
Revenue Balances :			
General Fund	Page 29	(2,393)	(2,568)
Housing Revenue Account	Page 62	(4,090)	(2,325)
Collection Fund	Page 69	(2,871)	(2,587)
<b>Total Net Worth</b>		<u><u>(338,338)</u></u>	<u><u>(312,183)</u></u>

## Cash Flow Statement

	2006/07			2005/06		
	£,000	£,000	£,000	£,000	£,000	£,000
<b>Revenue Activities</b>						
Cash outflows						
Cash paid to and on behalf of Employees	13,006			12,909		
Other Operating Cash Payments	35,104			30,256		
Benefits paid out	7,738			6,618		
National Non-Domestic Rate payments to National Pool	63,184			57,922		
Precepts paid	<u>36,522</u>			<u>34,553</u>		
		155,554			142,258	
Cash inflows						
Council Tax Income	(37,608)			(35,681)		
National Non-Domestic Rate payments from National Pool	(5,855)			(2,488)		
National Non-Domestic Rate receipts	(68,154)			(62,225)		
Revenue Support Grant	(1,152)			(3,882)		
Government Grants for Benefits	(20,067)			(19,264)		
Other Government Grants	(2,098)			(2,208)		
Charges for Goods and Services	(8,214)			(8,118)		
Rents (after rebates)	(8,110)			(8,118)		
Other	(7,535)			(4,957)		
		<u>(158,793)</u>			<u>(146,941)</u>	
<b>Revenue Activities Net Cash Flow</b>			(3,239)			(4,683)
<b>Returns on Investment &amp; Servicing of Finance</b>						
Cash outflows						
Interest paid		4			5	
Cash inflows						
Interest received		<u>(476)</u>			<u>(606)</u>	
			<u>(472)</u>			<u>(601)</u>
			(3,711)			(5,284)
<b>Capital Activities</b>						
Cash outflows						
Acquisition of Fixed Assets	14,121			15,838		
Deferred Charges	<u>569</u>			<u>677</u>		
		14,690			16,515	
Cash inflows						
Sale of Assets	(3,338)			(7,353)		
Government Capital Grants	(1,046)			(7,204)		
Mortgages	<u>(115)</u>			<u>(145)</u>		
		<u>(4,499)</u>			<u>(14,702)</u>	
<b>Capital Activities Net Cash Flow</b>			10,191			1,813
<b>Net Cash Outflow before Financing</b>			6,480			(3,471)
<b>Management of Liquid Resources</b>						
Short-Term Investments		5,256			1,214	
Change in Externally Managed Funds		<u>(12,101)</u>				
			(6,845)			1,214
<b>Financing</b>						
Short-Term Loans raised		0			0	
Short-Term Loans repaid		<u>0</u>			<u>2,500</u>	
			0			2,500
<b>(Increase) / Decrease in Cash</b>			<u>(365)</u>			<u>243</u>

## INCOME AND EXPENDITURE ACCOUNT NOTES

### 1. Service Expenditure Analysis

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

	2006/07	2006/07	2006/07	2005/06
	Gross Exp	Income	Net Exp	Restated
	£,000	£,000	£,000	Net Exp
				£,000
<b>Central Services to the Public</b>				
Conducting Elections	48	(11)	37	46
Emergency Planning	81	0	81	54
Local Land Charges	101	(229)	(128)	(56)
Local Tax Collection Costs	5,959	(5,229)	730	357
Registration of Electors	151	(4)	147	101
<b>Cultural, Environmental &amp; Planning Services</b>				
Building Control	Note 3	578	(344)	234
Cemetery, Crematorium & Mortuary Services		411	(184)	227
Community Development		551	0	551
Community Safety		534	(55)	479
Culture & Heritage		273	(33)	240
Development Control		1,235	(459)	776
Economic Development	Note 4	993	(502)	491
Environmental Health		1,252	(174)	1,078
Environmental Initiatives		380	(184)	196
Flood Defence & Land Drainage		202	(11)	191
Open Spaces		969	(317)	652
Planning Policy		433	(42)	391
Recreation & Sport	Notes 6&7	2,273	(1,294)	979
Street Cleansing (Non Highway)		1,073	(37)	1,036
The Orchard Theatre	Note 5	3,985	(3,100)	885
Tourism		7	0	7
Waste Collection		2,112	(488)	1,624
<b>Highways, Roads &amp; Transport Services</b>				
Highways/Roads Structural		2	0	2
Highways/Roads Routine		345	0	345
Parking Services		837	(704)	133
Public Transport		719	(21)	698
Street Lighting		0	0	0
Traffic Management & Road Safety		2	0	2
Transport Planning, Policy & Strategy		43	0	43
<b>Housing Services</b>				
Homelessness		716	(449)	267
Housing Advances		0	(3)	(3)
Housing Benefits Administration		645	(300)	345
Housing Benefits Payments		16,202	(16,074)	128
Housing Revenue Account Services	Note 9	17,381	(18,744)	(1,363)
Housing Strategy		221	0	221
Other Council Property		37	(30)	7
Private Sector Housing Renewal		651	(14)	637
<b>Corporate &amp; Democratic Core</b>				
Corporate Management	Note 8	1,020	(30)	990
Democratic Representation & Management	Note 10	1,304	(2)	1,302
<b>Non Distributed Costs</b>				
Non Distributed Costs	Note 11	193	(722)	(529)
<b>Net Cost of Services</b>		<u>63,919</u>	<u>(49,790)</u>	<u>14,129</u>
				<u>11,617</u>

## 2. Restatement of 2005/06 Statement of Accounts

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts.

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of capital financing charges	Relocation of government grants deferred credits	Recognition of gains and losses on disposal of fixed assets	Change in HRA Accounting Treatment	Now positioned under Net Cost of Services	2005/06 comparatives in Income and Expenditure Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	577	(50)	(25)				502
Cultural, Environmental & Planning Services	9,635	(415)	(112)			109	9,217
Highways, Roads & Transport Services	1,097	(214)	(5)				878
Local Authority Housing (HRA)	6,157	(40)	(66)		(8,063)		(2,012)
Other Housing Services	1,272	(34)	(16)				1,222
Corporate & Democratic Core	2,314	(71)	(13)				2,230
Non Distributed Costs	160	0	0			(580)	(420)
<b>Impact on Net Cost of Services</b>	<b>21,212</b>	<b>(824)</b>	<b>(237)</b>	<b>0</b>	<b>(8,063)</b>	<b>(471)</b>	<b>11,617</b>
Parish Precepts	565	0					565
Environment Agency Levy	109	0				(109)	0
Contribution to Housing Pooled Capital Receipts	1,295	0					1,295
Net External Interest Receivable	(1,789)	0					(1,789)
Investment losses	36	0					36
Asset Management Revenue Account	(2,604)	2,360	244				0
Capital Charges (notional interest) (HRA)	(8,811)	0			8,811		0
Non operational assets	963	(1,536)	(7)			580	0
Pension Interest Cost and Expected Return on Assets	1,140	0					1,140
Loss on the disposal of fixed assets	0	0		(1,346)			(1,346)
<b>Impact on Net Operating Expenditure</b>	<b>12,116</b>	<b>0</b>	<b>0</b>	<b>(1,346)</b>	<b>748</b>	<b>0</b>	<b>11,518</b>

### 3. 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.

	Fee Total	Non Fee	Total	Total
	2006/07	Total	2006/07	2005/06
	£,000	£,000	£,000	£,000
Employees	228	165	393	371
Supplies & Services	12	8	20	21
Transport	14	11	25	25
Other Costs	6	4	10	12
Net Central/Support Charges/Recharges	74	56	130	141
Gross Expenditure	<u>334</u>	<u>244</u>	<u>578</u>	<u>570</u>
Building Control Fees	(343)	(1)	(344)	(355)
Gross Income	<u>(343)</u>	<u>(1)</u>	<u>(344)</u>	<u>(355)</u>
Deficit (Surplus)	<u>(9)</u>	<u>243</u>	<u>234</u>	<u>215</u>

### 4. 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:

	2006/07	2005/06
	£,000	£,000
Income from stallholders	(312)	(341)
Expenditure	299	319
(Surplus) taken to General Fund	<u>(13)</u>	<u>(22)</u>

These figures are included under Economic Development in note 1 above.

## 5. Trading Services - The Orchard Theatre

The Council operates the Orchard Theatre, whose financial results were as follows:

	2006/07 £,000	2005/06 £,000
Income from the box office	(2,450)	(2,422)
Other income	(649)	(468)
	<hr/>	<hr/>
Total income	(3,099)	(2,890)
Direct expenditure	3,628	3,542
	<hr/>	<hr/>
Net direct costs	529	652
Depreciation *	95	78
Major refurbishment works	0	(3)
Support services	261	214
Deficit taken to General Fund	<hr/> <hr/> 885	<hr/> <hr/> 941

\* 05/06 figure included notional interest.

## 6. Trading Services - Acacia Hall

The Council took full financial responsibility for Acacia Hall, the former GlaxoSmithKline Sports and Social facility in July 2006. These figures are included under Recreation and Sport in note 1 above.

	2006/07 £,000
Income	(960)
Direct expenditure	1,180
	<hr/>
Net direct costs	220
Management	53
Capital charges	132
One-off costs	16
Support services	43
Deficit taken to General Fund	<hr/> <hr/> 464

## 7. Trading Services - Princes Park

A new community development incorporating football stadium, training pitch, conference facilities and bar. These figures are included under Recreation and Sport in note 1 above.

	2006/07 £,000
Income	(233)
Direct expenditure	313
	<hr/>
Net direct costs	80
Management	54
Capital charges	0
One-off costs	51
Support services	42
	<hr/>
Deficit taken to General Fund	<u>227</u>

## 8. 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.

## 9. 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 61.

## 10. Democratic Representation and Management

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

## 11. 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 Income and Expenditure Account. These include both non operational assets and retirement costs funded directly by the Council.

Non operational assets held by the Council which do not meet operational objectives and any related costs or income cannot be included under service expenditure analysed in the Income and Expenditure Account. The Council has significant non-operational assets, the main ones being:

### Land :

- North Dartford (59 hectares)
- Stone Lodge (32 hectares)

### Freehold interest in land and buildings:

Enterprise House  
 The Manor Gatehouse  
 The Orchards Shopping Centre – land only  
 Crown Buildings  
 Dartford Judo Club  
 Swanscombe Town Council Offices and Community Hall

**NOTE:** Acacia Hall and associated buildings were shown in 2005/2006 as a non operational asset. During 2006/2007 the Council took over the running of this facility and it has been reclassified as an operational asset.

	2006/07	2005/06
	£,000	£,000
Retirement Cost Funded Directly by Council	0	160
Non Operational Assets	(529)	(580)
	<u>(529)</u>	<u>(420)</u>

## 12. Publicity

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

	2006/07	2005/06
	£,000	£,000
Recruitment Advertising	74	102
Communications (Public Relations)	54	67
Other Publicity	19	52
	<u>147</u>	<u>221</u>

## 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, which are disclosable 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 made against council tax and housing rents is based on the cash

payable in the year, so the real cost of retirement benefits is shown on an adjustment in the Movement on General Fund Balance. The following transactions have been made during the year.

	2006/07 £,000	2006/07 £,000	2005/06 £,000
<b>Net Cost of Services</b>			
Current Service Cost		(1,910)	(1,480)
Past Service Costs		0	(150)
Curtailments and Settlements		0	(10)
<b>Statement of Movement on General Fund Balance</b>			
Interest Cost	(4,260)		(3,980)
Expected Return on Assets in the Scheme	<u>3,480</u>	(780)	2,840
<b>Amounts to be met from Government Grants and Local Taxation</b>			
Enhanced Early Retirement		153	153
Unfunded Pensions		6	6
Movement on Pensions Reserve		421	735
Actual amount charged against Council Tax and housing rents for Pensions in the year			
Employer's Contributions Payable to the Scheme		<u>(2,110)</u>	<u>(1,886)</u>

Note 19 to the Balance Sheet, contains details of the assumptions made in estimating the figures included in this note.

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. Minimum Revenue Provision

Both at 31 March 2007 and 31 March 2006, the Council had no external debt and accordingly no Minimum Revenue Provision was required in either 2005/06 or 2006/07.

#### 15. Employee Remuneration

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

£		2006/07 Total No.	2006/07 In Year Leavers	2006/07 Other Changes	2005/06 Total No.
50,001 - 60,000	16	(1)	6	11	
60,001 - 70,000	1	0	0	1	
70,001 - 80,000	1	0	0	1	
80,001 - 90,000	2	0	(1)	3	
90,001 - 100,000	2	0	1	1	
100,001 - 110,000	0	0	(1)	1	
110,000 - 120,000	1	0	1	0	
120,001 - 130,000	0	0	0	0	
130,001 - 140,000	0	0	(1)	1	
<b>Total</b>	<b>23</b>	<b>(1)</b>	<b>5</b>	<b>19</b>	

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.

## 16. Members' Allowances

In 2006/07 the Council's expenditure for Members' allowances, including independent members, was £322,412. For 2005/06 this was £311,937. These figures are included under Democratic Representation and Management in note 1 above.

## 17. Transactions with Related Parties

Details of related party transactions with central government departments and other bodies are included in the Income and Expenditure Account, its notes and the cash flow statement.

Members and Senior Officers (Officers who report to the Council) have been asked to declare whether they, or any member of their close family, have had any **significant** interest in any company or voluntary organisation that had any financial dealing with the Council during the 2006-2007 financial year. A significant interest would include transactions exceeding £10,000 in total or a major share holding in a company where the share holding exceeds 25% of the total shares.

No declarations have been made.

## 18. Disclosure of Audit Costs

In 2006/07 the Council incurred the following fees relating to external audit and inspection : -

	2006/07 £,000	2005/06 £,000
Fees payable to the Audit Commission for external audit services	85	80
Fees payable to the Audit Commission for statutory inspection	5	9
Fees payable to the Audit Commission for the certification of grant claims	35	25
Total	<u>125</u>	<u>114</u>

These figures are included under Democratic Representation and Management and the Housing Revenue Account Services in note 1 above.

## BALANCE SHEET NOTES

### 1. Intangible Assets

	Purchased Software Licences £,000	Licences, Trademarks and Artistic Originals £,000	Patents £,000	Total £,000
Original Cost	1,797	0	0	1,797
Amortisations to 1 April 2006	(287)	0	0	(287)
Balance at 1 April 2006	1,510	0	0	1,510
Expenditure in Year	283	0	0	283
Amortisations in Year	(400)	0	0	(400)
Balance at 31 March 2007	1,393	0	0	1,393

### 2. Fixed Assets

The non-operational assets, council dwellings and other land and buildings were valued as at 1 April 1994 by the Council's Project Director, Mr D.E. Fletcher B.Sc., FRICS, 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 26.

	31.3.06		2006/07			31.3.07
	Balance Sheet Valuation £,000	Adjustment to Valuation £,000	Additions in Year £,000	Disposals in Year £,000	Depreciation in Year £,000	Balance Sheet Valuation £,000
<b>Intangible Assets</b>	1,510	0	283	0	(400)	1,393
<b>Fixed Assets</b>						
Operational Assets						
Council Dwellings	238,478	16,860	2,329	(1,385)	(2,949)	253,333
Land and Buildings	22,537	6,610	8,335	0	(627)	36,855
Land and Buildings - HRA	7,657	450	23	0	(182)	7,948
Community Assets	2,207	1	1	0	0	2,209
Infrastructure Assets	1,820	0	20	0	(117)	1,723
Vehicles, Plant and Equipment	945	0	1,576	0	(385)	2,136
Sub Total	273,644	23,921	12,284	(1,385)	(4,260)	304,204
<b>Non-operational Assets</b>						
General	39,696	1,952	7,024	(1,308)	(96)	47,268
Sub Total	39,696	1,952	7,024	(1,308)	(96)	47,268
<b>Grand Total</b>	<b>314,850</b>	<b>25,873</b>	<b>19,591</b>	<b>(2,693)</b>	<b>(4,756)</b>	<b>352,865</b>

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

<b>Operational Assets</b>	Number
Council Dwellings:	
Bedsits	16
Houses	2,178
Flats/Maisonettes	1,404
Bungalows	130
Sheltered Units	649
	<hr/> 4,377
Other Land and Buildings	
Civic Centre	1
The Orchard Theatre	1
Multi Storey Car Park	1
Public Conveniences	4
Community Centres	4
Community Assets	
Central Park	1
Hesketh Park	1
Playgrounds	12
Equipment	
Geographical Information System	1
The Orchard Theatre Box Office System	1

### **Non-Operational Assets**

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

#### Land

North Dartford (59 hectares)

Stone Lodge (32 hectares)

A freehold interest in the following land and buildings:

Enterprise House

The Manor Gatehouse

The Orchards Shopping Centre – land only

Crown Buildings

Dartford Judo Club Building

Swanscombe Town Council Offices and Community Hall

The Council has entered into an agreement with ProLogis to develop the 76 hectares of land at North Dartford (known as The Bridge). The asset was re-valued as at 31 March 2005 at £30 million. During 2006/07 4 hectares were sold, bringing the total land sold to 17 hectares. The sales have reduced the asset value proportionately to £26.4 million at 31 March 2007.

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:		
IT Equipment	Straight Line (60%, 30%, 10%)	3 years
Vehicles and Other equipment	Reducing Balance	3 to 10 years
Non-Operational Buildings	Reducing Balance	10 to 50 years
Non-Operational Buildings - HRA	Reducing Balance	10 to 50 years

### 3. Capital Expenditure

During the year the Council spent £14.1million on capital projects, the main ones being:

	£,000
Council Dwellings	3,547
Princes Park	5,147
Swanscombe Town Council Offices and Community Hall	1,324

The capital expenditure was financed as follows:

<u>Capital Investment</u>		<u>Sources of Finance</u>	
	£,000		£,000
Operational Assets	7,828	Capital Receipts (Note 15)	9,440
Non-operational Assets	2,104	Government Grants (Note 15)	1,025
Intangible Assets	379	Major Repairs Reserve (Note 15)	3,533
Non Enhancing Works	1,307	Third Party Contributions (note 15)	84
Work in Progress	1,570		
Deferred Charges (Note 5)	569		
Tangible Assets	303		
Infrastructure	21		
Community Assets	1		
	<u>14,082</u>		<u>14,082</u>

### 4. Capital Commitments

As at 31 March 2007, the Council was contractually committed to capital expenditure which amounted to approximately £1.8 million.

## 5. Deferred Charges

Movements in Deferred Charges during the year were:

	£,000
Balance as at 1 April 2006	0
Expenditure	569
Amounts Written Off to Capital Financing Account	(569)
Balance as at 31 March 2007	<u>0</u>

## 6. Long Term Investments

The Council holds three long term investments, as follows:

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.

On 19 March 2007, the Council invested £3m in the Clydesdale Bank for a two-year period at 5.62%.

	Balance as at 31.03.06 £,000	New Investments £,000	Investments Repaid £,000	Balance as at 31.03.07 £,000
2.5% Consolidated Stock	2	0	0	2
ADC Debenture Stock	20	0	0	20
Clydesdale Bank	0	3000	0	3000
	<u>22</u>	<u>3000</u>	<u>0</u>	<u>3022</u>

## 7. Long Term Debtors

	Balance as at 31.03.06 £,000	New Advances £,000	Amounts Repaid £,000	Balance as at 31.03.07 £,000
<b>Mortgages</b>				
Outstanding Loans on Council Houses	369	0	(114)	255
	<u>369</u>	<u>0</u>	<u>(114)</u>	<u>255</u>
<b>Other</b>				
Works in Default	3	2	(3)	2
Car Loans to Employees	45	13	(26)	32
	<u>48</u>	<u>15</u>	<u>(29)</u>	<u>34</u>

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

The value of the work on assets in the course of construction/enhancement as at 31st March 2007 totalled £1,759,641. The equivalent figure for 2005/06 was £9,423,591.

	£,000
Claywood Lane Caravan Site - Mains Drainage and other works	76
Former Fantaseas site	42
Swanscombe, The Grove (Structural Survey and Refurb design)	8
Stone Lodge - Phase 2 Halls Bowls	759
Refurbishment of Playgrounds	197
Princes Park - Golf	57
Town Centre Environmental Improvements	564
Darenth Valley Path	57
	<u>57</u>
	<u>£1,760</u>

The large reduction in the year on year figure for works is due to the completion of Princes Park and the Dartford Judo Club which jointly accounted for just under £7m of the work in progress figure for 2005/2006.

## 9. Debtors

	31.3.07 £,000	31.3.06 £,000
Gross amount owing at year end		
Government Departments	1,174	5,323
Other Public Bodies	487	394
Council Tax	2,534	2,338
Business Rates	744	570
Interest	141	330
Other	2,252	2,457
	<u>7,332</u>	<u>11,412</u>
Less Provision for Bad Debts analysed below	<u>(3,568)</u>	<u>(3,432)</u>
	<u><u>3,764</u></u>	<u><u>7,980</u></u>

	Balance as at 31.03.06 £,000	Amounts Written Off £,000	Amounts Written On £,000	Adjustments to Provisions £,000	Balance as at 31.03.07 £,000
Provision for Bad Debts	31.03.06 £,000				31.03.07 £,000
Bad Debts - General Fund	610	(83)	0	(83)	444
Bad Debts - Housing Revenue Account	696	(65)	0	100	731
Bad Debts - Collection Fund - Council Tax	1,732	(369)	0	488	1,851
Bad Debts - Collection Fund - Business Rates	394	(226)	0	374	542
	<u>3,432</u>	<u>(743)</u>	<u>0</u>	<u>879</u>	<u>3,568</u>

## 10. Temporary Investments

Temporary Investments held at 31 March 2007 were as follows:

Borrower	31.03.07 £,000	Date of Maturity	Interest Rate %	31.03.06 £,000
Abbey Reserve Account	4,250	01/04/2007	5.38	0
Anglo Irish Bank	1,000	26/03/2008	5.75	2,000
Bank of Ireland (Bristol & West)	4,000	23/05/2007	5.47	0
Bank of Scotland	0	N/A		2,994
Cheshire Building Society	0	N/A		2,000
Derbyshire BS	2,000	02/04/2007	5.39	0
Dunfermline BS	1,000	29/01/2008	5.85	0
Hinckley & Nuneaton BS	0	N/A		1,000
Norwich & Peterborough BS	0	N/A		2,000
	<hr/>			<hr/>
	12,250			9,994
Externally Managed Funds:				
Investec (see note)	15,860			15,198
Alliance Bernstein	0			11,634
	<hr/>			<hr/>
	<u>28,110</u>			<u>36,826</u>

**Note**  
This figure differs from the valuation issued by Investec at 31 March 2007 by £701. This is the amount of unrealised gains (the difference between the market price at 31 March and the book value) held within the fund. The SORP specifies that unrealised gains should not be recognised in the Council's accounts.

## 11. Short Term Borrowing

There was no temporary borrowing outstanding as at 31<sup>st</sup> March 2007.

## 12. Creditors

	31.3.07	31.3.06 restated
	£,000	£,000
Capital	1,824	2,431
Government Departments	1,303	1,319
Other Public Bodies	647	398
Council Tax	646	557
Business Rates	1,229	1,234
Rents	209	200
Other	5,523	7,745
<b>Total</b>	<u><u>11,381</u></u>	<u><u>13,884</u></u>

## 13. 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 Grants and Contributions Deferred Account. The grant is then released over the useful life of the asset, matching the depreciation charge made for that asset.

	£,000	£,000
Balance brought forward as at 1 April 2006		(8,310)
Add Income received in 2006/07:		
IT Equipment	(14)	
E-Government	(118)	
Claywood Lane	(600)	
Fairfield Pool	(8)	
Darent Valley Path	(57)	
Town Centre Improvements	(564)	
Project Director	(76)	
Civic Centre	(46)	
Customer Contact Centre	(23)	(1,506)
		<u>(9,816)</u>
Less applied in the year		336
Balance carried forward as at 31 March 2007		<u><u>(9,480)</u></u>

#### 14. Fixed Asset Restatement Account

The system of capital accounting requires the establishment of the Fixed Asset Restatement Account. 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.

	£,000
Balance as at 1.04.06	(283,677)
Revaluation of Assets during the year (note 2)	(25,873)
Disposal of Fixed Assets (note 2)	2,693
Non-enhancing works	1,585
Balance as at 31.03.07	<u>(305,272)</u>

#### 15. Capital Financing Account

The Capital Financing Account 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 those sums required to be charged to revenue to repay the principal element of external loans.

	£,000
Balance as at 1.04.06	(31,127)
Deferred Grants and Contributions applied	(336)
2006/07 Capital Financing;	
- Capital Receipts (note 16)	(9,440)
- Government Grants	(1,025)
- Major Repairs Reserve	(3,533)
- Revenue Contribution	0
- Third Party Contributions	(84)
Less	
- Write down of Deferred Charges (note 5)	569
- Revenue Provision	1,625
- Transfer to Government Grants Deferred Account	1,505
- Depreciation (Housing Revenue Account)	2,949
- Transfer to Major Repairs Reserve	182
Balance as at 31.03.07	<u>(38,715)</u>

## 16. Usable Capital Receipts Reserve

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years.

	£,000	£,000
Balance as at 1.04.06		14,990
Capital Receipts 2006/07		3,383
Less		
Capital Receipts Used for Financing (Note 15)	(9,440)	
Contribution made to the Housing Capital Receipts Pool	<u>(1,375)</u>	
		(10,815)
Balance as at 31.03.07		<u><u>7,558</u></u>

## 17. 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 7 above).

	Balance as at 31.03.06	New Advances	Amounts Repaid	Balance as at 31.03.07
	£,000	£,000	£,000	£,000
Outstanding Loans on Council Houses	369	0	(114)	255

## 18. 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 £5.1 million plus interest.

## 19. Disclosure of Net Pensions Liability

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

At 31 March 2007, the following overall assets and liabilities for retirement benefits attributed to the Council were:

	31.03.07 £,000	31.03.06 £,000
Present Value of Funded Liabilities	83,700	84,340
Present Value of Unfunded Liabilities	2,450	2,630
Estimated assets in scheme	(55,780)	(52,440)
Net liability	<u>30,370</u>	<u>34,530</u>

The liabilities show the underlying commitments that the Council has over the long term to pay retirement benefits. Although the total liability of over £30m is substantial, the Council still has net assets on its balance sheet of over £300m. 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 2004, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31 March 2007. 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 accrued pension figures are post-commutation. The actuary has assumed that 25% of members of the scheme will opt to exchange part of their pension for additional tax-free cash at retirement. In 2005/06 the assumed rate was nil, as the changes to the pensions regulations allowing this commutation only took effect from April 2006. The main assumptions used in their calculations are:

	31.03.07	31.03.06
Rate of inflation	3.2%	3.1%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	3.2%	3.1%
Rate for discounting scheme liabilities	5.4%	4.9%

The accounts are prepared in accordance with CIPFA guidance - the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (the SORP). In assessing liabilities for retirement benefits as at 31 March 2007 for the 2006/07 Statement of Accounts, a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities was used. The actuary has advised that the rate of 2.1% real (5.4% actual) was appropriate.

The estimated split of investments by category is shown in percentage terms below with the expected long term rate of return for each asset class.

	31.03.07	31.03.06	Expected Long Term Return at 31.03.07	Expected Long Term Return at 31.03.06
Equity investments	70.1%	70.8%	7.8%	7.4%
Bonds	12.4%	12.5%	4.9%	4.6%
Property	10.2%	9.0%	5.8%	5.5%
Cash	7.2%	7.7%	4.9%	4.6%
Total	<u>100%</u>	<u>100%</u>		

## 20. Analysis of Net Assets Employed

	31.03.07 £,000	31.03.06 £,000
General Fund	83,412	73,254
Housing Revenue Account	254,926	238,929
<b>Total Net Assets</b>	<b><u>338,338</u></b>	<b><u>312,183</u></b>

## 21. Movement of Revenue Balances

	General Fund £,000	Housing Revenue Account £,000	Collection Fund £,000
Balance as at 1.04.06	(2,568)	(2,325)	(2,587)
Net (Surplus)/Deficit	175	(1,765)	(284)
<b>Balance as at 31.03.07</b>	<b><u>(2,393)</u></b>	<b><u>(4,090)</u></b>	<b><u>(2,871)</u></b>

## 22. Details to Movements in Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

<b>Reserve</b>	Balance 1 April 2007 £,000	Net Movement In Year £,000	Balance 31 March 2006 £,000	Purpose of Reserve	Futher Details of Movement
Fixed Asset Restatement Account	(305,272)	21,595	(283,677)	Store of gains on revaluation of fixed assets	Balance Sheet Note 14
Capital Financing Account	(38,715)	7,588	(31,127)	Store of capital resources set aside to meet capital expenditure	Balance Sheet Note 15
Usable Capital Receipts	(7,558)	(7,432)	(14,990)	Proceeds of fixed asset sales available to meet future capital investment	Balance Sheet Note 16
Major Repairs Reserve	(1,876)	(496)	(2,372)	Resources available to meet capital investment in council housing	HRA Statements page 65
Government Grants Deferred Account	(9,480)	1,170	(8,310)	The amount of government grants received that has not been credited to the I & E to offset the depreciation charge for the asset	Balance Sheet Note 13
Deferred Capital Receipts	(255)	(114)	(369)	Resources derived from the sale of assets e.g. council houses which will be received in instalments over agreed periods of time	Balance Sheet Note 17
Earmarked Reserves	(5,678)	(1,020)	(6,698)	Various as detailed in the following note	Balance Sheet Note 23
Pensions Reserve	30,370	4,160	34,530	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Balance Sheet Note 24
<b>Total</b>	<b>(338,464)</b>	<b>25,451</b>	<b>(313,013)</b>		

## 23. Movement of Earmarked Reserves

Reserve	Balance 1 April 2007 £,000	Net Movement In Year £,000	Balance 31 March 2006 £,000	Purpose of Reserve
Identified Initiatives	(2,077)	738	(2,815)	Reserve set aside to meet expenditure of a non-recurring policy nature
Special Reserve	(2,000)	0	(2,000)	Reserve set aside to meet any potential future liabilities
Third Party Contribution Reserve	(68)	133	(201)	Reserve set aside in respect of 3rd party contributions received to fund specific revenue and capital expenditure
The Orchard Special	(321)	1	(322)	Reserve acts as a safety net for the operation of the theatre
Acacia Hall Reserve	(236)	64	(300)	Reserve was established to assist in meeting operating costs arising from the Council taking ownership of land and buildings previously owned by GlaxoSmithKline on 1 July 2005
Structural Changes and Partnering Reserve	(243)	7	(250)	Reserve is held to facilitate long term efficiencies
Default and Exceptional Loss Reserve	(403)	96	(499)	Reserve is intended for i) any possible default where the Council leases facilities to the private sector, ii) for any exceptional losses where trading accounts need to adopt a commercial approach, iii) for any exceptional changes to VAT liability or reductions in income, iv) temporary funding to establish new initiatives
Feasibility & Service Provision	(165)	36	(201)	Reserve provides funding for initiatives which may lead to the provision of ongoing services or a one-off capital scheme
Minor Insurance Liabilities	(20)	0	(20)	Reserve is held for small claims which are not suitable for settlement from the Council's mainstream insurance policy
ADC Offices	(20)	0	(20)	Reserve was set up to assist the Association of District Councils to purchase new offices and this was achieved by Debenture Stock
Museum Donation Box	(9)	(1)	(8)	Reserve is set aside to meet one-off expenditure for the Dartford Museum
The Orchard Theatre Reserve	(4)	0	(4)	Reserve was set aside for major internal repairs or other works and expenses related to the theatre
Highways Reserve	(112)	(54)	(58)	Reserve is intended for potential works funded by Dartford Borough Council since the Highways Partnership ended on 31 March 2005
<b>Total</b>	<b>(5,678)</b>	<b>1,020</b>	<b>(6,698)</b>	

## 24. Movement in Pensions Reserve

	£,000					
Balance as at 1.04.06	34,530					
Current Service Costs	1,910					
Past Service Costs	0					
Interest Cost	4,260					
Contributions unfunded schemes	(160)					
Actuarial Gain	(4,570)		See note below			
Payments to scheme	(2,120)					
Expected Return on Assets	(3,480)					
Balance as at 31.03.07	<u>30,370</u>					
 <u>Analysis of Actuarial Gain (Loss)</u>						
The actuarial gain identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007.						
	2006/07		2005/06		2004/05	
	£,000	%	£,000	%	£,000	%
Difference between Actual and Expected Return on Scheme Assets	(360)	(0.65)	8,220	15.68	(1,615)	(3.93)
Experience Gains and Losses arising on Scheme Liabilities	90	0.10	25	0.03	3,905	5.28
Changes in the Demographic and Financial Assumptions made to estimate Liabilities	4,840	5.62	(9,430)	(10.84)	10,324	13.96
Actuarial Gain (Loss)	<u>4,570</u>		<u>(1,185)</u>		<u>12,614</u>	

## 25. Post Balance Sheet Events

The Statements of Accounts were approved and authorised for issue on the 12 September 2007 by the Audit Board, and this is the date to which events after the Balance Sheet date have been considered for inclusion in the financial statements.

## CASH FLOW STATEMENT NOTES

### 1. Reconciliation of Revenue Cash Flow

	2006/07			2005/06		
	£,000	£,000	£,000	£,000	£,000	£,000
General Fund Deficit (Surplus)	175			(13)		
Housing Revenue Account Deficit (Surplus)	(1,613)			(1,399)		
Collection Fund Deficit (Surplus) Deficit	<u>(284)</u>			<u>(347)</u>		
Gross Revenue Deficit (Surplus) / Deficit		(1,722)			(1,759)	
Deduct						
Direct Revenue Financing from Receipts in Advance	35			15		
Contribution from/to Earmarked Reserves	887			(63)		
Deduct contributions from Provisions	(879)			(848)		
Deduct contributions to Major Repairs Reserve	<u>(2,949)</u>			<u>(2,962)</u>		
		(2,906)			(3,858)	
Add						
Transfer from other funds	0			389		
Transfer from creditors	0			0		
Decrease in Revenue Creditors	583			564		
Increase in Stocks and Works in Progress	6			0		
Increase in Revenue Debtors	0			0		
Transfer from Externally Managed Funds	663			1,219		
Transfer - Capital expenditure financed from revenue	<u>0</u>			<u>(879)</u>		
		1,252			1,293	
Deduct						
Decrease in Stocks and Works in Progress	0			(11)		
Decrease in Revenue Debtors	<u>(335)</u>			<u>(949)</u>		
		(335)			(960)	
Add						
Financing items shown in cash flow statement	<u>472</u>			<u>601</u>		
		472			601	
Revenue Activities Net Cash Flow			<u><u>(3,239)</u></u>			<u><u>(4,683)</u></u>

## 2. Movement in Cash

	As at 31.03.07 £,000	As at 31.03.06 £,000	Movement £,000	As at 31.03.06 £,000	As at 31.03.05 £,000	Movement £,000
Cash with Officers	5	4	(1)	4	4	0
Cash (Overdrawn) in Hand	(268)	(632)	(364)	(632)	(389)	243
Net Cash Flow	<u>(263)</u>	<u>(628)</u>	<u>(365)</u>	<u>(628)</u>	<u>(385)</u>	<u>243</u>

## 3. Movement in Other Current Assets

(Including Capital Creditors)

	As at 31.03.07 £,000	As at 31.03.06 £,000	Movement £,000	As at 31.03.06 £,000	As at 31.03.05 £,000	Movement £,000
Debtors	7,365	11,460	(4,095)	11,460	9,685	1,775
Creditors	(11,381)	(13,884)	2,503	(13,884)	(8,164)	(5,720)
Stocks and Work in Progress	22	16	6	16	27	(11)
Net movement in other current assets	<u>(3,994)</u>	<u>(2,408)</u>	<u>(1,586)</u>	<u>(2,408)</u>	<u>1,548</u>	<u>(3,956)</u>

## 4. Liquid Resources

The Liquid Resources of the Council are the items shown as Temporary Investments on the Balance Sheet. Note 10 to the Balance Sheet provides details of the investments held at 31 March 2007, 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 31.03.07 £,000	As at 31.03.06 £,000	Movement £,000
Temporary Investments	15,250	9,994	(5,256)

## 6. Analysis of Other Government Grants

	2006/07 £,000	2005/06 £,000
Housing Benefits	585	424
Fraud	21	107
Verification Framework	0	92
Other Housing	32	36
Surestart	692	910
Children Centre Grant	281	236
Crime & Disorder Reduction Partnership	90	110
Positive Futures	50	50
Planning Delivery Grant	249	243
Smoke Free Legislation	8	0
Contaminated Land	1	0
Electoral Administration Act 2006	11	0
Recycling	78	0
	<u>2,098</u>	<u>2,208</u>

## HOUSING REVENUE ACCOUNT

### Housing Revenue Account Income and Expenditure Account

		2006/07 £,000	2005/06 Restated £,000
<b>Income</b>			
Dwelling rents (gross)	Note 1	(14,466)	(13,952)
Non-dwelling rents		(583)	(530)
Charges for services and facilities		(370)	(325)
Supporting People		(376)	(423)
Major Repairs Allowance	Note 2	(2,949)	(2,962)
Minor Capital Receipts		0	(8)
<b>Total Income</b>		<u>(18,744)</u>	<u>(18,200)</u>
<b>Expenditure</b>			
Planned repairs		967	895
General repairs		1,937	1,284
General management		2,670	2,690
Special management		627	610
Housing services for the elderly		699	598
Miscellaneous - Rents, rates etc.		17	20
Negative Subsidy	Note 2	6,979	6,033
Depreciation /transfer to Major Repair Reserve		2,949	2,962
Provision for bad debts		98	6
Depreciation of non dwelling assets		182	170
Transfer to General Fund - Rent Rebate Subsidy Limitation- Note 10		93	701
Transfer to General Fund - Transitional HB Overpayments- Note 11		0	47
<b>Total Expenditure</b>		<u>17,218</u>	<u>16,016</u>
<b>Net Cost of HRA Services per Authority I&amp;E Account</b>		<u>(1,526)</u>	<u>(2,184)</u>
Gain on sale of HRA fixed assets		(791)	(1,616)
HRA services share of Corporate and Democratic Core		162	172
<b>Net Cost of HRA Services</b>		<u>(2,155)</u>	<u>(3,628)</u>
Interest receivable		(249)	(262)
<b>Surplus for the year on HRA Services</b>		<u><u>(2,404)</u></u>	<u><u>(3,890)</u></u>

### Statement of Movement on the HRA Balance

	2006/07 £,000	2005/06 £,000
Surplus or Deficit for the year on the HRA Income and Expenditure account	(2,404)	(3,890)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	639	2,385
(Increase) or decrease in the Housing Revenue Account Balance	(1,765)	(1,505)
Housing Revenue Account surplus brought forward	<u>(2,325) *</u>	<u>(926)</u>
Housing Revenue Account surplus carried forward	<u><u>(4,090)</u></u>	<u><u>(2,431)</u></u>

- This figure does not match the surplus carried forward shown in the 2005/06 column due to the removal of notional interest charges from the re-stated figures, and the recognition of the gain on sales of HRA fixed assets.

### Note to the Statement of Movement on the HRA Balance

	2006/07 £,000	2005/06 £,000
<b>Items included in the HRA I &amp; E Account but excluded from the movement on the HRA balance for the year</b>		
Gain or loss on sale of HRA Fixed Assets	791	1,616
Net charges for retirement benefits in accordance with FRS 17	(290)	(220)
<b>Items not included in the HRA I &amp; E Account but included in the movement on the HRA balance for the year</b>		
Transfer to (from) Major Repairs Reserve	(182)	(170)
Capital expenditure funded by the HRA	0	879
Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	320	280
Net amount required by statute to be debited or credited to the HRA balance for the year	<u><u>639</u></u>	<u><u>2,385</u></u>

# HOUSING REVENUE ACCOUNT NOTES

## 1. Rent Income and Arrears

Total rent income from houses due in the year was:

	2006/07 £,000	2005/06 £,000
Direct from tenants	6,232	6,137
From housing benefit	8,234	7,815
	<u>14,466</u>	<u>13,952</u>

Average rents for the year were £63.46 per 52 week rent year, an increase of 3.8% over the previous year. Gross rent arrears at the end of the year were 4.45% of rent income due (4.39% in 2005/06). The amounts were as follows:

	2006/07 £,000	2005/06 £,000
Arrears at 31 March	644	612
Less Provision for Bad Debts	(470)	(442)
	<u>174</u>	<u>170</u>

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

	2006/07 £,000	2005/06 £,000
Provision Brought Forward	696	695
Write offs during year	(63)	(5)
Change in provision	98	6
Provision Carried Forward	<u>731</u>	<u>696</u>
Provision Analysed as follows: -		
Former Tenants' Arrears	296	271
Current Tenants' Arrears	<u>174</u>	<u>171</u>
Total Provision - Rent Arrears	470	442
Rent Rebate Overpayments/Other	<u>261</u>	<u>254</u>
	<u>731</u>	<u>696</u>

## 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. If the notional account is in surplus (as is the case for Dartford) the sum is payable to the Government. Rent rebates are accounted for in the General Fund of the Council and therefore do not appear in the notional Housing Revenue Account.

<b><u>Notional Housing Revenue Account</u></b>	2006/07		2005/06	
	£,000	£,000	£,000	£,000
<b>Income</b>				
Rents	(13,847)		(12,483)	
Interest Receivable	<u>(62)</u>		<u>(94)</u>	
		(13,909)		(12,577)
<b>Expenditure</b>				
Management and Maintenance	6,801		6,460	
Rent Constraint Allowance	<u>129</u>		<u>0</u>	
		<u>6,930</u>		<u>6,460</u>
Adjustment for Previous Years		0		84
Negative Subsidy		(6,979)		(6,117)
Less: Major Repairs Allowance		<u>2,949</u>		<u>2,962</u>
Net Negative Subsidy Payable to Government		<u><u>(4,030)</u></u>		<u><u>(3,071)</u></u>

### 3. Major Repairs Reserve

The Council is required to maintain separate records of the Major Repairs Reserve, as shown below.

	2006/07 £,000	2005/06 £,000
Balance brought forward	(2,372)	(718)
Contribution to the Reserve		
Major Repairs Allowance	(2,949)	(2,962)
Interest	(88)	(110)
Payments from the Reserve		
Capital Expenditure	3,533	1,418
Non Dwellings Depreciation	182	170
Transfer from Capital Financing Account	(182)	(170)
Balance carried forward	<u>(1,876)</u>	<u>(2,372)</u>

### 4. Housing Stock

The stock was made up as follows:

	31.03.07	31.03.06
Bedsits	16	16
Houses	2,180	2,198
Flats/Maisonettes	1,404	1,405
Bungalows	130	131
Sheltered Units	649	649
	<u>4,379</u>	<u>4,399</u>

Twenty properties were sold during the year compared to 37 in 2005/2006. The sales comprised of 19 houses and 1 flat. The numbers above exclude 1 shared ownership property and 5 "Rent-to-mortgage" properties, but include 2 non-HRA properties.

### 5. Capital Receipts

The total capital receipts arising from the sale of Housing Revenue Account assets were:

	2006/07 £,000	2005/06 £,000
Dwellings	2,269	3,510
Repayment of Mortgage Capital	115	145
Land	10	574
	<u>2,394</u>	<u>4,229</u>

## 6. Fixed Assets in the Housing Revenue Account

	31.03.06 Balance Sheet Valuation £,000	Adjustment to Valuation £,000	Additions in Year £,000	Disposals in Year £,000	Depreciation in Year £,000	31.03.07 Balance Sheet Valuation £,000
Operational Assets						
Dwellings	238,478	16,860	2,329	(1,385)	(2,949)	253,333
Garages, other land and buildings	7,657	450	23	0	(182)	7,948
	<u>246,135</u>	<u>17,310</u>	<u>2,352</u>	<u>(1,385)</u>	<u>(3,131)</u>	<u>261,281</u>

## 7. Vacant Possession Value of Dwellings in the Housing Revenue Account

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

	31.03.07 £,000	31.03.06 £,000
Open Market Value	567,022	542,104
Balance Sheet Value	(253,333)	(238,478)
Economic Cost	<u>313,689</u>	<u>303,626</u>

## 8. Capital Expenditure

The total capital expenditure on dwellings, land and other properties within the Housing Revenue Account:

	2006/05 £,000	2005/06 £,000
Work in Progress	0	0
Non-enhancing Works	1,008	1,434
Additions to Fixed Assets	<u>2,539</u>	<u>(60)</u>
	3,547	1,374
Funded by:		
Capital Receipts	0	(181)
Contribution from Major Repairs Reserve	3,533	1,418
Government Grant	14	113
Revenue Contribution	0	24
	<u><u>3,547</u></u>	<u><u>1,374</u></u>

## 9. Capital Charge to the Housing Revenue Account

Following the introduction of Resource Accounting into the Housing Revenue Account from 1 April 2001, there was a requirement to show capital charges in the Housing Revenue Account. The 2006 SORP has removed this charge, and the 2005/06 accounts have been re-stated to exclude these charges.

## 10. Rent Rebate Subsidy Limitation

Following the transfer of rent rebates to the General Fund, the Housing Revenue Account is required, with effect from 2004/05, to reinstate the losses now incurred by the General Fund as a result of the continuing impact of historic rent increases. This will persist until rent restructuring is complete. The charge in respect of 2006/07 was £93,000, compared with £701,000 in 2005/06.

## 11. Housing Benefit Incentive Areas – Overpaid Benefits

This was a transitional appropriation from the Housing Revenue Account to recompense the General Fund for Housing Benefit Incentive Areas. Mainly these related to unsubsidised overpayments of Housing Benefit made prior to 1 April 2004, which would otherwise form a charge on the General Fund. The transition was over three years, with 2005/06 being the last year; there is no equivalent charge in 2006/07.

## 12. Contribution to Pensions Reserve

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 made against housing rents is based on the cash payable in the year, so an adjustment is made in the Statement of Movement in the HRA Balance.

	2006/07 £,000	2005/06 £,000
Cash paid to Pension Fund in Year	320	280
Current Service Costs charged to Net Costs of Services	(290)	(220)
Contribution to Pensions Reserve	<u>30</u>	<u>60</u>

## Collection Fund

		2006/07		2005/06	
		£,000	£,000	£,000	£,000
<b>Income</b>					
Income from Business Ratepayers	Note 2		(63,398)		(58,081)
Income from Council Tax	Note 3				
Gross Charge		(41,844)		(39,506)	
Less Benefits		<u>4,408</u>		<u>4,094</u>	
			(37,436)		(35,412)
Transfers from General Fund					
Council Tax Benefits			(4,408)		(4,094)
Total Income			<u>(105,242)</u>		<u>(97,587)</u>
<b>Expenditure</b>					
Precepts and Demands	Note 4				
Kent County Council			30,150		28,524
Kent Police Authority			3,819		3,605
Kent Fire & Rescue			1,950		1,859
Dartford Borough Council		4,550		4,294	
Dartford Borough Council - Parishes		<u>603</u>		<u>565</u>	
			5,153		4,859
			<u>41,072</u>		<u>38,847</u>
Provision for Uncollectable Amounts (Council Tax)	Note 5		488		312
Business Rates					
Contribution to National Pool		63,221		57,903	
Allowable Cost of Collection		<u>177</u>		<u>178</u>	
			<u>63,398</u>		<u>58,081</u>
Total Expenditure			104,958		97,240
(Surplus) / Deficit for year			<u>(284)</u>		<u>(347)</u>
Balance Brought Forward (Surplus)			(2,587)		(2,240)
Balance Carried Forward (Surplus)			<u>(2,871)</u>		<u>(2,587)</u>

## COLLECTION FUND NOTES

### 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. 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 (NNDR) 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 £5.9 million in 2006/07 (£2.5 million in 2005/06).

The total non-domestic rateable value as at 31 March 2007 was £176.1 million (£176.5 million as at 31 March 2006). The national non-domestic multiplier for the year was 43.3p (42.2p in 2005/06).

### 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, the Kent Fire and Rescue Service, Parish Councils and Dartford Borough Council for the year 2006/07 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 (the Council Tax Base), 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 Council Tax Base for 2006/07 is 32,434 (for 2005/06 it was 32,117). The basic amount of £ 1,232.91 council tax for a Band D property for 2006/07 (for 2005/06 £1,177.20) 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

	2006/07 £,000	2006/07 £,000	2005/06 £,000	2005/06 £,000
Kent County Council				
Precept	29,798		28,169	
Surplus from previous years	<u>352</u>		<u>355</u>	
		30,150		28,524
Kent Police Authority				
Precept	3,774		3,561	
Surplus from previous years	<u>45</u>		<u>44</u>	
		3,819		3,605
Kent Fire & Rescue				
Precept	1,927		1,836	
Surplus from previous years	<u>23</u>		<u>23</u>	
		1,950		1,859
Dartford Borough Council				
Precept	4,490		4,234	
Surplus from previous years	<u>60</u>		<u>60</u>	
		4,550		4,294
Parish and Town Councils				
Bean	11		10	
Darenth	41		41	
Longfield and New Barn	42		41	
Southfleet	8		6	
Stone	157		155	
Sutton-at-Hone and Hawley	36		27	
Swanscombe and Greenhithe	243		222	
Wilmington	<u>65</u>		<u>63</u>	
		603		565
		<u>41,072</u>		<u>38,847</u>

## 5. Provision for Uncollectable Amounts

	2006/07 £,000	2006/07 £,000	2005/06 £,000	2005/06 £,000
Balance Brought Forward		2,125		2,566
Additional provision for uncollectable amounts for Council Tax	488		312	
Additional provision for uncollectable amounts for Business Rates	<u>374</u>		<u>345</u>	
		862		657
Less written off - Council Tax		(369)		(269)
Less written off - Community Charge		0		(14)
Less written off - Business Rates		(226)		(815)
Balance Carried Forward		<u><u>2,392</u></u>		<u><u>2,125</u></u>

## **A GLOSSARY OF LOCAL AUTHORITY FINANCE**

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

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Acquired Operations**

Income and expenditure directly related to acquired operations shown separately on the face of the Consolidated Revenue Account.

### **Balance Sheet**

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.

### **Balances**

The capital or revenue reserves of an authority are 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.

### **Budget**

The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

### **Capital Expenditure**

Expenditure either on the acquisition of a fixed asset, or expenditure on an existing fixed asset which adds to, rather than merely maintaining its value.

### **Capital Receipts**

The proceeds of the sale of capital assets.

### **CIPFA**

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.

### **Code of Practice**

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.

### **Collection Fund**

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.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

### **Contingency**

A condition which exists at the balance sheet date, the outcome of which depends on one or more uncertain future events.

### **Corporate and Democratic Core**

This incorporates the following sub-divisions, the activities of which can not be charged to services under the Best Value Accounting Code of Practice:-

- Democratic Representation and Management costs – includes all aspects of Members' activities including corporate, programme and service policy making, general governance and representing local interests.
- 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.

### **Creditors**

Occur where the Council owes money at the year end to persons for goods and services supplied in year.

### **Current Liabilities**

Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

### **Debtors**

Occur where money is due at the year end from persons for goods and services supplied to them by the Council.

### **Deferred Charges**

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, where the asset that is "improved" does not belong to the Council.

### **Depreciation**

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

### **Discontinued Operations**

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.

### **Employee Costs**

Pay and associated costs such as National Insurance and pension contributions.

**Estimates**

Same as budget.

**Exceptional Items**

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.

**Extraordinary Items**

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.

**Fair Value**

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.

**Fixed Assets**

These can be either:

**Tangible Fixed Assets**

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

**Intangible Fixed Assets**

The definition of intangible fixed assets is 'non-financial fixed assets that do not have a physical substance but are identifiable and are controlled by the entity (the Council) through custody or legal rights'. Assets falling under this definition in the Council's Accounts are IT systems and software licences

**FRS**

Financial Reporting Standards as required within the SORP.

**Fund**

A major division of the Council's accounts.

### **General Fund**

This is the main revenue account which summarises the cost of all services (except those related to Council Housing) provided by the Council.

### **Going Concern**

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.

### **Government Grants**

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.

### **Gross Expenditure**

The total cost of providing services before deducting any income.

### **Housing Revenue Account**

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.

### **Income**

Monies received or due from rents, fees and charges for services, specific grants and investment interest.

### **Income and Expenditure Account**

A statement that reports the net cost for the for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers.

### **Investments**

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 criterion they have been classified as current assets.

### **Lease**

These can be either:

- Finance lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
- Operating lease - A lease other than a finance lease.

### **Liabilities**

Those amounts which will become payable by the Council in the short or long term.

### **Long-Term Contracts**

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.

**Matching**

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.

**Materiality**

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.

**Minimum Revenue Provision**

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.

**National Non-Domestic Rates**

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.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Expenditure**

Gross expenditure for a service, less directly related income.

**Net Realisable Value**

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.

**Post Balance Sheet Event**

The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

**Precept**

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.

**Prior Year Adjustments**

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

**Provisions**

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.

**Prudence**

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.

**PWLB**

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.

**Rateable Value (RV)**

The value, assessed by the Inland Revenue, on which business rates are payable.

**Recharges**

The transfer of costs from one account to another.

**Related Party Transactions**

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.

**Reserves**

Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.

**Revenue Expenditure**

The cost related to the day-to-day running of services.

**Revenue Income**

The income related to the day-to-day running of services.

**Revenue Support Grant**

A general grant paid by Central Government to local authorities to help them finance the cost of their services.

**Running Expenses**

Regular revenue expenses other than employee costs.

**SSAP's**

Statements of Standard Accounting Practice as recommended to local authorities.

**SORP**

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 the United Kingdom.

**Statement of Movement on the General Fund Balance**

A statement that reconciles the Income and Expenditure account for the year with the authority's budget requirement; the latter is governed by statute and differs in certain key respects from accounting conventions.

**Statements of Movement on the HRA Balance**

A statement that reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

**Statement of Total Recognised Gains and Losses (STRGL).**

A statement that brings together all gains and losses experienced by the Council, as required by FRS 3 “Reporting Financial Performance”

**Substance Over Form**

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.

**Useful Life**

The period over which the local authority expects to derive benefits from the use of a fixed asset.

**Work in Progress**

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 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.