



Statement of Accounts
For year ended 31 March 2011

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EXPLANATORY FOREWORD

Introduction

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and its position for the year-ended 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (the Code) and the Best Value Accounting Code of Practice 2010-11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts for the year ended 31 March 2011 appears on pages 22-100 inclusive and consists of the following accounting statements as required for IFRS:

- **Movement in Reserves Statement** page 22 – this statement provides detailed information on the major reserves held by the Council and is separated between those reserves that are available for use in funding ongoing revenue expenditure and those that are required to be held for accounting purposes. This split of reserves is also repeated at the foot of the Balance Sheet.
- **Comprehensive Income and Expenditure Statement** page 23 - this account replaces the previous Income and Expenditure Account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses. In doing this the net revenue expenditure of the Council is displayed in a single statement and provides the detailed information on costs of services and the Council's funding sources as displayed in the old Income and Expenditure account.
- **The Balance Sheet** pages 24 & 25 - this statement remains predominantly the same as before with a few minor changes in presentation to show a more detailed analysis of non-current assets and resources available.
- **Cash Flow Statement** page 26 - this statement reflects any changes made in the previous three documents and remains largely unchanged in terms of format.
- **A Statement of Accounting Policies (note 1 to the Core Financial Statements)** - sets out the policies adopted by the Council for drawing up the various accounting statements. The main changes in the accounting policies from the 2009-10 statement are detailed below in this section and include changes arising from both the Code and IFRS.

The introduction of IFRS requires a change from preparing the accounts using the traditional UK Generally Accepted Accounting Practice (UK GAAP) to IFRS and all local authorities are required to present their annual Statement of Accounts using the new standards for the 2010-11 financial year and beyond. The change to IFRS is intended in theory to enable easier comparison of the Council's financial position with the private sector both within the UK and overseas. The content and format of the IFRS accounts are specified and regulated by a Chartered Institute of Public Finance and Accountancy (CIPFA) document, "the Code of Practice on Local Authority Accounting" (the Code).

The main issues which arise from the adoption of IFRS accounting are related to treatment of grants, fixed asset and component accounting, the treatment of leases, group accounts, employee benefits and some significant changes to accounting policies, supporting statements and notes to the accounts.

These accounts are also supported by a Statement of Responsibilities on page 21 and an Annual Governance Statement signed by the Leader and Chief Executive on pages 13-20.

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Revenue Account

The table below shows the overall cost of Council services to the General Fund:

	Working Budget 2010-11 £'000	Actual 2010-11 £'000	Difference £'000
Central Services to the Public	1,411	1,088	(323)
Cultural Services	3,960	5,170	1,210
Environmental Services	6,357	6,773	416
Planning Services	1,971	2,513	542
Highways, Roads and Transport Services	55	196	141
Housing Services	1,374	2,129	755
Corporate & Democratic Core	3,244	2,532	(712)
Non Distributed Costs	2	(7,010)	(7,012)
Extraordinary Item - VAT Claims	0	(1,021)	(1,021)
Net Cost of Services	18,374	12,370	(6,004)
Other Operating Expenditure (Note 19)	1,096	1,080	(16)
Financing and Investment Income & Expenditure (Note 20)	(555)	405	960
Taxation and Non-Specific Grant Income (Note 22)	(20,584)	(23,242)	(2,658)
(Surplus) or Deficit on Provision of Services	(1,669)	(9,387)	(7,718)
Adjustment between accounting basis and funding basis	1,744	8,812	7,068
Contribution (to) / from Balances	75	(575)	(650)

The table below explains the major differences between the original budget forecasts and the actual money spent and income received:

Detail	£'000	Explanation
Variations advised re cost centres requesting rollovers	(318)	Underspends/additional grant monies in 2010-11 to be rolled forward into 2011-12.
Housing	(120)	Additional income recovered by the Home Improvement Agency, Staying Put, from extra Disabled Facilities Grant (DFG) and Decent Home Loans support.
Computer Equipment & Materials	(113)	Savings on licences etc.
Learning & Skills Development	(103)	Underspend is largely due to not being able to appoint a Learning & Skills Officer and consequently limited capacity to undertake the work.
Local Development Framework	(100)	Contribution from the Local Development Framework reserve.
Rent Deposit Scheme	(95)	The rent deposit scheme is currently under review and an underspend has resulted from the stopping of payments to landlords, on behalf of tenants, for the rent in advance element.
Housing/Council Tax Benefits	(90)	Housing Benefit Performance Reward Grant. Variance on £60m gross budget.
Concessionary Fares	(83)	Savings as a result of reduced operator payments.
Policy & Performance/ Communications & Marketing	(65)	Salary savings.

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Detail	£'000	Explanation
Housing Staffing	(59)	Underspend primarily resulting from a number of vacancies, the recent restructure and income from a partnering organisation for use of staff expertise.
Corporate Training Costs	(55)	50% of this budget was frozen to offset overspends in other parts of the Council.
Other Commissioning & Customer Contact	(51)	Various underspends.
Members Allowances	(43)	2010-11 budget increase not required as members allowances were frozen.
Street Markets	58	£42,000 net shortfall in income due to market performance & £16,000 budget understated.
Recycling Campaign	70	Delays in the recycling campaign and additional expenditure.
Car Parks -fees and charges	96	Under recovery of car park income offset by additional residents' parking permits.
Planning Appeals	119	A number of recent planning appeal costs have been awarded against the Council.
Loss of Housing & Planning Delivery Grant	305	The Government has withdrawn the Housing and Planning Delivery grant for 2010-11.
Other	(3)	
TOTAL NET VARIANCE	(650)	

A detailed report on the revenue and capital outturn for 2010-11 was presented to the meeting of the Cabinet on 6 July 2011 and to the Scrutiny Committee on 26 July.

The Comprehensive Income and Expenditure Account (page 23) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

General Fund Balance

The General Fund balance increased by £575,000 from £2,559,000 as at 1 April 2010 to £3,134,000 as at 31 March 2011. This compares with the original estimate of a decrease in the balance of £182,000 to £2,377,000 at the year-end. The policy remains to maintain a minimum of £1.5 million as the General Fund balance. The current level of the General Fund of £3.1 million represents 16% of the net expenditure budget for 2010-11 and is considered to be at an adequate level. In addition, the Council has created a number of earmarked reserves to provide for specific future spending requirements.

Capital Programme

The Council does not borrow for capital purposes and the Capital Programme is primarily funded by government grants and capital receipts.

The Council continued its mandatory Disabled Facility Grant programme, which attracted 67% funding from central government, the total spend in 2010-11 being £1,454,000.

The schedule below highlights the main areas of capital spending and details of the funding of this expenditure is shown under note 39 in the Notes to the Core Financial Statements. The main areas of capital spending during 2010-11 were:

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	Revised Budget 2010-11	Actual 2010-11	Variance 2010-11	Level of Approved Rollover
	£'000	£'000	£'000	£'000
Community Safety & Development Initiatives	115	43	(72)	72
Crime Disorder	8	0	(8)	8
Cemeteries & Closed Churchyards	23	13	(10)	6
New Play Areas	434	453	19	3
Refuse Collection	126	0	(126)	0
Disabled Facilities Grants	1,684	1,454	(230)	229
ICT System Replacement – Environmental Services	20	6	(14)	0
Cash Receipting System	30	0	(30)	30
Milton Creek Gateway Landscaping	1,046	1,016	(30)	0
Swale House Window Rep & Building Refurbishment	80	(2)	(82)	82
Swale House Refurbishment inc Boilers	34	35	1	0
Sheerness Gateway Partnership	246	0	(246)	246
Disability Discrimination Act Works	3	0	(3)	3
Faversham District Office Repairs & Refurbishment	43	23	(20)	20
Meads Community Centre	239	52	(187)	188
Kemsley Community Facilities	0	23	23	0
Regional Housing Board	1,537	1,144	(393)	400
Other Schemes	662	559	(103)	0
TOTAL	6,330	4,819	(1,511)	1,287

	2010-11 Outturn
	£000
Total Capital Expenditure	4,819
Source:	
Capital Receipts	294
Capital Grants & Other Contributions	3,613
General Fund Contribution	475
Earmarked Reserves	74
General Reserves Funding	12
Total	4,468
Total Unfunded	351

The Council's contractor for Leisure Management is to provide phased capital expenditure of £1.826 million at the Sittingbourne and Sheerness leisure centres over the 15-year life of the contract which is to be paid for by the Council by regular monthly payments for 15 years to cover repayment of this sum together with associated financing costs. The £350,500 unfunded shown in the above table represents capital equipment provided by the contractor in 2010-11 under this agreement which is not 100% funded in 2010-11 but over the life of the contract.

On 6 July 2011, the Cabinet will be asked to approve the rollover of capital budgets, which accounts for £1.3 million of the above under-spend.

The only sources of funding for capital expenditure for 2011-12 apart from partnership monies (£1,033,200) are the repairs and renewals reserve (£35,000), the general fund (£97,000) and the general reserve (£70,000).

Assets to a carrying value of £129,903 were disposed of in 2010-11.

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Pension Fund

Kent Superannuation Fund

The Council is a member of the Local Government Pension Scheme (LGPS) which is administered on our behalf by Kent County Council (KCC). The LGPS is a national scheme which is administered locally - all employees have the right to join and the Council cannot prevent this. The scheme is a final salary one, with the pension benefits being determined based upon final salary and length of service. Employee contribution rates are set by Government and range from 5.5% to 7.5% and the employer contribution rate is set by the Fund Actuary, Barnett Waddingham.

The Fund is valued once every three years and the latest valuation was at 31 March 2010. The valuation disclosed the following features for Swale:

- A net deficit of £17.5 million i.e. projected liabilities exceed assets. All local authority funds are in deficit and all local authority employers in the Kent Fund are in deficit;
- A funding level of 77% (an increase from the previous level of 66%); and
- A reduction in the employer's contribution to 29.5% (previously 32%) of pensionable pay. This percentage has been agreed with the Actuary and is based on the aim of eliminating the deficit over the next 20 years. This reduction was primarily due to the Government change of rules where future pension increases will be linked to the Consumer Price Index (CPI) not the Retail Price Index (RPI). The Council could have taken a larger reduction in contributions but viewed that it was not prudent to do so given that the Council's workforce is likely to reduce further over the next three years.

All public sector pension schemes are under review and the Government is due to report in October 2011 on its response to Lord Hutton's review. The Council will liaise closely with the Fund Actuary and KCC on the impact of the legislative changes.

Accounting for Pensions under International Accounting Standard (IAS) 19

The decrease in the pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities and a better than expected return on scheme assets.

In addition, the Government announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This is treated as a 'past service gain' as it is assumed that the CPI will increase at a slower rate than the RPI (and so pension increases and therefore IAS19 liabilities are lower). The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010-11 as a result of this change is a gain of £21,610,000.

IAS 19 does not directly impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations, which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). Further information is shown in note 59.

Financial Environment

2010-11 was a transition year for the Council's finances as the Coalition Government's deficit reduction plans started to impact significantly.

This first manifested itself through an announcement in June that the Council would not receive £325,000 of Housing Planning Delivery Grant which was budgeted to support activity within the Planning Department for 2010-11. By year-end the full extent of the

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reduction in Government funding was clear with Formula Grant reducing by £1.7 million for 2011-12 and a further £1.2 million for 2012-13 and a total loss of specific grant income of £1.8 million for 2011-12. The Council had anticipated these reductions and reduced the Council's cost base accordingly.

The main impact of the recession on the Council's finances was a loss of car parking income with the 2010-11 outturn coming in at £134,000 less than the budgeted level.

The loss of Housing Planning Delivery Grant, the shortfall on car parking income and one-off legal costs linked to planning appeals meant that the Council faced an in year budget problem in the summer of 2010 of £600,000. Given the worsening funding position for 2011-12, it was vital that this shortfall was addressed and Strategic Management Team (SMT) and Cabinet combined to come up with a programme of offsetting savings to ensure that a balanced position could be achieved. When the roll over of one-off items of income in Regeneration and Housing (totalling around £400,000) are excluded from the outturn the Council under spent by around £250,000 on its core budgets. This was a good achievement for the Council and reflects that budget management is improving as resources become tighter.

There were areas of weakness in the 2010-11 budget where some over optimistic assumptions had been made about levels of savings that could be achieved, in particular in relation to partnership working through the Mid Kent Improvement Partnership. These underlying issues were identified through the 2011-12 base budget build and Council allocated funding to address these issues. This was a one-off process and the Medium Term Financial Plan will not allow for such flexibility in the future.

The 2011-12 budget was balanced primarily by generating £1.4 million of efficiency savings. This level of efficiency savings is not repeatable moving forward and the Council, through the update of its Corporate Plan, will need to ensure that activity levels match our long term funding levels. This will be a thorough examination of what activities we can afford to maintain and a rigour about ceasing services which we cannot properly resource.

The Council did not make any significant use of balances and reserves to achieve a balanced position for 2011-12 and it is particularly pleasing that very limited redundancy and early retirement costs were incurred. The healthy level of reserves will be crucial in allowing the Council to manage further downsizing over the period of the Medium Term Financial Plan i.e. to 2014-15 and also in funding one-off service improvement initiatives. Where the latter are sufficiently important the Council can still invest.

At the end of 2010-11 the Council received a one-off VAT refund of £1 million. This will mainly be used to increase reserve levels.

Given the funding reductions the Council is experiencing the management of reserves is a crucial financial issue. Reserves need to be sufficient to allow the Council to manage adverse events but not so high that we are raising revenue through Council tax that the Council does not need.

The Council's highest priority is Regeneration and in the last half of 2010-11 significant progress was made in relation to Sittingbourne Town Centre. A potential development partner was identified and two developers came forward with proposals for major developments anchored by new supermarkets. In moving forward to a development agreement and handling the two large planning applications the Council faces significant one-off costs, which reinforces why the maintenance of a prudent but not excessive level of reserves is essential.

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The Council has a very limited capital programme for 2011-12 and beyond. As the Council does not borrow for capital purposes most of the capital projects have been funded by specific grants which have now been significantly reduced. The Council will consider the possibility of borrowing as part of its budget planning for 2012-13.

However, the Council took over responsibility for the recovery of debt for the Rent Deposit Scheme, which totalled £506,000 at 31 March 2011.

Transparency

The Coalition Government's current Secretary of State for Communities and Local Government has promoted transparency in how local authorities make information available to the public on senior staff salaries and payments to creditors. The Council has fully complied with these requirements.

Treasury Management

The Council fully complies with government and CIPFA requirements on treasury management. These requirements have over-riding criteria of the security of funds. The Council cannot afford to put any of its funds at risk and the Head of Finance has a very risk averse counterparty policy. The Council only places monies on short-term deposit with the largest UK financial institutions and a small number of very large, well diversified money market funds.

Despite returns of less than 1% at a time of inflation of 5% the Head of Finance's view is that we have no option but to be highly cautious in what are still very volatile financial markets.

The Council's investment portfolio averaged £7 million during 2010-11 (£10.1 million for 2009-10) and closed at £1,910,000 at 31 March 2011. The 'in-house' team achieved a return of 0.73% for 2010-11 (0.71% for 2009-10) amounting to £53,000 (£72,000 in 2009-10). This resulted in an additional £21,200 of investment income when compared with the average 7-day London Inter Bank Bid Rate (LIBID) rate for the year of 0.42%. The reduction in the average investment portfolio compared to the previous year is due mainly to in-year cash flows.

Collection Fund

The Collection Fund is the statutory account, which records Council Tax, Community Charge and National Non-Domestic Rate transactions. At the year-end, this account had a surplus balance of £847,000 compared with the surplus estimated in January 2011 of £717,000, which was taken into account in setting the Council Tax for 2011-12. The difference of £130,000 is attributable mainly to a higher recovery rate than forecast.

The Council Tax in-year collection rate has increased to 97.2% in 2010-11 from 97.1% in 2009-10. The Business Rate in-year collection rate increased from 95.7% in 2009-10 to 97.2% in 2010-11. This was mainly due to proactive work with customers to ensure that arrangements are set up at the beginning of the financial year, so that tax is paid during the year it is due.

Further Information

Further information on the accounts is available from nickvickers@swale.gov.uk or philwilson@swale.gov.uk.

Interested members of the public have a statutory right to inspect the accounts for 20 working days before the audit is completed. For 2010-11, the inspection dates are between 11 July and 5 August 2011 inclusive. From 8 August 2011 until the conclusion of the audit process, a local government elector for the area of the Council, or his/her representative, may object to the Council's accounts asking that the auditor issue a report

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in the public interest and/or apply to the court for a declaration that an item in the accounts is contrary to law. Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at their address: Andy Mack, District Auditor of Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ and copied to the Head of Finance at the Council. The availability of accounts for inspection has been advertised in the local press, the Council website and Council offices.

Nick Vickers B.Sc (Econ), CPFA
Interim Head of Finance

30 June 2011

ANNUAL GOVERNANCE STATEMENT
For the Year ended 31 March 2011

1. BACKGROUND AND SCOPE OF RESPONSIBILITY

- 1.1 Swale 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in services, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Swale Borough Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 To this end, in February 2008 Swale Borough Council approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the Council's website <http://www.swale.gov.uk/assets/Strategies-plans-and-policies/CorporateGovernanceLocalCode1.pdf>
- 1.4 This statement explains how Swale Borough Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of the Annual Governance Statement.
- 1.5 Swale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and management of risk.
- 1.6 This is a corporate document owned by all senior officers and Members of the Council.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost - effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the Annual Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT
For the Year ended 31 March 2011

3. THE GOVERNANCE FRAMEWORK

Introduction

- 3.1 This section of the statement will set out the key issues for the Council in the year relating to the overall governance arrangements. Its focus is on changes in the year rather than restating the core governance arrangements of the Council.

Vision and Corporate Priorities

- 3.2 The 2010-11 year was the last full year of the four-year electoral cycle and was also the last year in which the Council was elected in one-thirds. In March 2010 the Council decided that it would adopt all out elections from 5 May 2011 onwards. This meant that there was a light touch refresh of the Corporate Plan and no change to the overarching vision for the Council or its corporate priorities.
- 3.3 The highest corporate priority for the Council is Regenerating Swale. The year saw some major projects move forward which will have made a significant contribution to this objective:
- Sittingbourne Town Centre redevelopment – a brief for a development partner with support from specialist property advisors was put to the market and a partner organisation, Spirit of Sittingbourne, was selected with a view to them becoming the Council's development partner. Spirit of Sittingbourne have exciting ideas for the town centre and negotiations on the development agreement continue.
 - Milton Creek Country Park – this is a £2 million project funded by Homes and Communities Agency (HCA) monies to establish a country park to the north of the town centre and reopen and improve public access routes around the creek. The park will be soft opened in the summer with full opening after the completion of the Northern Relief road.
 - Major road building schemes in the Borough – the Sittingbourne Northern Relief Road and the Rushenden Relief Road – both progressed well and remain on track for their completion towards the end of 2011.
 - Rushenden Retrofit - this major partnership project involves improving more than 300 private sector and social rented homes in the first phase. The total project is in excess of £2.5 million including the physical installation of energy efficiency measures, energy advice and training and employment opportunities for Residents. HCA are also funding extensive monitoring and evaluation of the project to develop research that can be used nationally to help progress the national climate change agenda.
 - Sheerness Gateway – the Council has been working with Kent County Council to establish a gateway facility in Sheerness High Street. The new facility will open in the autumn.
 - Port of Sheerness - The council continued to work with Peel Ports to create a favourable climate to attract a major wind turbine manufacturer to the Port of Sheerness.
 - After the General Election in May 2010 the new Government abolished the Comprehensive Performance Assessment regime for Councils and the Use of Resources methodology. Whilst the Council welcomes reducing bureaucracy the timing is regrettable as we believe that the Use of Resources scores would have shown a significant improvement – independently validating the progress made by the Council towards the corporate priority of Becoming a High Performing Organisation.

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For the Year ended 31 March 2011

Management Processes

- 3.4 A new senior management structure for the Council was implemented from 1 April 2010. This established three directorates: Chief Executive (with the Head of Policy and Communications, the Head of Service Delivery and the Head of Commissioning and Customer Contact reporting directly to the Chief Executive), and two directorates, Regeneration and Corporate Services, both the latter headed by Directors. These post holders plus the Head of Finance make up the Council's Strategic Management Team who meet weekly. All Heads of Service meet with the Chief Executive monthly in the Operational Management Team. Third Tier Managers and above meet quarterly and there are mandatory staff briefings quarterly.
- 3.5 Staff receive a monthly Team brief with a personal introduction from the Chief Executive, which is discussed at mandatory monthly team meetings.
- 3.6 In June 2010 the first "Swale Stars" event was held. This was to celebrate excellent individual and team performance in the Council.
- 3.7 The new management processes set out above are now well embedded and have significantly improved the corporate capacity of the organisation.

Member Processes

- 3.8 The Council agreed on 8 December 2010 to adopt a strong leader model of political management. Such arrangements commenced after the May 2011 election. Under this arrangement the Council will be led by a Leader who will remain in office for 4 years and will appoint a Cabinet to work with him to lead on policy development, to implement decisions within the policy and budget framework set by full Council and to run the Authority. The arrangement is designed to demonstrate and reinforce clarity of responsibility for governance.
- 3.9 The Council's scrutiny arrangements are discharged through two committees, the Policy Overview Committee and the Scrutiny Committee. Both committees have a fundamental role to play in holding the Executive to account in receiving regular performance and financial monitoring reports to ensure proper stewardship of financial resources and achievement of performance indicators.
- 3.10 The Council has invested in Member Development to ensure that there is a formal, detailed training and development plan in place to equip members with skills to fulfil their community leadership and governance role. The Council's programme was independently assessed and was awarded the Member Development Charter on 20 October 2010.
- 3.11 During 2010-11 the Local Strategic Partnership resolved to move to become a Locality Board with effect from May 2011. The Locality Board will have responsibility for overseeing and shaping local delivery of the Kent Recommitment and drawing together local public services for greater effectiveness and efficiency. A draft terms of reference has been produced for consideration at the first meeting on 26 May 2011.

Performance Management

- 3.12 For 2010-11 the Council had in place a comprehensive performance management system and process. This monitored achievement of Performance Indicators from the Corporate Plan and projects from the Unit Service Plans. Monthly reports were then made to Strategic Management Team and Cabinet with quarterly reports to Scrutiny Committee.

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- 3.13 The outturn position for the year is:
- Performance Indicators – 41 indications (77%) met their target and 12 (23%) did not.
 - Corporate Actions – 76 (84%) are complete and 14 (16%) overdue.
- All major projects have been subject to formal project management disciplines with monthly reporting to SMT.
- 3.14 The performance management outcomes are good and the new processes have been well received by members across the board.

People Management

- 3.15 From 1 April 2010 a new pay and grading structure was implemented across the Council. This reduced the number of grades, reduced the number of pay scales and ensured that the Council was able to demonstrate compliance with equal pay legislative requirements. The back pay arising from settling equal pay claims was £35,000.
- 3.16 A new appraisal and target setting process was also introduced from 1 April 2010 which is consistent, mandatory and was closely monitored by SMT to ensure adherence.
- 3.17 The Council remains committed to supporting the training and development of staff. All 34 third tier and above managers have participated in the Seven Habits programme designed to improve personal effectiveness and develop management skills. The training budget was frozen in 2010-11 to help deal with the in year budget problem but SMT ensured the budget is not reduced for 2011-12.
- 3.18 Also from 1 April 2010 the Council commenced an agreement with Maidstone Borough Council to buy a payroll service based upon the iTrent system. This was implemented well and the service has run smoothly.
- 3.19 These changes have thoroughly modernised the Council's HR policies and practices and ensure that the Council makes best use of the available people resources.

Financial Management

- 3.20 The Council budgeted for £1.6 million of savings in 2010-11. The outturn position for 2010-11 is a small underspend of £650,000. This is a highly satisfactory outcome given that in mid 2010 an overspend of £600,000 was forecast. Such a large overspend required a concerted effort from across the whole Council to pull round. The main lessons from this experience are that the Council has to be realistic about the level of savings which are achievable and improvements are necessary in how service managers monitor their budgets.
- 3.21 For the 2011-12 budget the Council faced major reductions in funding - £1,712,000 less formula grant and £1,800,000 specific grant – equivalent to around 18% of the Council's net budget requirement. To meet this new funding position the Council budgeted for savings against the base budget of £1.4 million, additional income from fees and charges of £200,000 and £1,500,000 of savings against expenditure previously supported from specific grant. The revenue budget was balanced without reducing front line services, or using the Council's Reserves and 60% of the New Homes Bonus will be spent on regeneration projects.
- 3.22 Many of the savings made came from ideas generated through the Council's Value for Money Group. Themes such as spans and layers savings and procurement related category management were major contributions to the savings total.

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For the Year ended 31 March 2011

- 3.23 The Scrutiny Committee took up as a major theme in the year the level of outstanding sundry debt following on from a poor audit report. The level of sundry debt was reduced and a Substantial audit opinion received.
- 3.24 The Council's last permanent Chief Financial Officer left the Council in June 2009. From July 2009 to July 2010 the position was covered by a professional interim manager and since July 2010 by a part-time secondment from Kent County Council. The Chief Financial Officer is one of the Council's three statutory officers and has a crucial role to play in supporting SMT Cabinet and full Council through these challenging times. The arrangement with KCC will continue into 2011-12 giving greater stability and continuity. The Finance Department's Accountancy Team was restructured in September 2010 after a prolonged period of uncertainty over the structure and each individual has responded well to the new approach and to more emphasis being placed on working closely with service managers.
- 3.25 The District Auditor has stated that "I am encouraged at the progress the Council has made in strengthening its financial management over the last year, in extremely challenging circumstances".

Risk Management

- 3.26 The Council has undertaken Risk Workshops for SMT, Cabinet and other senior managers and Members run by the Head of Audit Partnership and Audit Manager. This has assisted in prioritising the major risks faced by the Council.
- 3.27 The risk workshops have been facilitated by Zurich Management Services and have led to the creation of a new Strategic Risk Register.
- 3.28 The new Strategic Risk Register is based around the risks to the delivery of the Council's key strategic objectives. Each risk has been allocated to a Head of Service who will 'own' the risk and be responsible for taking the necessary action, via a detailed action plan, to manage the risk.
- 3.29 The new Strategic Risk Register will be reported to Cabinet early in the 2011-12 municipal year.
- 3.30 The training for Senior Managers (including service and unit managers) will allow them to identify the risks to the delivery of their services and take the necessary management action to ensure delivery of their service objectives.

Partnerships

- 3.31 The Council works in partnership with other Councils on a wide range of services, primarily, Kent County Council, Maidstone Borough Council, Tunbridge Wells Borough Council, Medway Council, Gravesham Borough Council and Ashford Borough Council. The rationale for this partnership working is primarily robustness and stability of the service and cost.
- 3.32 The last year has been a testing one for the Mid Kent Improvement Partnership (MKIP). Ashford has now withdrawn from any new arrangements and there was a range of progress made on other MKIP projects. The Internal Audit partnership is working well and giving tangible benefits to the Council. The joint payroll arrangement with Maidstone has now expanded to a shared Head of HR and shared HR function. These two projects are models of collaborative working. The Legal Services collaboration has struggled to make progress due to the inability to recruit a Partnership Manager and pressures on the three legal departments but the Council has continued to receive high quality legal advice. In September the Council decided not to participate in a shared revenues and benefits service with Maidstone and Tunbridge Wells. This reflected a strong belief in the service delivery model

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used in the Council and our ability to make larger savings without significant implementation costs.

- 3.33 The three Councils' Chief Executives' commissioned a review of MKIP by the Audit Commission which reported in February 2011. The future direction of MKIP will be determined after the May elections.

Procurement

- 3.34 The Council has not historically had its own specialist procurement staff. The Value for Money (VFM) Group identified Procurement as an area which needed strengthening and since September a highly experienced local authority procurement professional has been undertaking project work reporting to the Head of Customer Contact and Commissioning.

- 3.35 This work has focused on:

- Amendments to Contract Standing Orders;
- Training and support to staff;
- Procurement Intranet support standard documents, templates and guidance;
- Completion of formal consultation and amendments to Procurement Strategy; and
- Identifying savings through category management and on the Council's major contracts.

This has improved the robustness of procurement practices and category management delivered significant savings in the base budget.

- 3.36 The Head of Customer Contact and Commissioning has made good progress in negotiating cost savings on the Council's major contracts.

Internal Audit

- 3.37 From 1 April 2010 the Council's internal audit service has been provided through a joint arrangement with Maidstone, Tunbridge Wells and Ashford. The Council shares an Audit Manager with Maidstone who is managed by the Head of Audit Partnership who at Swale reports to the Corporate Services Director. This has significantly improved the quality of the service and the audit coverage possible.
- 3.38 A total of 24 audit projects have been completed during the year which is less than the original target of 30. The reasons for the shortfall have been addressed and it is anticipated that the full target will be achieved in 2011-12.
- 3.39 Of the 19 audit projects given an audit assurance level the opinions were: High 2; Substantial 10; Limited 6; Minimal 1.
- 3.40 The number of "Limited" opinions reflects the fact that many of these areas had not been subject to internal audit for many years. The Minimal opinion on Sports Development is of particular concern. We expect that as areas are revisited the audit opinions will improve due to the implementation of previous audit recommendations.
- 3.41 The Audit Committee also participated in a joint review from Local Government Improvement and Development to benchmark the way the Committee operated against best practice. The review commented on the Swale Audit Committee that it had "Committed and enthusiastic members and the Committee addresses the full scope of Audit Committee activity".

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For the Year ended 31 March 2011

4. REVIEW OF EFFECTIVENESS

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council's Annual Report and Performance Plan reports on performance against key priorities and outlines priorities and targets for the forthcoming year.

Executive and Scrutiny

- 4.3 Cabinet receive monthly Performance Monitoring Reports, which report on performance against our key priorities and sets robust and challenging targets. The Forward Plan is used to publish all proposed decisions to be taken by the Executive that are significant financially or in terms of the impact they will have on communities (i.e. key decisions). For agenda planning purposes, the Authority aims to include all items on the forward plan, including those that are not key decisions. A "call-in" procedure allows all members and Scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Council's reporting arrangements enable any Councillor to request that an overview and scrutiny panel considers an issue of local concern. The Scrutiny Committee has also been built into the Council's future performance escalation process.

Audit Committee

- 4.4 The Audit Committee receives regular updates from the Head of Audit Partnership on the assurance which can be placed against various systems and processes reviewed during the year, along with an annual assessment at the year-end. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance.

Standards Committee

- 4.5 The Standards Committee meets as necessary to consider matters relating to governance and the operation of the Code of Conduct.

Internal Audit

- 4.6 Based on internal work undertaken throughout the year and current risk assessments, and assurance statements provided by Heads of Service, the Head of Audit Partnership assesses the overall level of internal controls in place to inform his Annual Internal Audit report. The Annual Internal Audit report provides evidence to support the Annual Governance Statement. The Internal Audit Service will continue to measure itself against best practice.
- 4.7 In his report to Audit Committee on 25 May 2011 the Head of the Audit Partnership reported that in his opinion "substantial reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of controls and processes which are in place to achieve the objectives of the Council".

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 On the basis of this Annual Governance Statement compiled and reviewed by the Council's Strategic Management Team, we are satisfied that the Corporate Governance arrangements for the Council are adequate and are operating

**ANNUAL GOVERNANCE STATEMENT
For the Year ended 31 March 2011**

effectively. The two unsatisfactory internal audits have been referred to above and are being followed up.

5.2 This report has made frequent references to a number of improvements made during 2010-11. These changes are significant, are bedding in well and should provide higher levels of assurance to members of the robustness of the Council's corporate governance arrangements.

5.3 The main areas for senior management and Member attention moving forward are:

- Relationship between service planning and financial planning – this will be addressed through the complete revision of the corporate plan;
- Delivery of a balanced 2012-13 budget – the 2011-12 budget focussed on management efficiency savings. The size of the savings required for 2012-13 means that we will have to look at significantly reducing or stopping services currently delivered by the Council. Producing option, fully consulting, meeting equality requirements and deciding between options will be very challenging;
- MKIP – determining the most appropriate way to move partnering arrangements forward;
- Risk Management will be developed during 2011-12, with Cabinet being asked to endorse the new Strategic Risk register. Operational risk registers will be developed at a service level. Covalent will be used as a repository for the risks and to monitor the action taken to manage them;
- Two Internal Audit reports identified significant control weaknesses which had not been resolved at 31 March 2011. the reports were for 'Sports Development' and 'Development Control Enforcement'. Internal Audit will carry out a follow-up to each report to ensure that the action proposed by management has taken place in practice.

Signature

Date

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Leader of the Council

Signature

Date

.....

.....

Chief Executive

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

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

THE HEAD OF FINANCE'S RESPONSIBILITIES

As the Head of Finance, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

Nick Vickers B.Sc (Econ), CPFA
Interim Head of Finance

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2010-11 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2011 as approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2011 at the meeting of the Audit Committee on 29 September 2011.

Councillor Nicholas Hampshire
Chair of the Audit Committee

MOVEMENT IN RESERVES STATEMENT

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

Movement in Reserves Statement 2009-10	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts £'000	Grants Unapplied £'000	Total Useable Reserves £'000	Unuseable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2009	1,821	6,640	1,398	234	10,093	5,266	15,359
Surplus/(Deficit) on Provision of Services	61	0	0	0	61	0	61
Other Comprehensive Expenditure or Income	0	0	0	0	0	(17,052)	(17,052)
Total Comprehensive Expenditure and Income	61	0	0	0	61	(17,052)	(16,991)
Adjustment between accounting basis and funding basis	680	0	(625)	107	162	(162)	0
Net increase/(decrease) before transfers to Earmarked	741	0	(625)	107	223	(17,214)	(16,991)
Transfers to/(from) earmarked reserves	(3)	3	0	0	0	0	0
Increase/(Decrease) in year	738	3	(625)	107	223	(17,214)	(16,991)
Balance at 31 March 2010	2,559	6,643	773	341	10,316	(11,948)	(1,632)
Movement in Reserves Statement 2010-11	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unuseable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	2,559	6,643	773	341	10,316	(11,948)	(1,632)
Surplus/(Deficit) on Provision of Services	9,387	0	0	0	9,387	0	9,387
Other Comprehensive Expenditure or Income	0	0	0	0	0	22,400	22,400
Total Comprehensive Expenditure and Income	9,387	0	0	0	9,387	22,400	31,787
Adjustment between accounting basis and funding basis	(8,199)	0	(65)	70	(8,194)	8,194	0
Net increase/(decrease) before transfers to Earmarked	1,188	0	(65)	70	1,193	30,594	31,787
Transfers to/(from) earmarked reserves	(612)	612	0	0	0	0	0
Increase/(Decrease) in year	576	612	(65)	70	1,193	30,594	31,787
Balance at 31 March 2011	3,135	7,255	708	411	11,509	18,646	30,155

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2010-11	2010-11	2010-11	2009-10
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Re-Styled Net Expenditure £'000
COST OF CONTINUING OPERATIONS				
Central Services to the Public	13,449	(12,361)	1,088	1,436
Cultural Services	5,979	(809)	5,170	4,593
Environmental Services	8,625	(1,852)	6,773	7,137
Planning Services	4,443	(1,930)	2,513	2,091
Highways, Roads & Transport Services	2,392	(2,196)	196	280
Housing Services	54,834	(52,705)	2,129	1,711
Corporate & Democratic Core	4,293	(1,761)	2,532	2,643
VAT Fleming Claims		(1,021)	(1,021)	0
Exceptional Item – Pension (Note 59 (c))		(7,096)	(7,096)	0
Non Distributed Costs	118	(32)	86	545
Net Cost of Services	94,133	(81,763)	12,370	20,436
Other Operating Expenditure (Note 19)	1,113	(33)	1,080	883
Financing and Investment Income and Expenditure (Note 20)	5,593	(5,188)	405	2,134
Taxation and Non-Specific Grant Income (Note 22)		(23,242)	(23,242)	(23,514)
(Surplus) or Deficit on Provision of Services	100,839	(110,226)	(9,387)	(61)
Surplus or Deficit on revaluation of non current assets (See Note 12)			(832)	(4,328)
Actuarial (gains)/losses on pension assets/liabilities			(21,610)	21,380
Other adjustments			42	(5)
Other Comprehensive Income and Expenditure			(22,400)	17,047
Total Comprehensive Income and Expenditure			(31,787)	16,986

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

BALANCE SHEET

	Note	31 March 2011		Restated 31 March 2010		Restated 31 March 2009
		£'000	£'000	£'000	£'000	£'000
Property Plant and Equipment						
Operational Assets:	32					
Land and Buildings		31,641		33,101		31,482
Vehicles, Plant and Equipment		2,957		1,735		1,881
Infrastructure Assets		4,029		3,096		1,742
Community Assets		3,348		3,373		2,214
Leased Assets		1,538		2,052		2,573
			43,513		43,357	
Non-Operational Assets:	32					
Investment Properties	35	3,337		2,689		2,707
Land and Buildings		4,089		3,967		4,684
			7,426		6,656	47,283
Total Property, Plant and Equipment			50,939		50,013	47,283
Intangible Assets	36		56		75	93
Long-term Investments		8		8		4
Long-term Debtors - Mortgagors		68		84		101
Other	40	2,863		2,030		1,429
			2,939		2,122	1,627
Total Long-Term Assets			53,934		52,210	48,910
Current Assets						
Assets Held for Sale	41	525		525		-
Short Term Investments						3,000
Inventories	42	1		2		2
Cash and Cash equivalents	43	1,724		-		2,431
Short Term Debtors	44	11,989		12,149		7,376
			14,239		12,676	12,809
Total Assets			68,173		64,886	61,719
Current Liabilities						
Short Term Creditors	45	(4,629)		(3,616)		(4,611)
Deferred Revenue S106 Receipts	46	(984)		(1,111)		(1,246)
Cash and Cash equivalents	43	-		(277)		-
			(5,613)		(5,004)	(5,857)
Total Assets less Current Liabilities			62,560		59,882	55,862

BALANCE SHEET

	Note	31 March 2011		Restated 31 March 2010		Restated 31 March 2009
		£'000	£'000	£'000	£'000	£'000
Long-term Liabilities						
Deferred Liabilities	47	(2,526)		(3,179)		(3,597)
Liability Related to Defined Benefit Pension Scheme	16	(27,439)		(55,800)		(34,115)
Capital Grant Receipts in Advance	48	(2,442)		(2,295)		(2,631)
Provisions	49	-		(240)		(160)
			(32,407)		(61,514)	(40,503)
Total Assets less Liabilities			30,153		(1,632)	15,359
Unuseable Reserves						
Revaluation Reserve	12		6,660		5,864	1,755
Deferred Capital Receipts	14		52		69	87
Accumulated Absences Reserve	18		(145)		(159)	(197)
Capital Adjustment Account	13		39,535		38,132	37,799
Collection Fund Adjustment Account	17		104		88	75
Pensions Reserve	16		(27,439)		(55,800)	(34,115)
Financial Instruments Adjustment Account	15		(123)		(142)	(138)
Total Unuseable Reserves			18,644		(11,948)	5,266
Useable Reserves						
Useable Capital Receipts Reserve	8		708		773	1,398
Capital Grants Unapplied	9		412		341	234
Insurance Reserve	10		18		9	4
Other Reserves	10		7,237		6,634	6,636
General Fund Revenue Balances			3,134		2,559	1,821
Total Useable Reserves			11,509		10,316	10,093
Total Net Worth			30,153		(1,632)	15,359

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are unuseable reserves, i.e. those reserves that the Council may not use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The second category of reserves is those that the Council is able to use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

Nick Vickers B.Sc (Econ), CPFA
Interim Head of Finance

CASH FLOW STATEMENT

Swale Borough Council Cash Flow Statement	2010-11	Restated
	£'000	2009-10
		£'000
Net Surplus or (Deficit) on the Provision of services	9,387	(61)
Adjust net surplus or deficit on the provision of services for noncash movements	(1,544)	(402)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,883)	(428)
Net Cash Flows from Operating Activities (a)	3,960	(891)
Net Cash Flows from Investing Activities (b)	1,419	(2,661)
Net Cash Flows from Financing Activities (c)	(3,378)	1,347
Net increase or (decrease) in cash or cash equivalents (a+b+c)	2,001	(2,205)
Cash and cash equivalents as at 01 April 2010	(277)	2,431
Cash and cash equivalents at 31 March 2011	1,724	226
Net Increase / (decrease) in cash or cash equivalents during 2010/11	2,001	(2,205)

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

1. Accounting Policies

General Principles

The accounts had previously been prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice' (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In tandem with the introduction of the concept of Best Value into local authorities, CIPFA also published the 'Best Value Accounting Code of Practice' (BVACOP). This Code complemented the SORP and both the SORP and BVACOP were based on UK GAAP reporting requirements and were recognised by statute as representing 'proper accounting practice'.

With effect from the financial year commencing April 2010, Local Authorities are required to produce their annual financial statements in accordance with International Financial Reporting Standards (IFRS) requirements. CIPFA has produced a 'Code of practice on local authority accounting in the United Kingdom 2010-11' (the Code), based on IFRS. The Code is based on approved accounting standards, comprising International Accounting Standards (IAS), IFRS's approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force's (UITF) Abstracts.

Practitioners are to apply the Code in preparing the annual financial statements in the required format. Although the IFRS standards do not apply until the 2010-11 financial year, the reporting criteria require comparative figures to be provided for 2009-10 and this in turn necessitates restatement of the balance sheet position as at 1 April 2009 and at 31 March 2010.

In general the Council is required to apply its accounting policies determined under IFRS retrospectively to determine the opening IFRS balance sheet. The changes required to comply with IFRS impact on the following areas, Non-current (Fixed) assets, Intangible assets, Impairments, Stocks, Employee benefits, Reserves, Government Grants, Leases, Group accounts, Segmental Reporting and some minor amendments.

The accounting policies that have been adopted are set out in the following paragraphs. Where an accounting policy has not been adopted, or where it has been varied, then a note to that effect has been provided.

Accounting Convention

In general, the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant subject to and in accordance with the fundamental accounting concepts set out below:

The financial information contained in the accounts has the following qualitative characteristics as laid out in the Code of Practice:

- **Relevance** - The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds;
- **Reliability** - The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and can be depended upon to represent faithfully what they purport to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques;

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

- Comparability - The accounts are prepared to enable comparison between financial periods. To aid comparability the Council has applied its accounting policies consistently both during the year and between years;
- Understandability - Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms; and
- Materiality - Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Three further accounting concepts are given precedence in the preparation of the accounts:

- Accruals - with the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid. Exceptions to this are utility bills, insurance premiums and income from car parking, which are, in the main, charged to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year;
- Going Concern - the accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future; and
- Primacy of Legislative Requirements - Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect will be included in the accounts.

All relevant Financial Reporting Standards as far as they apply to local authorities has been observed.

Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

Accruals

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular, fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Capital Receipts

All income from the sale of capital assets are categorised as capital receipts and credited to the Useable Capital Receipts reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are shown on the balance sheet at their nominal value. The authority has defined cash equivalents as internally held investments with a maturity of three months or less from the balance sheet date. This is a variation from the Code, which requires all investments within this timeframe to be recognised as cash equivalents, the variation is not deemed to create a misstatement on the balance sheet.

Interest on cash and cash equivalents, but not received as at 31 March 2011, has also been added to the cash and cash equivalents balance.

Cash Flow

The Cash Flow is prepared using the indirect method, whereby revenue cash flow is derived by adjusting the overall Comprehensive Income and Expenditure account operating surplus or deficit to a cash basis. Gross cash flow categories are not presented in the Cash Flow Statement and non-cash items, changes in working capital and dividends received from joint ventures and associates and returns on investments and servicing of finance are removed from the surplus or deficit in order to calculate a single overall figure for revenue cash flow.

Collection Fund

Following detailed consideration of the role performed by authorities responsible for collecting council tax, the 2009 SORP, as a precursor to the change to IFRS, required councils to allocate Council Tax and National Non Domestic Rates (NNDR) transactions between the billing authority and major preceptors/Government pool. Therefore, from the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year for each of the preceptors and the billing authority.

For both the billing authority and major preceptors, the difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as an item in the Movement in Reserves Statement.

Contingent Assets

Contingent assets are not accrued in the accounting statements, but disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is a possible obligation, which may require a payment or a transfer of

economic benefits. For each class of contingent liability, the Council will disclose the nature of the contingency and provide a brief description, an estimate of its financial effect (where possible) and an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

Credit Sale Arrangement

A credit sale arrangement is where one enters into an agreement that has the features of a finance lease, but where some of the assets may be received in the future. Any assets received under the arrangement are capitalised and depreciated over their useful economic life.

The sum shown in the Balance Sheet (under Deferred Liabilities) is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. Where capital expenditure is due to be provided in future years, payments in advance are recognised in the Balance Sheet as appropriate.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with IAS 1 “Presentation of Financial Statements”, i.e. 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.

Debts due to the Council are recorded as they become due and the item ‘Debtors’ shown in the Balance Sheet represents the amounts due during the year which remain unpaid at the year-end, from which a sum is calculated as an impairment for doubtful debts.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.

Debtors - Impairment of Doubtful Debts

The impairment of doubtful debts is calculated having regard to the nature of the debt, its age and the likelihood of recovery. The calculations for each type of debt, i.e. Council Tax, NNDR, Rents, sundry debtors etc. is based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly. The charge for impairment of doubtful debts is shown against services in the Comprehensive Income & Expenditure Account, which differs from the requirements of the Code which requires that impairment losses arising on financial instruments falling within the Loans and Receivables category are shown against “Interest Payable and Similar Charges”.

The Code sets out more detailed criteria for the assessment of the “impairment” of the outstanding debt and stresses a need to look at individual large debts and their specific circumstances as well as estimating a more general provision based on historic payment trends.

Employee Benefits - Costs

Overtime payments relating to the previous financial year are accrued to that year. The full costs of employees are charged to the accounts of the period within which the employees worked.

The Code requires that councils identify the costs of any Employee Benefits accrued but untaken at the balance sheet date. These costs primarily consist of any untaken leave, flexitime and time in lieu. The costs are included as a creditor at the year-end and the balance is carried forward in the accumulated absences reserve.

Back pay arising from settling equal pay claims of £35,000 was paid in 2010-11.

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date, or an officer’s

decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Employee Benefits - Retirement Benefits

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

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

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

The liabilities of the Kent County Council pension scheme attributable to Swale Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method. – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bond (the iBoxx AA rated over 15 year corporate bond index as at 31 March 2011).

The assets of the Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities - professional estimate of fair value;
- Unitised securities – current bid price; and
- Property - market value.

The change in the net pensions liability is analysed into seven components:

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for whom the employees worked;
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non-Distributed Costs;
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to financing and

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investment income and expenditure in the Comprehensive Income and Expenditure Account;

- Expected return on assets - the annual investment return on the Fund assets attributable to the Council, based on an average of the expected long-term return – credited to financing and investment income and expenditure;
- Gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – are allocated to the Net Cost of Services as part of Non-Distributed Costs;
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue but to the comprehensive income & Expenditure.
- Contributions paid to the Kent Pension Fund – cash paid as employers' contributions to the Pension Fund.

The provisions of IAS 26 Accounting and Reporting of Retirement Benefits have been adopted in full. IAS 26 requires that the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 26 was that it did not impact on taxation requirements. Where the contributions paid to the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is dealt with by an equivalent appropriation to or from a Pensions Reserve. Actuarial gains/losses are shown as movements on the Pensions Liability Account and Pensions Reserve. There is no cost to the local taxpayer.

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

The Fund's Actuary determines employers' contributions to the pension scheme on a triennial basis. The last actuarial valuation took place on 31 March 2010 and the change in contribution rates as a result of that valuation took effect from 1 April 2011.

Events after the Balance Sheet Date

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included. These are known as 'adjusting events'.

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the Notes to the Core Financial Statement if they are of such materiality that their disclosure is required for the fair presentation of the financial statements. These are known as 'non-adjusting events'.

Exceptional Items

Exceptional items are shown separately within the Comprehensive Income and Expenditure Account where this is necessary to provide a fair presentation of the accounts. In addition, a description of each item is included in a specific note to the accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the derecognition (i.e. cessation or transfer of the loan) of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

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

Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Therefore, long-term investments (those held for greater than one year) are shown in the Balance Sheet at cost. These investments date pre-1974 and total £8,000.

Government Grants and Other External Contributions - Capital

Where the Council receives a government grant or other contribution intended to be used to fund capital expenditure, the total amount of the grant or contribution is credited initially to Capital Grants Receipts in advance. Once the Council is satisfied that all grant conditions have been complied the aggregate value of grants applied to fund capital expenditure is transferred to the Comprehensive Income and Expenditure account. To ensure that the overall revenue effect is neutral and that no charges fall to the local taxpayer this entry is reversed out through the Movement in Reserves statement to the Capital Adjustment Account. The change to IFRS removes the requirement to amortise the grant received over the life of the asset.

If a grant has been received but not applied to fund capital expenditure the Council is required to determine if there are any conditions or restrictions applying to each grant balance. If there are none the grant will be shown on the Balance Sheet as Capital Grants Unapplied. If a grant has been received and it is unclear if any conditions have been met the grant will be shown as capital grants received in advance in the long-term liability section of the Balance Sheet.

Grants and External Contributions – Revenue

Revenue grants and contributions are matched with the expenditure to which they relate.

Grants to support revenue expenditure in general are called general revenue grants (e.g. revenue support grant, area based grant) and are credited to the Comprehensive Income and Expenditure account in Taxation non specific grant income.

Where revenue expenditure funded by capital under statute is financed by capital grants and external contributions, they are recognised as revenue grants and contributions. Any unused balance on Grants and External Contributions - Revenue are shown on the Balance Sheet as short-term creditors.

Group Accounts

The Code broadens the definition of an interest in a company/entity to include “an ability to exert a significant influence”. The guidance included in the 2009 SORP still applies but the

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assessment of the involvement/interest now needs to consider the above when determining whether or not a group relationship exists. This is considered to apply where:

- The authority has an interest in another body and that body is delivering a service or carrying on a trade or business of its own;
- The authority has access to benefits and exposure to risks inherent in realising those benefits;
- The authority controls the majority of equity capital or equivalent voting rights or appoints the majority of the governing body;
- The authority exercises or has the right to exercise dominant influence; and
- The authority is able to exercise a significant influence over the entity without support from other participants.

Having undertaken a review of all potential subsidiaries, associates, and joint ventures against the above criteria, it has been determined that the production of group accounts is not necessary in relation to 2010-11.

Heritage Assets

The 2011-12 financial statement requires the adoption of FRS 30 “Heritage Assets” by the Council. This will require separate disclosure of the carrying amounts of the assets and, where not held on the Balance Sheet, a need to disclose the nature and the organisation’s stewardship of heritage assets.

Intangible Assets

These are non-financial non current assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. The most common class of intangible asset in local authorities is computer software.

An intangible asset shall initially be measured at cost and is not subject to revaluation. It is, however, subject to amortisation which for computer software has been assessed as seven years.

Inventories

Stocks for stationery are valued at the latest cost price, which differs from the requirements of the Code, which requires stocks to be shown at the lower of cost or net realisable value. The difference between these methods of valuation is immaterial.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Arrangements

The Council has an interest in one Joint Arrangement. The Council contributes to the running costs of the South Thames Gateway Building Control Partnership (STGBCP). The Council's Balance Sheet and Comprehensive Income and Expenditure account also includes a share of the assets and liabilities of this organisation. The Council's share is 27%.

Leases

Finance Leases - the Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable is apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible non current asset – the liability is written down as the rent becomes payable); and
- A finance charge (debited to Financing and Investment Income and expenditure in the Comprehensive Income and Expenditure Account as the rent becomes payable).

Non current assets recognised under finance leases are accounted for using the policies applied generally to Tangible non Current Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases - leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Rentals payable under operating leases are charged to revenue on an accruals basis.

The IFRS reporting arrangements require the Council to determine whether or not it benefits from the exclusive use of tangible assets within any of its contract arrangements with third parties. If the Council decides that this is the case it has to decide whether the arrangement is to be considered a lease in accordance with IFRIC12. The Council has determined that the contract for provision of staff cars falls within these requirements and the costs associated with this are reported as part of the notes to the Core Financial Statements.

The Council holds a number of leases with third parties where it is the lessor.

Long-term Liabilities

The portion of any long-term liabilities due to be settled within 12 months after the Balance Sheet date are included within current liabilities.

Non-Current Assets / Property Plant and Equipment (Formerly Tangible Fixed Assets)

All expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis. Expenditure on the acquisition or which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

Expenditure that should be capitalised will include:

- expenditure on the acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, building and other structures; and

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- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen substantially the useful life of the asset; or
- increase substantially the market value of the asset; or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the non-current asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Initially a non-current asset would be measured at its cost. In defining capital expenditure, the Council operates a de minimis level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Non-current assets can be analysed as:

- Property, Plant & Equipment
 - Operational Land and Buildings
 - Infrastructure assets
 - Vehicles Plant and Equipment
 - Community Assets
 - Assets under Construction
 - Leased Assets
 - Non Operational Land and Buildings
- Investment Properties

(See prior note in respect of Intangible Assets.)

Each of these asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Operational assets (including Council dwellings, other land and buildings and vehicles, plant and equipment) are included in the Balance Sheet at the lower of net current replacement cost and net realisable value save for Council dwellings which are valued on the basis of Existing Use Value for Social Housing (EUV-SH);
- Other operational assets (including infrastructure and community assets) are included in the Balance Sheet at historical cost, net of depreciation;
- Non-operational assets (including investment properties and assets that are surplus to requirements) are included in the Balance Sheet at the lower of net current replacement cost and net realisable value;
- Investment properties, normally open market value;
- Other non-operational assets (including assets under construction) are included in the Balance Sheet at historical cost; and
- Intangible non-current assets are included in the Balance Sheet at historical cost, net of depreciation.

As the Council's principal assets are revalued, any gains or losses arising from revaluation are reflected in the Revaluation Reserve. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the

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interim period, as they occur. Where assets are held at Depreciated Replacement Cost (DRC), this has only been undertaken where there is no active market for that asset.

Non-current assets recognised by way of finance leases are treated in the same way as non-current assets, with the only notable exception being that depreciation is charged over the term of the lease where this is shorter than asset's estimated useful life.

As stated above the Council is now required to separately identify any assets held to be Investment Properties.

IFRS requires the consideration of componentisation of material items of property plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. Following a review of our property, plant and equipment asset registers the Council has decided that it will apply the principles of component accounting where the asset has a gross book value (pre depreciation) in excess of £1 million and a residual life of over 25 years. In addition to this, any expenditure on the eligible asset must be in excess of £100,000.

Impairment - In accordance with Financial Reporting Standard IAS 36 "Impairment of Assets", and section 4.7 of The Code, authorities are now required to initially account for all impairments, however generated/incurred against the Revaluation Reserve up to the amount attributable to each specific asset held in that Reserve, and any excess of this amount is then chargeable to the Comprehensive Income and Expenditure Account. Any charges to the Comprehensive Income and Expenditure Account are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

The requirements of IFRS have removed the distinction between impairment arising from consumption of economic benefits and other causes, the former being required to be charged direct to Services under the UK GAAP regulations.

Disposals - when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Account and the receipts from disposals are credited to the Comprehensive Income and Expenditure Account both as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Proceeds from disposals and other receipts are categorised as capital receipts whenever possible. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts from disposals are appropriated to the Usable Capital Receipts Reserve from the Comprehensive Income and Expenditure Account

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Comprehensive Income and Expenditure Account

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

- Newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts; and
- Depreciation is calculated using the straight-line method.

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The standard useful lives for each category of asset are as follows:

Asset	Depreciation Methodology
Land	Depreciation is not normally provided for freehold land (whether operational or non-operational). However, freehold land should be depreciated where it is subject to depletion by, for example, the extraction of minerals
Infrastructure Assets	20-50 Years
Intangible Assets	5 to 7 years depending on the nature of the asset
Investment Properties	No depreciation should be charged
IT Equipment	3 to 7 years depending on the nature of the asset
Non IT Furniture and Equipment	10 to 20 years
Non-Operational Buildings	40 to 60 years depending on the individual asset
Operational Buildings	Usually 50, although this can vary according to the individual asset
Operational Land	30 to 50 years (usually relating to car parks)
Vehicles	Up to 10 Years depending on the type of vehicle

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The useful lives of assets should be estimated on a realistic basis. They should be reviewed regularly and, where necessary, revised. Where the useful life of a non-current asset is revised, the carrying amount of the non-current asset is depreciated over the revised remaining useful life.

Where an asset has major components with different estimated useful lives, these are depreciated separately, but only if the asset has been enhanced recently.

However, if there is a change in the depreciation because of impairment which is material full year depreciation is charged in the year of impairment.

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

Non-Current Assets Held For Sale

These are assets that have been declared surplus to the Council's operational requirements and are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. They will be reported on the balance sheet date at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets available for sale are not subject to depreciation.

Non-Current Assets - Charges to Revenue

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses where they are in excess of the sum available in the Revaluation Reserve are chargeable to the Comprehensive Income and Expenditure Account; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (normally equal to an

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

amount calculated on a prudent basis determined by the Council in accordance with statutory guidance and this is £475,000 in 2010-11). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Comprehensive Income and Expenditure Account by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Best Value Accounting Code of Practice 2010-11'. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non-Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Account as part of Net Cost of Services.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected by restating the comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Provisions

The Council sets aside provisions as required under IAS 37 when the Council recognises that it has an obligation because of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions have been charged to the appropriate Comprehensive Income and Expenditure Account when the Council became aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they will be charged direct to the provision. Estimated settlements are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Consolidated Income and Expenditure Account.

Reserves

Reserves are created by appropriating amounts into the Movement in Reserves Statement from the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service account and so is accounted for as part of the Net Cost of Services in the Comprehensive Income and Expenditure Account. The sum is then appropriated back into the Comprehensive Income and Expenditure Account

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

so that there is no net charge against Council Tax for the expenditure. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The Council also holds a General Reserve which is available to fund revenue expenditure, subject to Members' approval. Statements concerning the purpose and usage of reserves appear in the notes to the core financial statements.

Certain items such as the Revaluation Reserve and the Capital Adjustment Account can only be used for specific statutory purposes and thus are not available for discretionary purposes earmarked by the Council. The IFRS standards require details of Reserves to be reported in the Movement in Reserves Statement, a new table in the core Financial Statements. The balance sheet also clearly separates the useable and unuseable reserves in the Financing section.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation in England allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

REFCUS is charged to the appropriate service revenue account. Similarly, when such expenditure is funded from capital grants and contributions, these grants and contributions are recognised as revenue grants and contributions and credited to the relevant service account. This is because the grants and contributions are regarded as revenue grants and contributions despite their classification as capital grants and contributions for capital control purposes.

Both the expenditure and the grant funding are reversed out in the Comprehensive Income and Expenditure Account with the corresponding entry to the Capital Adjustment Account. This ensures Council Tax is unaffected by REFCUS and its funding by government grant, ensuring compliance with statutory requirements. As REFCUS is included in the Comprehensive Income and Expenditure Account, it will now be included in the revenue activities section of the cash flow statement along with any grants credited to the revenue account.

Any funding of REFCUS by capital receipts requires the Capital Receipts Account to be debited and the corresponding credit entry is to the Capital Adjustment Account.

REFCUS together with the financing (by grants and contributions and by capital receipts) is disclosed in the note on capital expenditure and financing as these items are treated as capital for control purposes.

Segmental Reporting

A segment is a component of the Council's service activity which can be distinguished separately as providing services either by nature of the business or to particular areas of the community. The Council's primary reporting format during the year is by Service but traditionally the Statement of Accounts has been prepared in BVACOP format. The Council is only required to report Segments that constitute a significant proportion of the Council's total business but detailed information has been prepared for all activities as this provides more meaningful data.

VAT

VAT is accounted for separately and is not included in income and expenditure accounts to the extent that it is recoverable, whether of a capital or revenue nature. VAT paid which is not recoverable from HM Revenue & Customs will be charged to service revenue accounts. The Council's partial exemption status is required to be reviewed on an annual basis.

2. Transition to IFRS

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10. The restated 2009-10 accounts (from page 105) explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need a full adoption by the Council in the 2011-12 financial statements. The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011-12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010-11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011-12 financial statements. Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the council are the collections of assets and artefacts either exhibited or stored in the local authority museum. The Council has no significant Heritage assets included within the existing asset clarification under Property Plant and Equipment.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Council is the sole trustee of the Serco Paisa Leisure Trust, a charitable organisation that owns and operates the leisure centres previously owned by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council;
- The Council has managed in house the operation of the Rent Deposit Scheme, which has been treated as a long term debt.

5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Arrears	As at 31 March 2011, the Council had a balance for sundry debtors of £1,341,000. A review of significant balances suggested that an impairment for doubtful debts of 57% (£761,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, the cost of covering the impairment of doubtful debts would require an additional £580,000 to be set aside as an allowance.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £25,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.6m. However, the assumptions interact in complex ways. During 2010-11, the Council's actuaries advised that the net pensions liability had decreased by £10.3m as a result of estimates being corrected as a result of experience and decreased by £10.5m attributable to updating of the assumptions.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

2009-10	Useable Reserves			Movement in Unuseable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non-current assets	3,450			(3,450)
Movements in the market value of Investment Properties				
Amortisation of intangible assets	19			(19)
Capital grants and contributions applied	(2,465)		107	2,358
Revenue expenditure funded from capital under statute	496			(496)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	219			(219)
Statutory provision for the financing of capital investment	(845)			845
Capital expenditure charged to the General Fund and HRA balances	(92)			92
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(370)	370		
Use of the CRR to finance new capital expenditure		(1,004)		1,004
Use of CRR to finance the payments to the Governments capital receipts pool.	10	(10)		
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		19		(19)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4			(4)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	3,583			(3,583)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,278)			3,278
Adjustments primarily involving the Collection Fund Adjustment Account				
different from council tax income calculated for the year in accordance with	(12)			12
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(38)			38
Total Adjustments	681	(625)	107	(163)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

2010-11	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non-current assets	1,979			(1,979)
Movements in the market value of Investment Properties				
Amortisation of intangible assets	19			(19)
Capital grants and contributions applied	(3,683)		70	3,613
Revenue expenditure funded from capital under statute	1,772			(1,772)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	130			(130)
Statutory provision for the financing of capital investment	(840)			840
Capital expenditure charged against the General Fund and HRA balances	(562)			562
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(223)	223		
Use of the CRR to finance new capital expenditure		(294)		294
Use of CRR to finance the payments to the Governments capital receipts pool.	10	(10)		
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		16		(16)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(19)			19
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(3,659)			3,659
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,092)			3,092
Adjustments primarily involving the Collection Fund Adjustment Account				
different from council tax income calculated for the year in accordance with	(17)			17
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)			14
Total Adjustments	(8,199)	(65)	70	8,194

7. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and notes 8 - 10 below.

The Council keeps a number of reserves in the balance sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	Restated 1 April 2010 £'000	Transfers Between Reserves £'000	Revenue Movements £'000	31 March 2011 £'000
Useable Capital Receipts Reserve (Note 8)	773	0	(65)	708
Capital Grants Unapplied (Note 9)	341	0	71	412
General Fund Balance	2,559	-	575	3,134
Useable Earmarked Reserves (Note 10)	6,643	612	-	7,255
Total	10,316	612	581	11,509

8. Useable Capital Receipts Reserve

These are receipts from the sale of assets, which are available for financing new capital expenditure. The disposal costs relating to the capital receipts generated during the year are treated as a revenue transaction in the Comprehensive Income and Expenditure Account.

	2010-11 £'000	2009-10 £'000
Balance at 1 April	(773)	(1,399)
Prior Year Adjustment	(24)	-
Capital receipts in year from sale of assets	(192)	(370)
Capital receipts in year from deferred capital receipts (Note 14)	(16)	(17)
Capital receipts in year from Private Street Works	-	(1)
Capital receipts in year from repayment of grant	(7)	-
Capital receipts applied during the year - financing revenue expenditure funded by Capital under Statute	178	496
Capital receipts applied during the year - financing fixed assets	116	508
Housing Pooled Capital Receipts	10	10
Balance at 31 March	(708)	(773)

9. Capital Grants Unapplied

	1 April 2010 £'000	Transfers Between Reserves £'000	Revenue Movements £'000	31 March 2011 £'000
Communities and Local Government	11	-	-	11
Performance Reward Grant	230	-	(30)	200
Home Repair Loans	101	20	(20)	101
Amicus	-	100	-	100
Total	342	120	(50)	412

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

10. Useable Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010-11.

	Balance as at 1 April 2009	Approp'ns from reserve in year	Approp'ns to reserve in year	Balance as at 31 March 2010	Approp'ns from reserve in year	Approp'ns to reserve in year	Balance as at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Performance Improvement Fund	(167)	41		(126)	151	(450)	(425)
Repairs and Renewals Fund	(265)	43	(99)	(321)	75	(126)	(372)
Partnership Reserve	(439)	139	(150)	(450)	24	(200)	(626)
Sewer Requisition Reserve	(88)	93	(5)	-			-
Building Maintenance Reserve	(699)		(75)	(774)	158	(6)	(622)
Other Miscellaneous Reserves	(26)		(233)	(259)	129	(9)	(139)
Risk Management Reserve	(33)	4	(15)	(44)	24	(15)	(35)
Superannuation	(511)	536	(59)	(34)	368	(156)	178
Transformation Reserve			(113)	(113)		(400)	(513)
Stay Put Grants Reserve			(173)	(173)	71		(102)
Housing Benefit Admin - Performance Standards			(53)	(53)	4		(49)
Primary Care Trust Grant			(40)	(40)	40		-
Climate Change	(22)		(6)	(28)			(28)
Carbon Management		79	(100)	(21)		(66)	(87)
English Partnership			(91)	(91)	45		(46)
Economic Dev & Tourism			(78)	(78)	12		(66)
Council Tax Rate Incentive			(54)	(54)	30		(24)
Local Development Framework	(216)		(76)	(292)	176	(45)	(161)
Housing Reserves	(169)		(75)	(244)	5	(180)	(419)
Community Cohesion	(22)		(11)	(33)			(33)
Invest to Save	(250)	43		(207)		(257)	(464)
Empty Property Initiative	(75)		(53)	(128)	39		(89)
Learning & Skills	(137)	137	(44)	(44)			(44)
VAT reserve		265	(265)	-			-
Local Strategic Partnership	(135)		(23)	(158)	79		(79)
Building Control Surplus	(95)			(95)			(95)
Commuted Sum - Iwade Stream	(30)			(30)			(30)
Parking Surplus (On-Street)	(20)		(22)	(42)	21		(21)
Parish Council Grant Scheme Reserve	(334)	334		-			-
Earmarked Capital Programme, Revenue Funded Reserve				-		(176)	(176)
Insurance Reserve	(4)		(5)	(9)		(9)	(18)
General Reserve	(2,902)	360	(160)	(2,702)	1,053	(1,021)	(2,670)
Total	(6,639)	2,074	(2,078)	(6,643)	2,504	(3,116)	(7,255)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

Performance Improvement Fund	Established in 2007-08 to improve overall performance. Officers are invited to submit a bidding list of proposals.
Repairs and Renewals Fund	Regular contributions are made to this fund from the Statement of Movement on the General Fund Balance. Large items of expenditure are then charged to the service.
Partnership Reserve	The purpose of this reserve is to attract additional resources from third parties for joint funded projects.
Sewer Requisition Reserve	This reserve was for payments to Southern Water for the annual deficits on sewerage schemes at Selling and South Street, which the Council had requisitioned. The Reserve was closed on 31 March 2010.
Building Maintenance Reserve	The purpose of this fund is to meet items of backlog building maintenance as identified in the Council's medium term maintenance plan as well as urgent or unexpected items, with repayment to the fund being made over a period of time, which reflects the estimated life for the repair work.
Risk Management Reserve	This fund was established to finance risk management activities which will maximise the ability of the Council to gain higher rebates of premiums from the Council's Insurance Company.
Superannuation	This fund was established to meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement. Advances from the fund to meet this expenditure are repaid over a number of years.
Transformation Reserve	This is to replenish the Superannuation fund and allows more provision for facilitating change.
Stay Put Grants Reserve	This reserve is for ring fenced external funding for health grants and supporting people grants.
Housing Benefit Admin - Performance Standards	This grant is ring fenced and is to be spent on a single person discount review and the cost of training and mentoring support.
Climate Change	This is funded by an Area Based Grant which is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae.
Carbon Management	This reserve was established by an invest to save fund for climate change related initiatives only.
English Partnership	This fund relates to the transport modelling work.
Economic Dev & Tourism	Local Authority Business Growth Incentives Scheme – ring fenced government grant for economic development and tourism.
Council Tax Rate Incentive	To fund two temporary Council Tax Recovery Officers appointed for a two year period
Local Development Framework	Under the Planning and Compulsory Purchase Act 2004, district Local Plans were abolished and replaced with Local Development Documents (LDDs). Together, the LDDs will comprise a Local Development Framework (LDF) for the district authority area. Any under-spend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund LDF associated work.
Housing Reserves	<ul style="list-style-type: none"> o Private Sector Lease Scheme Reserve - This reserve is to be used to fund the Council's homelessness service in future years. o Rent Deposit Scheme Bond Reserve - The reserve was set up to support new bonds being issued and to fund new homelessness initiatives.
Community Cohesion	This is funded from the Area Based Grant and is being used to fund staff posts.

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

Invest to Save	An Invest to Save Scheme will support the increased emphasis on efficiency and new forms of service delivery in the public sector. Where there is a business case it is a pool of funding to support short to medium term financing for initiatives to enable step changes in service delivery/performance to be achieved.
Empty Property Initiative	This reserve is for ring fenced government grant.
Learning & Skills	This reserve is intended to support projects which contribute to the priorities set out in the Council's Strategy, and to which the Council can make a limited contribution together with resources from other partners.
Local Strategic Partnership	This is funded from the Local Area Agreement Grant.
Building Control Surplus	This Surplus was accumulated from the Council's fee earning Building Control service. From 1 October 2007, the Partnership of Gravesham, Swale and Medway councils have provided this service and as part of the implementation the Council's balance on this reserve was transferred to the Partnership. Any balance on this reserve represents the Council's share of the Partnership's balance.
Commuted Sum - Iwade Stream	Contribution from the developer for the maintenance of the stream.
Parking Surplus (On-Street)	This reserve is to be used for on-street parking.
Earmarked Capital Programme, Revenue Funded Reserve	This reserve reflects the under spend on the following capital schemes in 2010/11.
Insurance Reserve	The Council's insurance policies require that for damage valued at £1,000 or less to Council occupied property, where such damage arises in respect of accidental and malicious damage, flood or theft and other associated risks, then an excess of £1,000 will apply to such cover. In addition, neither the costs of temporary replacement hire cars or compensation costs payable in respect of Public Health Act powers or in respect of loss of early terminated leased cars are insured.. There are separate funds for different risks, with annual contributions made from services to each fund as required.
General Reserve	General Reserve - This reserve is available to fund revenue expenditure and its use is subject to the approval of Members. The General Reserve has been increased in 2010-11 by the VAT Fleming Claims received.
Other Miscellaneous Reserves	This is largely due to previous year under spends on a number of services, it includes <ul style="list-style-type: none"> o Redundancy Allowance – This Reserve is to fund the cost of redundancies in Swale Forward. o Arts Council – Funding reserve for Art at the Centre commissioning programme. o Recruitment costs – This reserve is to be used to fund recruitment costs.

11. Un-useable Reserves

	2010-11 £'000	2009-10 £'000
Revaluation Reserve	6,660	5,864
Capital Adjustment Account	39,535	38,132
Deferred Capital Receipts Reserve	52	69
Financial Instruments Adjustment Account	(123)	(142)
Pensions Reserve	(27,439)	(55,800)
Collection Fund Adjustment Account	104	88
Accumulated Absences Account	(145)	(159)
Total Unuseable Reserves	18,644	(11,948)

12. Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010-11	Restated 2009-10
	£'000	£'000
Balance as at 1 April	(5,864)	(1,756)
Revaluation and Restatement of Assets:		
Downward revaluation of assets set off reserve	95	218
Surplus arising on revaluation of non current assets	(927)	(4,565)
Sub Total Revaluation Adjustments	(832)	(4,347)
Other Adjustments:		
Less Disposal of Assets	0	115
Prior Year Adjustment		10
Less write down of additional depreciation arising from revaluations to historical cost depreciation	106	44
Reclassification of Investment properties	(70)	70
Balance as at 31 March	(6,660)	(5,864)

13. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. This note provides details of the source of all the in-year transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	2010-11 £'000	Restated 2009-10 £'000
Balance as at April 1	(38,131)	(37,799)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revaluation Losses - impairment to CI/E account –		
Investment Assets	46	1,988
Other Assets	828	
Disposal of assets - write out of government grant deferred	-	-
Minimum Revenue Provision	(840)	(845)
Government Grants Deferred	(2,347)	(2,275)
Capital Financing - Revenue (Note 39)	(562)	(92)
Re classify assets to Held for Sale	70	(70)
Write down of revenue expenditure funded from Capital under Statute (REFCUS)	1,772	1,992
Write down of government grants and external contributions that funded REFCUS	(1,224)	(1,497)
Amortisation of Intangible assets	19	19
Depreciation of Tangible Non-current assets	1,954	1,839
Adjusting Amounts Written out of Revaluation Reserve		
Write down of Revaluation Reserve depreciation gains	(106)	(229)
Disposal of assets - write out of Carrying Value	130	219
Revaluation – adj to prior year impairment/Revaluation Reserve	0	(10)
Revaluation - Reversal of prior impairments –		
Investment Assets	(9)	(365)
Other Assets	(34)	
Revaluation - gain direct to CI/E account – Investment Assets	(806)	-
Capital Financing – Capital Receipts		
- Financing Non Current Assets	(116)	(509)
- Revenue Expenditure funded by Capital under Statute (REFCUS)	(178)	(496)
Adjustment to prior year	(1)	(2)
Balance as at March 31	(39,535)	(38,132)

14. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. They arise principally from mortgages on sales of Council houses which, with mortgages granted for the purchase and improvement of private housing, combine to yield the figure given for 'mortgagors' under 'long-term debtors' in the Balance Sheet.

	1 April 2010 £'000	Income £'000	Expenditure £'000	31 March 2011 £'000
Mortgages	69	(17)	0	52

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	1 April 2010 £'000	Income £'000	Expenditure £'000	31 March 2011 £'000
Total	69	(17)	0	52

15. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2010-11 £'000	2009-10 £'000
Balance at 1 April	(142)	(138)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	19	(4)
Balance at 31 March	(123)	(142)

16. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

i) Reconciliation of present value of the scheme liabilities:

	2010-11 £'000	2009-10 £'000
1 April - Opening Defined Benefit Obligation	(100,520)	(66,840)
Current service cost	(1,907)	(871)
Interest cost	(4,695)	(4,524)
Contributions by scheme participants	(528)	(537)
Losses on Curtailments	(68)	(498)
Actuarial gains and losses	18,465	(30,812)
Benefits paid	3,877	3,995
Past Service Costs	7,096	(433)
31 March - Closing Defined Benefit Obligation	(78,280)	(100,520)

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ii) Reconciliation of fair value of the scheme assets:

	2010-11 £'000	2009-10 £'000
1 April - Opening Fair Value of Scheme Assets	44,720	33,370
Expected rate of return	3,233	2,098
Actuarial gains and losses	3,145	9,432
Employer contributions	3,093	3,278
Contributions by scheme participants	527	537
Benefits paid	(3,877)	(3,995)
31 March - Fair Value of Scheme Assets at end of period	50,841	44,720

17. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010-11 £'000	2009-10 £'000
Balance at 1 April	88	75
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	16	13
Balance at 31 March	104	88

18. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010-11 £'000	2009-10 £'000
Balance at 1 April	(159)	(197)
Settlement or cancellation of the accrual made at the end of the preceding year	159	197
Amounts accrued at the end of the current year	(145)	(159)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14	38
Balance at 31 March	(145)	(159)

19. Other Operating Expenditure

	2010-11 Gross Expenditure £'000	2010-11 Income £'000	2010-11 Net Expenditure £'000	2009-10 Net Expenditure £'000
Parish Precepts	767	0	767	700
Levies	324	0	324	324
Payments to the Housing Capital Receipts Pool	10	0	10	10
Gains/losses on the disposal of non current assets (see detail below)	12	(33)	(21)	(151)
TOTAL	1,113	(33)	1,080	883

Details of gains and losses on disposal of non current assets are shown below:

	2010-11 £'000	2009-10 £'000
Capital receipts in year (Note 8) -		
Investment assets	(190)	
Other Assets	(2)	
Miscellaneous	(31)	(370)
Disposal Costs -		
Investment assets	4	
Other assets	2	-
Disposal of assets - write out of carrying value (Note 32) -		
Investment assets	120	
Other assets	10	219
Net (gain)/loss on sales of fixed assets	(87)	(151)

20. Financing and Investment Income and Expenditure

	2010-11 Gross Expenditure £'000	2010-11 Income £'000	2010-11 Net Expenditure £'000	2009-10 Net Expenditure £'000
Interest Payable and Similar Charges	173	0	173	181
Pensions interest cost and expected return on pensions assets	4,695	(3,233)	1,462	2,426
Interest Receivable and similar income	9	(53)	(44)	(59)
(Gain)/Loss on Trading Undertakings (see below)	542	(682)	(140)	(162)
Income and expenditure in relation to investment properties	50	(262)	(212)	(252)
Gains/losses on the revaluation of non-current assets	0	(768)	(768)	
Gains/losses on the disposal of investment properties	124	(190)	(66)	
TOTAL	5,593	(5,188)	405	2,134

21. Trading Undertakings

Trading undertakings relate to those activities that operate in a commercial environment.

	2010-11 Gross Expenditure £'000	2010-11 Income £'000	2010-11 Net Expenditure £'000	2009-10 Net Expenditure £'000
Property Portfolio	238	(374)	(136)	(162)
Markets	20	(43)	(23)	(13)
Building Control (chargeable activities only)	284	(265)	19	13
TOTAL	542	(682)	(140)	(162)

Property Portfolio – The net expenditure above relates to those properties not classified on the Council's balance sheet as investment property. Any expenditure or income relating to investment property is shown under financing and investment income in the Comprehensive Income & Expenditure Statement.

Markets - the three markets in Swale produce an annual income for the Council excluding impairment. They are currently based in Sittingbourne, Sheerness and Faversham.

Building Control - certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The table above shows only the income and expenditure relating to chargeable activities. The Building Control Charges Regulations 2010 require authorities to set fees on the basis of fully recovering the cost of the chargeable service.

22. Taxation and Non Specific Grant Income

	2010-11 £'000	2009-10 £'000
Council Tax	(8,416)	(8,063)
Redistributed National Non Domestic Rate Income (NNDR) - Business Rates	(10,596)	(9,751)
Non Ring Fenced Government Grants (Note 23)	(1,699)	(3,173)
KCC Second Homes Discount	(71)	(62)
Recognised Capital Grants and Contributions	(2,460)	(2,465)
Total	(23,242)	(23,514)

23. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11:

Credited to Taxation and Non Specific Grant income

Non Ring Fenced Grants - these are government grants and external contributions that do not relate to the performance of a specific service.

	2010-11 £'000	2009-10 £'000
Revenue Support Grant	(1,539)	(2,251)
Area Based Grant	(160)	(114)
Local Authority Business Growth Initiative Grant	-	(77)
Performance Reward Grant	-	(20)
Housing and Planning Delivery Grant	-	(640)
Supporting People Programme Grant	-	(71)
Total	(1,699)	(3,173)

- Revenue Support Grant – this is a government grant in aid of local authority services generally, it is based on the government’s assessment of how much an authority needs to spend in order to provide a standard level of service.
- Area Based Grant (ABG) – is a non-ring fenced general grant.
- Local Authority Business Growth Initiative Grant – the aim is to encourage increased local business growth.
- Performance Reward Grant – this is a revenue grant element (50%) for the successful completion of performance for the Kent Local Area Agreement (KA1). KA1 ended on 31 March 2010.
- Housing and Planning Delivery Grant - this Department of Communities and Local Government grant was an incentive scheme to enable the Council area to develop and grow by responding to local housing pressures and to implement more efficient and effective planning procedures. This grant has been reclassified as a non ring fenced general grant; in previous years it was treated as specific to a service.
- Supporting People Programme – this is a one-off grant providing housing related support to vulnerable people to enable them to live independently, and is treated as a non-ring fenced grant as part of Area Based grant.

Grants Credited to Services

	2010-11 £'000	2009-10 £'000
Air Quality Grant	(6)	(38)
Anti-Social Behaviour Grant	(39)	-
Arts Investment Fund Grant	(10)	(63)
Commission for Architecture & the Built Environment Contribution	(2)	(22)
Coast Protection Grant	(24)	(24)
Community Safety Partnership Grant	(10)	(113)
Concessionary Fares	(125)	(314)
Connecting Communities Grant	-	(20)
Crime & Disorder Reduction Partnership Funding	(108)	-
Discount Housing Payments Grant	(60)	(63)

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	2010-11 £'000	2009-10 £'000
Empty Shops Initiative	-	(53)
Erosion Study Grant	(50)	-
Heritage Lottery Grant for Milton Creek	(25)	-
Homelessness Grant	(66)	(66)
Housing Benefit Additional Grant	(43)	(6)
Housing Benefit Performance Standards Grant	-	(66)
Housing Benefit Admin Subsidy	(1,221)	(1,342)
Housing/Council Tax Benefit Grant	(59,539)	(56,778)
Interreg Contribution	(28)	13
Kent Police contribution towards Community Support Unit Hawkeye & Communication Officer	(35)	-
Kent County Council Contribution towards Regeneration salary costs	-	(27)
Leisure Centre Grant	(4)	(80)
Ministry of Justice Elections Grant	-	(73)
Performance Reward Grant – Housing Benefits	(114)	(136)
Queenborough and Rushenden Community Development Grant	(70)	(75)
Queenborough Lines Project	(6)	(30)
Recession Funding Grant	-	(48)
Regeneration, Thames Gateway Growth Fund	(372)	(369)
Revenue Expenditure Funded by Capital Under Statute	(1,224)	(1,993)
Safer & Stronger Communities Funding	(31)	-
Salix Grant – Carbon Management	-	(50)
Sittingbourne Masterplan Grant	(50)	(145)
Stay Put Scheme Grants	(107)	(110)
Stayput Scheme – Grant from PCT	(115)	(186)
Sports Unlimited Grant	(31)	-
Sure Start Grant	(494)	(553)
Underage Drinking Schemes Funding from PCT	-	(108)
Other Grants	(228)	(244)
Total Grant Income Credited to Cost of Services	(64,237)	(63,182)

The Council has recognised all Revenue grants, contributions or donations received as income, as any conditions attached to them have been, or will be met.

24. Acquired and Discontinued Operations

The Rent Deposit Scheme was set up in 2002 and launched in February 2003 with funds provided by the Office of the Deputy Prime Minister as an initiative to prevent homelessness. Initially the scheme was operated by Crowebridge Housing who subsequently became Casa Support and then part of the AmicusHorizon Group up until March 2010, after when the scheme was transferred back to the Council to be managed 'in-house' and the balance of monies held by Amicus were transferred back to the Council. Therefore, in the first part of April 2010 those debtors where either payments were being received or there was strong expectation of receiving payment, were set up on the Council's Accounts Payable system. Thereafter payments made against the debt were recorded on the debtor system in the usual way. The typical debt is given five years for recovery and therefore can be classified as a "long term debt".

25. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

	2010-11	2009-10
	£000	£000
Basic allowance	157	157
Special responsibility allowance	93	85
Members travel and IT allowance	23	24
Total	273	266

The Members' Allowances Scheme can be inspected on the Council website or during normal office hours at the Council offices, Swale House, East Street, Sittingbourne. In accordance with the Local Authority (Members Allowances) (England) Regulations 2003, details of payments to individual Members are published annually.

26. Senior Officer Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was:

Remuneration band	2010-11 Number of employees	2009-10 Number of employees
£50,000 - £54,999	5	6
£55,000 - £59,999	3	3
£60,000 - £64,999	2	8
£65,000 - £69,999	2	3
£70,000 - £74,999	4	3
£75,000 - £79,999	1	
£80,000 - £84,999		
£85,000 - £89,999		1
£90,000 - £94,999	1	1
£95,000 - £99,999	1	2
£100,000 - £104,999		
£105,000 - £109,999		1
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 - £124,999		
£125,000 - £129,999		
£130,000 - £135,000	1	
	20	28

Note: These remuneration bands include senior employees - this has been applied consistently to both years.

Remuneration comprises:

- a) All sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- b) Expense allowances chargeable to tax i.e. the profit element of car allowances; and
- c) The money value of benefits such as leased cars.

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(a) Disclosure of remuneration for senior employees whose salary is £150,000 or more per year

Not applicable.

(b) Senior Officers whose emoluments / salary is between £50,000 and £150,000 per year

(b) (i) 2010-11		2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11
Post holder Information (Post title)	Notes	Salary (Including fees & Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive Swale Borough Council		135,000	-	-	-	-	135,000	43,200	178,200
Director of Corporate Services	Note 1	96,066	-	-	-	1,382	97,448	30,099	127,547
Head of Legal Services	Note 2	91,010	-	-	-	-	91,010	-	91,010
Director of Regeneration	Note 3	77,409	-	-	-	-	77,409	20,973	98,382
Head of Development Services		72,075	-	-	-	-	72,075	23,064	95,139
Head of Economic Development & Cultural Services		72,075	-	-	-	-	72,075	23,064	95,139
Head of Commissioning & Customer Contact		72,075	-	-	-	-	72,075	23,064	95,139
Head of Service Delivery		72,075	-	-	-	-	72,075	23,064	95,139
Head of Corporate Governance & Communications		66,635	-	-	-	-	66,635	21,323	87,958
Chief Executive Thames Gateway Kent Partnership		64,070	-	-	-	-	64,070	20,502	84,572
Head of Housing Services		64,405	-	-	-	-	64,405	20,610	85,015
Head of Finance	Note 4	28,924	-	-	-	-	28,924	-	28,924
		911,819	-	-	-	1,382	913,201	248,963	1,162,164

Note 1: Includes Elections/Acting Returning Officer fees;

Note 2: The Head of Legal post is covered by an interim;

Note 3: The Head of Regeneration started permanent work with the Council in May 2010. In April this post was covered by an interim. Both payments are included in the salary figure;

Note 4: The Interim Head of Finance was employed until the end of June 2010. From June 2010 onwards this post has been covered by a secondment from Kent County Council.

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The services of the Head of Audit Partnership are provided further to the Mid Kent Improvement Partnership (MKIP). Disclosure covering this post will be made by Maidstone Borough Council.

The Head of Property Partnership is shared with Ashford Borough Council under the Swale-Ashford Property Partnership. Disclosure covering this post will be made by Ashford Borough Council.

The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

(b) (ii) 2009-10		2009-10	2009-10	2009-10	2009-10	2009-10	2009-10	2009-10	2009-10
Post holder Information (Post title)	Notes	Salary (Including fees & Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Director of Corporate Services	Note 6	98,979	1,222	-	-	6,014	106,215	26,300	132,515
Chief Executive Swale Borough Council	Note 7	98,275	-	-	-	-	98,275	29,482	127,757
Head of Internal Audit		57,344	(550)	-	36,522	2,402	95,718	17,203	112,921
Head of Development Services		70,085	-	-	-	-	70,085	19,604	89,689
Head of Economic Development & Cultural Services		70,050	-	-	-	-	70,050	19,593	89,643
Head of Service Delivery		65,545	-	-	-	4,134	69,679	19,604	89,283
Head of Corporate Governance & Communications		64,367	-	-	-	-	64,367	17,888	82,255
Chief Executive Thames Gateway Kent Partnership		63,459	-	-	-	-	63,459	18,687	82,146
Head of Commissioning & Customer Contact		65,345	-	-	-	3,778	69,123	12,055	81,178
Director of Regeneration	Note 8	54,209	-	-	-	-	54,209	15,370	69,579
Head of Housing Services	Note 9	33,933	-	-	-	-	33,933	9,429	43,362
Head of Finance	Note 10	17,932	6,296	-	-	1,008	25,236	5,379	30,615
		759,523	6,968	-	36,522	17,336	820,349	210,594	1,030,943

Note 6: Includes Elections/Acting Returning Officer fees in 2009-10.

Note 7: The Chief Executive of Swale Borough Council started with the Council in July 2009. The annualised salary was £130,000.

Note 8: The Director of Regeneration left in October 2009. The annualised salary was £99,721.

Note 9: The Head of Housing Services started with the Council in October 2009. The annualised salary was £61,989.

Note 10: The Head of Finance left at the end of June 2009. The annualised salary was £65,205.

27. External Audit Costs

The Council's auditors are the Audit Commission, an independent watchdog, driving economy, efficiency, and effectiveness in local public services to deliver better outcomes for everyone. Their work spans four main areas: audit, assessment, research and data matching.

In 2010-11, the Council incurred the following fees relating to external audit and inspection:

	2010-11 £'000	2009-10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	132	137
Fees payable to the Audit Commission in respect of statutory inspection	-	30
Fees payable to the Audit Commission for the certification of grant claims and returns	30	29
Fees payable in respect of other services provided by the appointed auditor.	-	9
Total	162	205

The fees payable to the Audit Commission in 2010-11 were substantially lower than in 2009-10. This is as a result of the Audit Commission not charging us for any statutory inspections. There were also no fees for other services payable to the Audit Commission in 2010-11.

28. Long Term Contracts

In 2010-11, the Council is committed to making payments under the following contracts:

- £4,058,000 for the provision of cleansing services (refuse & recycling, street cleansing and public conveniences); the remaining value of the contracts are estimated at £11 million (excluding future indexation and contract variations). The original contract period for all these contracts expires in 2013. Subsequent to the original contract, wheelie bins have been procured from the contractor under a finance lease (for further details see note 57);
- £589,000 for the provision of Leisure Centre Management (including utilities recharges); the remaining value of the contract is estimated at £4.4 million (excluding future indexation, and contract variations). The original contract period expires in 2019; and
- £1,266,000 for the Grounds Maintenance contract. This contract was re-let in January 2007 at a base price of £1,075,000 for 10 years and is subject to annual indexation. The original contract period expires in 2017. The remaining value of the contract is £7.3 million (excluding future indexation and contract variations).

The Council also belongs to a partnership with Kent County Council (KCC) and other Kent District Councils which has received approval for £72 million Public Finance Initiative (PFI) credits to deliver new homes for vulnerable people in Kent. The Council contributed to set up costs (legal costs) in 2007-08. However, as KCC is procuring and managing the project on behalf of the partners, this PFI project has no further accounting implications for the Council. The scheme is known as 'Kent Better Homes Active Lives' PFI project, and its aim was to secure six units for a learning disabilities housing scheme in Faversham. The scheme has been handed over and will be managed in the future by Housing 21, a housing association.

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29. Material Items of Income and Expense

There were no material items of income and expense that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

30. VAT Reimbursement

In 2010-11, the Council received a VAT reimbursement. Following advice from independent tax consultants, a number of reimbursement claims were lodged with Her Majesty's Revenue and Customs resulting in the following sums:

Claims prepared by Pricewaterhouse Coopers on behalf of Swale Borough Council	Claim Settled	Interest Received	Consultant's Fees	Net Income
<i>The House of Lords decision in recent years in the case of Fleming v HMRC [2008] provided the opportunity to make claims for overpaid VAT prior to 04/12/1996 back to 1973 if appropriate - claims were previously blocked by a 3-year cap applied by HMRC. The VAT rate to be applied to the following supplies has been restated, providing the basis for these claims.</i>				
Sporting Services This claim relates to the VAT charged on such services between 01/01/90 to 31/03/94.	(455,889)	(413,589)	173,896	(695,582)
Sports & Recreational Courses This claim relates to the VAT charged on such services between 01/01/78 to 31/03/94.	(90,005)	(151,749)	48,351	(193,403)
Services of a Cultural Nature This claim relates to the VAT charged on such services between 01/01/90 to 31/05/96.	(43,600)	(30,685)	14,857	(59,428)
Excess parking fee This claim relates to the VAT charged on such services between 01/04/73 to 30/11/96 (with an allowance made for the partial claim made by SBC in 1995).	(76,900)	-	3,845	(73,055)
	(666,394)	(596,023)	240,949	(1,021,468)

The £1,021,468 has been transferred to the General Reserve.

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31. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Departments. These reports are prepared on the same basis as the accounting policies used in the financial statements so that the budget mangers see the true financial implications of their decisions.

The income and expenditure of the Council's principal departments recorded in the budget reports for the year is as follows.

The following table shows:

- The income and expenditure of the Council's principal departments recorded in the budget reports for the year;
- How the figures in the analysis of departments' income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement;
- How the figures in the analysis of departments' income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010-11	Staff Costs £'000	Other Expenditure £'000	Internal Charges £'000	Capital Financing Costs £'000	Fees, Charges and Other Service income £'000	Gov't Grants £'000	Interest & Invest Income £'000	Income Council Tax £'000	Interest Payments £'000	Precepts and Levies £'000	Payments to Housing Capital Receipts Pool £'000	Gains/Losses on Fixed Assets £'000	Total £'000
SWALE / ASHFORD PARTNERSHIP	0	499	431	81	(1,292)	0	0	0	0	0	0	0	(281)
LEGAL/ COMMITTEE	14	470	800	0	(3)	0	0	0	0	0	0	0	1,281
ICT	0	0	0	0	0	0	0	0	0	0	0	0	0
HOUSING	0	2,235	1,559	0	(651)	(1,407)	0	0	0	0	0	0	1,736
RESILIENCE PARTNERSHIP	14	32	40	0	0	0	0	0	0	0	0	0	86
DEVELOPMENT SERVICES	0	1,066	1,936	17	(1,058)	0	0	0	0	0	0	0	1,961
CHIEF EXECUTIVE	0	34	19	0	(7)	0	0	0	0	0	0	0	46
COMMUNICATIONS	14	162	181	0	(12)	0	0	0	0	0	0	0	345
AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
SERVICE DELIVERY	0	61,772	5,668	33	(4,225)	(61,146)	0	0	0	0	0	0	2,102
CORPORATE SERVICE	0	76	1,078	0	0	0	0	0	0	0	0	0	1,154

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2010-11	Staff Costs	Other Expenditure	Internal Charges	Capital Financing Costs	Fees, Charges and Other Service income	Gov't Grants	Interest & Invest Income	Income Council Tax	Interest Payments	Precepts and Levies	Payments to Housing Capital Receipts Pool	Gains/ Losses on Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
REGENERATION	0	0	0	0	0	0	0	0	0	0	0	0	0
HUMAN RESOURCES	49	21	346	0	(347)	(8)	0	0	0	0	0	0	61
COMMISSIONING AND CUSTOMER CONTACT	0	6,722	2,436	2,267	(2,561)	0	0	0	0	0	0	0	8,864
FINANCE	(3,748)	7,242	157	1,970	(5,176)	(13,316)	0	(7,561)	0	0	0	0	(20,432)
ECONOMY REGENERATION	50	2,170	1,835	288	(778)	(1,064)	0	0	0	0	0	0	2,501
Total Departmental Spend	(3,607)	82,501	16,486	4,656	(16,110)	(76,941)	0	(7,561)	0	0	0	0	(576)
Less Items not in Cost of Service	(3,520)	(6,098)	(161)	(2,021)	13,627	12,295	44	0	(174)	(1,092)	(10)	56	12,946
Cost of Service	(7,127)	76,403	16,325	2,635	(2,483)	(64,646)	44	(7,561)	(174)	(1,092)	(10)	56	12,370
Add items in Provision of Services	227	4,904	137	210	(16,230)	(12,150)	(44)	0	174	1,092	10	(87)	(21,757)
Provision of Services	(6,900)	81,307	16,462	2,845	(18,713)	(76,796)	0	(7,561)	0	0	0	(31)	(9,387)

2009-10 Comparative Figures:

2009-10	Staff Costs	Other Expenditure	Internal Charges	Capital Financing Costs	Fees, Charges and Service income	Gov't Grants	Interest & Invest Income	Income Council Tax	Interest Payments	Precepts and Levies	Payments to Housing Capital Receipts Pool	Gains/ Losses on Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SWALE / ASHFORD PARTNERSHIP	0	509	366	155	(1,381)	0	0	0	0	0	0	0	(351)
LEGAL/ COMMITTEE	8	442	795	0	(2)	0	0	0	0	0	0	0	1,243
ICT	0	0	6	0	0	0	0	0	0	0	0	0	6
HOUSING	(242)	2,304	1,724	0	(444)	(1,539)	0	0	0	0	0	0	1,803

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

2009-10	Staff Costs	Other Expenditure	Internal Charges	Capital Financing Costs	Fees, Charges and Service income	Gov't Grants	Interest & Invest Income	Income Council Tax	Interest Payments	Precepts and Levies	Payments to Housing Capital Receipts Pool	Gains/ Losses on Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESILIENCE PARTNERSHIP	3	29	67	0	0	0	0	0	0	0	0	0	99
DEVELOPMENT SERVICES	(8)	839	1,868	22	(1,000)	(14)	0	0	0	0	0	0	1,707
CHIEF EXECUTIVE	0	1	26	0	0	0	0	0	0	0	0	0	27
COMMUNICATIONS	18	81	216	0	(21)	(50)	0	0	0	0	0	0	244
AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
SERVICE DELIVERY	(24)	58,702	5,942	305	(3,893)	(58,763)	0	0	0	0	0	0	2,269
CORPORATE SERVICE	(270)	95	1,515	0	0	0	0	0	0	0	0	0	1,340
REGENERATION	0	0	0	0	0	0	0	0	0	0	0	0	0
HUMAN RESOURCES	195	28	178	0	(453)	(8)	0	0	0	0	0	0	(60)
COMMISSIONING AND CUSTOMER CONTACT	(54)	7,147	2,315	1,426	(2,642)	(24)	0	0	0	0	0	0	8,168
FINANCE	3,072	6,280	123	(2,181)	(18,610)	(923)	0	(7,303)	0	0	0	0	(19,542)
ECONOMY REGENERATION	(60)	2,878	1,751	333	(1,058)	(1,535)	0	0	0	0	0	0	2,309
Departmental Spend	2,638	79,335	16,892	60	(29,504)	(62,856)	0	(7,303)	0	0	0	0	(738)
Less Items not in Cost of Service	(2,858)	(6,411)	(134)	2,719	26,936	922	0	0	0	0	0	0	21,174
Cost of Services	(220)	72,924	16,758	2,779	(2,568)	(61,934)	0	(7,303)	0	0	0	0	20,436
Add items in Provn Services	218	4,832	110	32	(24,821)	(1,872)	(60)	0	181	1,024	10	(151)	(20,497)
Provn of Services	(2)	77,756	16,868	2,811	(27,389)	(63,806)	(60)	(7,303)	181	1,024	10	(151)	(61)

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

32. Property Plant and Equipment

Property Plant and Equipment Classification 2010-11	Operational Assets					Non Operational	TOTAL PPE Assets £'000	Investment Property £'000	Total Non- Current Assets £'000
	Land & Buildings	Leased Assets	Plant & Equipment	Community	Infrastructure	Land & Buildings			
	£'000	£'000	£'000	£'000	£'000	£'000			
Cost or Valuation									
At 1 April 2010	33,812	3,517	4,959	3,591	3,457	4,104	53,440	2,689	56,129
Additions	185		988	13	1,016		2,202		2,202
Disposals		(21)					(21)	(120)	(141)
Reclassifications	(835)		835				0		0
Revaluation - Reversal prior impairment	16					18	34	815	849
Revaluation Gain on Revaluation Reserve	744					134	878		878
Revaluation - Reversal prior RRA gain	(97)					(5)	(102)		(102)
Revaluation Loss on Services	(852)		(74)				(926)	(47)	(973)
At 31 March 2011	32,973	3,496	6,708	3,604	4,473	4,251	55,505	3,337	58,842
Depreciation and impairments									
At 1 April 2010	(711)	(1,465)	(3,224)	(218)	(361)	(138)	(6,117)		(6,117)
Charge for 2010-11	(751)	(504)	(527)	(38)	(83)	(50)	(1,953)		(1,953)
Disposals		11					11		11
Reclassifications	13		(13)				0		0
Revaluation Gain on Revaluation Reserve	26					25	51		51
Revaluation Loss on Revaluation Reserve	6					1	7		7
Revaluation Loss on Services	85		13				98		98
At 31 March 2011	(1,332)	(1,958)	(3,751)	(256)	(444)	(162)	(7,903)	0	(7,903)
Balance Sheet amount at 31 March 2011	31,641	1,538	2,957	3,348	4,029	4,089	47,602	3,337	50,939
Balance Sheet amount at 1 April 2010	33,101	2,052	1,735	3,373	3,096	3,966	47,323	2,689	50,012
Nature of asset holding									
Owned	31,641		2,957	3,348	4,029	4,089	46,064	3,337	49,401
Finance/Embedded lease		1,538					1,538		1,538
BALANCE SHEET AMOUNT AT 31 MARCH 2011	31,641	1,538	2,957	3,348	4,029	4,089	47,602	3,337	50,939

33. Non-current Asset Valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The freehold and leasehold properties which comprise the Council's property portfolio have been valued by Wilks, Head and Eve Chartered Surveyors and the Valuation Office Agency.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

In 2010-11 a valuation of a proportion of the Council's property assets was carried out by Wilks, Head and Eve who revalued assets to a gross value of £10,868,864 as at 1 April 2010. Following in-year material changes, two properties were subsequently revalued by Wilks, Head and Eve to a gross value of £1,673,204 as at 31 March 2011. An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. Mr K Parker MRICS, an employee of the Council, reviewed both tasks. The results of the impairment review were no change to the values. Wilks Head & Eve is a long established independent partnership of Chartered Surveyors and Town Planners providing a full range of property services to clients in both the public and private sectors.

The Valuation Office Agency is an executive agency of HM Revenue & Customs (HMR&C), the Agency's main functions being: to compile and maintain the business rating and council tax valuation lists for England and Wales; to value property in England, Wales and Scotland for the purposes of taxes administered by HMR&C; to provide statutory and non-statutory property valuation services in England, Wales and Scotland; and, to give policy advice to Ministers on property valuation matters.

The significant assumptions applied in estimating the fair values are detailed in the Accounting Policies.

The table below sets out the progress of the rolling programme of revaluation of the Council's non-current assets:

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

Date Valued (or acquired)	Land & Buildings £'000	Leased Assets £'000	Plant & Equipment £'000	Community £'000	Infra-structure £'000	Non-Operational Land & Buildings £'000	Investment Property £'000	Total £'000
Valued at historical cost				3,348	4,029			7,377
01/04/1962	2							2
31/03/2002			19					19
01/04/2002		6						6
31/03/2003			57					57
31/03/2004			29					29
01/04/2004		6						6
31/03/2005			148					148
01/04/2005		22						22
30/03/2006			116					116
31/03/2006			96					96
01/04/2006		859						859
01/03/2007	8		325					333
01/04/2007		602	207				1	810
01/04/2008	85	43	90					218
17/07/2008	2							2
01/04/2009	22,012					3,493		25,505
01/10/2009	628		438					1,066
30/03/2010	1,657					99		1,756
01/04/2010	5,611		1,432			478	3,336	10,857
31/03/2011	1,636					19		1,655
Grand Total	31,641	1,538	2,957	3,348	4,029	4,089	3,337	50,939

34. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for losses and impairments and subsequent reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 32 and 36 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010-11 the Council has recognised a total net loss/impairment of £25,252 in respect of its non-current assets.

35. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

	2010-11 £'000	2009-10 £'000
Rental Income from Investment property	(262)	(306)
Direct operating expenses arising from investment property	50	54
Net (Gain)/Loss	(212)	(252)

The following table summarises the movement in the fair value of investment properties over the year:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2010-11 £'000	2009-10 £'000
Balance at start of the year	2,689	2,708
Additions		-
Disposals	(120)	-
Net gains/losses from fair value adjustments	768	-
Net Revaluations	648	(36)
Reclassifications	-	17
Other Changes	-	-
Balance at end of the year	3,337	2,689

36. Movement of Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally produced software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. All intangible assets are initially measured at cost and are not subject to revaluation. They are subject to amortisation which for computer software has been assessed as seven years. Software licences are mainly for the Customer Relationship Management System, used in the Customer Service Centre.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £19K charged to revenue in 2010-11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Intangible assets are assets that do not have a physical substance but are controlled by the Council through custody or legal rights. This table shows the movement of intangible assets:

	Purchased Software Licence 2010-11 £'000	Purchased Software Licence 2009-10 £'000
Original Cost	132	132
Accumulated Amortisation to 1 April	(57)	(38)
Balance as at 1 April	75	94
Expenditure in year	0	0
Written off to revenue in year	(19)	(19)
Balance as at 31 March	56	75
Comprising:		
Gross carrying amounts	132	132
Accumulated Amortisation	(76)	(57)

37. Revenue Expenditure Funded by Capital under Statute

Revenue Expenditure Funded by Capital under Statute (REFCUS) relates to capital spend for which there will be no non-current asset (for example grants paid to external organisations) held by the Council. As there is no continuing benefit derived from this

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income and Expenditure Account in the same year that it was incurred.

	Expenditure 2010-11 £'000	Expenditure 2009-10 £'000
Home Renovation Grants	1,772	1,681
Queenborough Old School	-	220
Other	-	92
Total	1,772	1,993

38. Commitments under Capital Contracts

As at 31 March 2011, there was £0.3 million work of commitments under capital contracts for the Sheerness Gateway.

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010-11 £'000	2009-10 £'000
Opening Capital Financing Requirement	8,884	9,330
Capital Investment:		
Capital expenditure due to be provided under leisure contract	(350)	-
Property, Plant and Equipment (see Note 32)	2,202	2,426
Investment Assets (see Note 35)	-	90
Revenue Expenditure funded by Capital under Statute (see Note 37)	1,772	1,993
Total Capital Investment	3,624	4,509
Add Long Term Debtors - Housing Loans (see below)	845	842
Sources of Finance:		
Capital Receipts (see Note 8)		
Financing revenue expenditure funded by Capital under Statute	(178)	(496)
Financing fixed assets	(116)	(509)
Government Grants & External Contributions		
Financing revenue expenditure funded by Capital under Statute	(1,224)	(1,497)
Financing fixed assets	(1,544)	(1,516)
Regional Housing Board Monies - Funding of private fixed assets	(845)	(842)
Sums set aside from revenue -		
Minimum Revenue Provision	(840)	(845)
Direct Revenue	(562)	(92)
Total Sources of Finance	(5,309)	(5,797)
Closing Capital Financing Requirement	8,044	8,884
Explanation of movements in Capital Financing Requirement in year:		
(Reduction)/ Increase in underlying need to borrow (unsupported by governmental financial assistance)	(840)	(446)
(Decrease)/Increase in Capital Financing Requirement	(840)	(446)

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Long Term Debtors – Housing Loans £845,000 - these are included as part of the total capital expenditure because they are similar to Revenue Expenditure Funded from Capital under Statute, in that they do not come within the definition of non current assets but nevertheless constitute expenditure for capital purposes under the capital controls regime. Therefore, the expenditure has to be included in the Council’s calculation of its capital financing requirement. These amounts paid out take the form of advances for which repayment is expected.

The decrease in the underlying need to borrow (unsupported by government financial assistance) in 2010-11 represents the Minimum Revenue Provision of £475,000 and net depreciation on embedded leases.

Capital expenditure of £350,500 was incurred at the Swallows Leisure Centre by SERCO on behalf of the Council. This expenditure is to be funded via a credit sale agreement and was already included in the CFR balance brought forward, and therefore the “expenditure” incurred in 2010-11 had to be reversed out.

40. Long-term Debtors - Other

Long-term debtors are those that fall due after a period of at least one year. They are interest free loans, and are classed as ‘soft loans’. The Code sets out specific accounting requirements for soft loans and as such, these loans are shown at their impaired value. More detail on soft loans, are contained in the Notes to the Accounts under Loans and Receivables on page 78.

For details on the Rent Deposit Scheme see note 24 on page 57.

	31 March 11 £'000	31 March 10 £'000
Assisted Car Purchase Loans	110	73
Housing Repair Loans	2,250	1,438
Homelessness Prevention Loans	94	154
Private Street Works	9	9
Payments in advance under Leisure Contract	356	356
Sub Total	2,819	2,030
Rent Deposit Scheme - Gross Debt	506	-
Rent Deposit Scheme - Bad debt provision	(462)	-
Sub Total Rent Deposit Scheme	44	-
TOTAL	2,863	2,030

41. Current Assets Held for Sale

	31 March 2011 £'000	31 March 2010 £'000
Balance Outstanding at start of year	525	-
Assets newly classified as held for sale	-	525
Balance Outstanding at year end	525	525

Current assets held for sale are those assets that are available for immediate sale, that are actively being marketed and are expected to be sold within one year of the date of classification.

42. Inventories

This relates to the print department’s paper stock. The balance as at 31 March 2011 was £1,220 (31 March 2010 £2,010).

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

43. Cash and Cash Equivalents

	31 March 11 £'000	Restated 31 March 10 £'000	Movement £'000
Cash Overdrawn	(186)	(1,001)	815
Call accounts same day access	1,910	724	1,186
Total cash and cash equivalents	1,724	(277)	2,001

Cash Overdrawn at 31 March 2010 has been restated to reflect the changes to reporting under IFRS.

44. Debtors and Payments in Advance

	31 March 2011 £'000	31 March 2010 £'000
Central government bodies	2,243	4,375
National Non Domestic Rates	5,657	3,157
Other local authorities	1,042	1,130
NHS Bodies	12	1
Public corporations and trading funds	(161)	561
Other entities and individuals	2,959	2,744
Payments in Advance	237	181
Total	11,989	12,149

45. Creditors and Receipts in Advance

	31 March 2011 £'000	31 March 2010 £'000
Central government bodies	(494)	(464)
Other local authorities	(1,241)	(433)
Public corporations and trading funds	(1,030)	(961)
Other entities and individuals	(1,639)	(1,550)
Receipts in Advance	(225)	(208)
Total	(4,629)	(3,616)

46. S106 Deferred Revenue Receipts

Section 106 of the Town and Country Planning Act 1990 and section 278 of the Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/ or developers which restrict the development or use of the land in any specified way, require specific operations or activities to be carried out in, on, under or over the land, require the land to be used in any specified way and/or require a sum or sums to be paid to the local planning authority on a specified date or periodically. Agreements can take several different forms, each requiring a distinctive accounting treatment. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Description of Commuted Sum	Balance as at 1 April 2010 £'000	in Year £'000	Credited to Revenue £'000	Balance as at 31 March 2011 £'000
Balance Brought Forward	(1,111)			(1,111)
Interest		(8)	0	(8)
Credited To Revenue		0	135	135
TOTAL	(1,111)	(8)	135	(984)

47. Deferred Liabilities

Deferred liabilities relate to four items:

1) An arrangement with the Council's contractor for Leisure Management who has agreed to provide phased capital expenditure of £1.826 million at the leisure centres over the 15 year life of the contract. Under the contract, the Council is committed to make regular monthly payments for 15 years to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract.

2) A finance lease was entered into in 2007-08 with the Council's contractor for refuse collection for capital expenditure of £0.98 million on new-wheeled bins. The Council is committed to make regular monthly payments until 2013-14 to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure.

3) A new credit sale agreement dated 22 September 2009, was taken out for £250,000 to purchase various equipment for Swallows Leisure Centre. Under the terms of the agreement, the Council is committed to make regular monthly payments for ten years to cover this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure.

4) Also included are the deferred liabilities for embedded leases, i.e. finance leases representing the value of vehicles, plant and equipment that is deemed to be for the exclusive use by the Council for its refuse and grounds maintenance contractors.

	31 March 11 £'000	Restated 31 March 10 £'000	Movement £'000
Deferred liabilities			
- due within one year	(288)	(282)	(6)
- due after more than one year	(2,526)	(3,179)	653
Movement in deferred liabilities	(2,814)	(3,461)	647

Deferred liabilities have been restated at 31 March 2010 to reflect the changes to reporting under the International Financial Reporting Standards (IFRS).

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

48. Capital Grant Receipts in Advance

	1 April 2010 £'000	Income £'000	Expenditure £'000	31 March 2011 £'000
Section 106	(1,201)	(748)	136	(1,813)
Queenborough Youth Facility	(2)	(185)	182	(5)
Regional Housing Board	(810)	(395)	846	(359)
Disabled Facilities Grant	-	(906)	906	-
CCTV	(96)	-	-	(96)
Stronger Communities	(41)	-	-	(41)
Coast Protection	(54)	-	-	(54)
Miscellaneous External contributions.	(34)	(63)	84	(13)
Miscellaneous Government Grants	(57)	(1,145)	1,141	(61)
TOTAL	(2,295)	(3,442)	3,295	(2,442)

The Capital Grants Receipts in Advance Account is a creditor account used for grants and contributions where conditions are outstanding. This account is used for the funding of future capital expenditure.

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

	Balance as at 1 April 2010 £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2011 £'000
Housing	(498)	(100)	-	(598)
Play Areas	(307)	(648)	61	(894)
The Meads Community Centre	(296)	-	52	(244)
Other	(100)	-	23	(77)
Total	(1,201)	(748)	136	(1,813)

Revenue sums not yet applied are held as a deferred revenue receipt (note 46) where the purpose set out in the planning permission is a revenue activity.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

49. Provisions

Provisions	Balance 1 April 2010 £'000	Sum Used £'000	Sum Provided For £'000	Net Movement in Year £'000	Balance 31 March 2011 £'000
Rent Deposit Scheme Bond	(109)	109	-	109	0
Backdated rent review	(131)	131	-	131	-
Total	(240)	240	-	240	0

- (a) The Rent Deposit Scheme provision has been reviewed as a provision in 2010-11 and as Housing are currently reviewing the scheme, the balance was moved to the Rent Deposit Scheme earmarked reserve.
- (b) A provision was set up in 2009-10 to cover the potential cost of a back-dated rent review. This outstanding liability was settled in 2010-11.

50. Events after Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The financial statements and notes have not been adjusted for any events which took place after 31 March 2011.

The Council has no post balance sheet events to disclose for the financial year ending 31 March 2011.

51. Notes to the Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following sums for interest received and paid.

	2010-11 £'000	2009-10 £'000
Operating Activities		
Interest Received	44	67
Interest Paid	(175)	(105)

52. Notes to the Cash Flow Statement – Investing Activities

	2010-11 £'000	2009-10 £'000
Investing Activities		
Purchase of Property, plant and equipment, investment property and intangible assets	(1,907)	(2,134)
Purchase of short term and long term investments		
Other Payments for investing activities	(1,351)	(917)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	216	390
Proceeds from short term and long term investments		-
Other receipts from investing activities	4,461	-
Net cash flows from Investing activities	1,419	(2,661)

53. Notes to the Cash Flow Statement – Financing Activities

	2010-11 £'000	2009-10 £'000
Financing Activities		
Cash Receipts of short and long term borrowing	-	1,878
Repayments of short and long term borrowing	-	2,710
Other payments for Financing Activities	(3,378)	(3,241)
Net cash flows from Financing activities	(3,378)	1,347

54. Financial Instruments

(a) Financial Instruments – Classifications

The requirements for accounting for financial instruments are based on IFRS 7 and IFRS 9. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2009 SORP remain.

A financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities and ranges from the most straightforward financial assets and liabilities such as trade receivables and trade payables to the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Liabilities

- Trade payables and other payables;
- Borrowings; and
- Financial guarantees.

Assets

- Bank deposits;
- Trade receivables;
- Loans receivable;
- Other receivables and advances;
- Investments; and
- Derivatives, swaps, forwards and options (this category does not apply to any financial assets held by the Council).

Some types of financial instruments covered by IAS 39 are not covered by the Code because they are not relevant to entities that do not issue equity instruments. These are shown below and are covered in more detail elsewhere in the Council's Statement of Accounts:

- Rights and obligations under leases;
- Employers' rights and obligations under pension schemes; and
- Joint ventures.

Statutory debts do not arise from contracts and are outside the scope of the accounting provisions for financial instruments. Therefore, the following areas have been excluded:

- Council Tax;
- National Non-Domestic Rates;

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

- Housing Benefit Overpayments;
- VAT;
- Her Majesty's Revenue and Customs;
- Election reimbursements; and
- Grant Income Accrued at Year End.

A financial asset or a financial liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument. Trade receivables are an exception. The receivable is not recognised when an authority becomes committed to supply the good or service but when the ordered goods or services have been delivered or rendered. Similarly, a trade payable is recognised when the ordered goods or services have been received.

In the case of a financial liability, an authority does not become a party to the contractual provisions of the instrument unless one of the parties has performed. For example, a loan debt contract is recognised when the cash lent is received rather than when the authority became committed to the loan agreement.

IAS 39 requires financial assets to be classified as one of:

- Fair value through profit or loss (however, this category does not apply to any financial assets held by the Council);
- Available-for sale - this category includes Money Market Funds and are initially measured and carried at fair value. Money Market Funds have a constant net asset value and are pre-priced back to their nominal value at the end of each day, the nominal value is therefore the fair value; and
- Loans and receivables – this category includes fixed term deposits, call accounts and Trade Receivables (Debtors) and are initially measured at fair value and carried at their amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment.

Financial liabilities must be classified as:

- Fair value through profit or loss (however, this category does not apply to any financial liabilities held by the Council), or
- Financial liabilities measured at amortised cost.

Financial assets and liabilities are initially recognised at fair value, plus, if not categorised as fair value through profit or loss, transaction costs.

Subsequent measurement depends on which of the above categories the financial instrument is classified as. Normally measurement is at fair value or amortised cost.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire, or the asset and associated risks and rewards are transferred.

Financial liabilities are derecognised when the obligation specified in the contract expires, is cancelled or discharged.

Balances in money market funds and call accounts at 31 March 2011 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

(b) Financial Instruments – Balances

The financial instruments are disclosed in the Balance Sheet at amortised cost and are analysed across the following categories.

Table 1

Financial Liabilities	Long-Term		Current	
	2010-11 £'000	Restated 2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000
Trade Creditors	-	-	(2,260)	(2,117)
Deferred Revenue Receipts	-	-	(984)	(1,111)
Cash and cash equivalents	-	-	-	(277)
Total Financial Liabilities	-	-	(3,244)	(3,505)

Table 2

Financial Assets	Long-Term		Current	
	2010-11 £'000	Restated 2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000
<u>Loans and Receivables</u>				
Trade Debtors	871	365	1,633	2,500
Soft Loans	2,344	1,592	-	6
Car Loans	110	73	-	-
Mortgages	68	84	-	-
Cash and cash equivalents	-	-	1,724	-
<u>Available for Sale</u>				
Bond Investment at cost – British Government Stocks	8	8	-	-
Total Financial Assets	3,401	2,122	3,357	2,506

The Council does not pledge collateral for liabilities nor hold collateral that is permitted to sell or re-pledge. There has been no allowance for credit losses excepting for trade debtors etc. and there has been no defaults or breaches of any financial instruments.

(c) Gains & Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income & Expenditure Account in 2010-11 in relation to financial instruments are made up as follows:

Table 3

	2010-11 £'000	Restated 2009-10 £'000
Financial Liabilities		
Interest Costs	(173)	(181)
Total Interest Payable and Similar Charges	(173)	(181)
Financial Assets		
Interest Income:		
Loans and Receivables:		
Fixed Term Deposits and Call Accounts	30	40
Available for Sale:		
Money Market Funds	14	19
Total Interest & Investment Income	44	59
Total Net (Surplus)/Deficit for the year on the Provision of Services	(129)	(122)

(d) Fair Value of Assets & Liabilities

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial;
- Where an instrument matures within 12 months, the carrying value is assumed to approximate fair value; and
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

Fair Value is defined in IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

In the case of the Council's investments, these consisted of call accounts for 2010-11. None of the investments was impaired (i.e. at risk of default). Fair values for short term investments, i.e. those with maturity dates falling within twelve months of the Balance Sheet date, have therefore been assessed as being the same as the carrying amount on the Balance Sheet:

- The Council currently has no long-term borrowings by way of loans;
- Where an instrument matures within 12 months, the carrying value is assumed to be an approximation of fair value; and

- The fair value of trade creditors and trade debtors is taken to be the invoiced or billed amount.

Therefore, the fair value for all financial assets and financial liabilities at 31 March 2011 are the same as the carrying amount on the Balance Sheet. Tables 1 and 2 refer.

(e) Nature and Extent of Risks rising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's overall risk management programme takes account of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management, is carried out under policies approved by the Council in the annual Treasury Management Strategy.

The Treasury Management Strategy requires frequent review of interest rate exposure that feeds into the setting and monitoring of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise as to whether new borrowing taken out should be at fixed or variable rates. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments but, in the case of investments, protection of the capital sum must take precedence over the rate of return.

The Council provides written principles for overall risk management as well as written policies within its Treasury Management Strategy covering the following risks and the investment of surplus cash balances;

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity Risk** – the possibility that the authority might not have the funds available to meet its payment commitments;
- **Market Risk** – the possibility that a financial gain or loss might arise for the Council as a result of movements in interest rates;
- **Price Risk** – the possibility that a financial gain or loss might arise as a result of movements in the price of equity investments; and
- **Foreign Exchange Risk** – the possibility that a financial gain or loss might arise as a result of fluctuations in foreign exchange rates.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers. The Council protects the security of the cash it deposits with counterparties using a number of risk management techniques. Principal among these is counterparty risk, which uses a combination of credit ratings, and limits on the term and maximum value of any deposits.

The Council seeks to reduce counterparty risk by: adjusting the maximum amounts that may be invested with institutions (i.e. revising counterparty limits downwards), and reducing the term of investments for smaller institutions, (i.e. investments are not placed with banks and financial institutions unless they have a minimum independent score of short term F1/A+). For Term Deposits and Call Accounts, the Council has a policy of only investing with UK Banks and Building Societies including those that participated in the UK

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Government's Recapitalisation scheme, or Local Authorities. Investments are restricted to £2 million with any one counterparty, and £2 million for institutions within a banking group. Money market funds must have a minimum AAA rating and have a constant net asset value (CNAV). The maximum duration of investments with any counterparty is 364 days. In any period of significant stress in the market, the default position will be for all investments to be made with the Debt Management Office (UK Government).

Any revisions to the counterparty limits for individual institutions are made through case by case assessments, taking into account information available in the financial markets and the advice of the Council's treasury consultants. The authority has a policy of lending which is specified in detail within the annual Treasury Management Strategy Report which is approved by the Council. The authority has not experienced any default on its deposits with banks and building societies over the last five financial years. The Council does not have any funds with Icelandic banks.

The Council regularly monitors its' collection rates and has consistently recovered over 97% of Council Tax and Business Rates. These collection rates are reported as part of the Council's performance management statistics.

The table below summarises the nominal value of the Council's investment portfolio as at the end of 31 March 2011 into the relevant credit ratings.

Table 4

Counterparty/ Country	Short Term Rating (Fitch)	Long Term Rating (Fitch)	Balance Invested at 31 March 2010	Total
			Up to 1 month £'000	£'000
Banks-UK				
RBS Group – National	F1+	AA-	1,910	1,910
Westminster Bank				
Total Banks			1,910	1,910
Total			1,910	1,910

The Ratings above are from Fitch Ratings. The Long Term Rating is the benchmark measure of probability of default. The Short Term Rating has a time horizon of less than 12 months for most obligations, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

The following analysis summarises the Council's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on loans & receivables and adjusted for current market conditions.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Table 5

	Value at 31 March 2011 £'000	% Default based on previous experience	% Default adjusted for current market conditions	Estimated maximum exposure to default at 31 March 2011 £'000	Estimated maximum exposure to default at 31 March 2010 £'000
Deposits with banks and financial institutions					
RBS Group – National Westminster Bank	1,910	0%	0%	0	0
TOTAL	1,910	0%	0%	0	0

The Council does not expect any losses in respect of non-performance by counterparties in relation to deposits. The Council has no historical experience of counterparty default.

Trade Receivables

The following analysis summarises the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on debtors, adjusted for current market conditions.

Table 6

	Value at 31 March 2011 £'000	Average % Debt Impairment Provision Last 5 Years %	% Debt Impairment Provision in 2010-11 %	Debt Impairment Provision for 2010-11 £'000
Customers				
Trade Debtors	1,633	34.35	40.78	(666)
TOTAL	1,633			(666)

The figure for Trade Debtors above includes both current and long-term debtors. Figures for 2010-11 have increased as a result of the Rent Deposit Scheme that was transferred back to the Council to be managed 'in-house'.

The authority allows 30 days credit for sundry debt customers, such that £244,000 of the £1,633,000 total debtor balance is past its due date for payment (£358,000 of the £2,500,000 at 31 March 2010).

The past due date can be analysed by age as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Table 7

	Value at 31 March 2011 £'000	Restated Value at 31 March 2010 £'000
Less than 2 months	34	54
2 to 6 months	65	39
6 months to 1 year	15	55
More than 1 year	130	210
TOTAL	244	358

The figures at 31 March 2010 have been restated to reflect a change in presentation.

Liquidity Risk

As the Council can access borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council's Strategy sets both an Authorised Limit for External Borrowing (£5 million) and an Operational Boundary for External Borrowing (£4 million) and to only borrow for cash flow purposes for periods less than 364 days. There are no other identified borrowing requirements in place at 31 March 2011.

The Council's Prudential Indicator for the Maturity Structure of fixed rate borrowing is as shown below:

Table 8

	Upper limit	Lower limit
Maturity structure of fixed rate borrowing during 2011-12		
under 12 months	100%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

The Council had no outstanding short or long-term borrowing at 31 March 2011.

All current liabilities are due to be repaid within one year and all trade creditors are current.

The maturity analysis of trade creditors within financial liabilities is as follows:

Table 9

	Value at 31 March 2011 £'000	Restated Value at 31 March 2010 £'000
Less than 1 year	2,260	2,117
Total	2,260	2,117

The figures at 31 March 2010 have been restated to remove Finance Leases which are not covered by the Code because they are not relevant to entities that do not issue equity instruments. These are covered in more detail elsewhere in the Council's Statement of Accounts.

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be an increase in interest receivable on variable rate investments of £70,000.

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated within the Mid Year Treasury Monitoring report, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable and fixed rate borrowing for the year, although in 2010-11 there were no proposals to take out any new borrowing, and investments are all short term.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

Price Risk

The Council holds only minimal investments in UK Government bonds and therefore is not exposed to any significant gains or losses arising from movements in the price of these bonds. As at 31 March 2011 these bonds were valued at cost at £8,000.

Foreign Exchange Risk

The Council does not hold any financial assets or liabilities held in foreign currency and therefore is not exposed to any gains or losses arising from movements in exchange

rates. However, the Council is due to receive a grant claim (INTERREG) in euros in 2011-12 relating to activity in 2010-11. Therefore, there is a risk that the value of the final payment will not match the value of the original claim.

(f) Financial Instruments – Interest on Long Term Debt

The Council does not currently have any long term debt and there is no expectation to change this position within the period of the Medium Term Financial Strategy.

55. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Non Ringfenced Grants received from government departments are set out in note 23.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010-11 is shown in note 25. During 2010-11, no works and services were commissioned from companies in which members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition no grants were paid to voluntary organisations in which members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. In all instances, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Officers

During 2010-11, the officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

Other Public Bodies

On 1 October 2007, the Building Control Unit transferred to the South Thames Gateway Building Control Partnership (STGBCP), along with the respective units of Medway Council and Gravesham Borough Council. This activity has been defined as a Joint Arrangement that is Not an Entity (JANE). Therefore, the Council's accounts reflect not the amount paid to the STGBCP for building control activities, but the Council's share of the STGBCP's income, expenditure, assets and liabilities for the period.

Entities Controlled or Significantly Influenced by the Authority

Payment of subsidy of £80,000 was made to Faversham Pool in 2010-11. The Trust is deemed to be influenced significantly by the Council through its representation on the Trust board.

There has been an approach to elected Members and senior management seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council. Returns were received from all Members and Senior Officers.

It is our opinion that none of the above transactions have the ability to influence the Council's decisions or priorities. We have therefore considered these not to be material.

56. Group Accounts

The Code contains detailed requirements for the production of group accounts and a review was undertaken to identify any subsidiaries, associates, or joint ventures, which would establish whether a group relationship exists for the purposes of the Council's Statement of Accounts.

With regard to the Faversham Swimming Pool Management Committee (FSPMC), as the Council appoints the majority of the governing body it falls within the definition of a subsidiary. However, as the grant from the Council to FSPMC amounted to £80,000 in 2010-11, it is considered that this exposure to risk is not material. Accordingly, group accounts have not been prepared. The FSPMC is a charitable trust, which operates a swimming pool complex for the benefit of local residents.

It is our opinion that the Council's exposure to risk because of the above grant of £80,000 is not material in comparison to the Council's net cost of services of £12 million.

The FSPMC accounts for 2010-11 are due to be approved in August 2011 after which details will be given of revenue income and expenditure and net assets.

The latest accounts of the Committee can be obtained from the Charity Commission as follows:

Post	Charity Commission Direct P.O. Box 1227 Liverpool L69 3UG
Telephone	0845 3000 218
Internet	www.charity-commission.gov.uk

Please note that you will need to provide the name of the charity and the registration number, being 'The Faversham Swimming Pool Management Committee' – registration number 302742.

57. Leases

Disclosures in Relation to Finance Leases – Council as Lessee

Finance Leases – The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible Non-current Asset – the liability is written down as the rent becomes payable); and
- A finance charge (debited to financing and investment income and expenditure in the Comprehensive Income and Expenditure Account as the rent becomes payable).

Non Current assets recognised under finance leases are accounted for using the policies applied generally to Tangible Non-current Assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life.

The Council took out a new finance lease in 2007-08 for blue recycling bins and glass caddies. This finance lease arrangement was in three phases and the total number of bins now held under this arrangement are 51,000 bins and 50,000 glass caddies which are being repaid over the life of the contract. The rentals paid in 2010-11 were £171,232 charged to the Comprehensive Income and Expenditure Account as £16,241 finance costs (debited to interest payable) and £154,991 relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Movement in Reserves Statement). As at 31 March 2011 the outstanding principal sum was £559,000.

The following values of assets are held under finance leases by the Council, accounted for as part of tangible non current assets:

	2010-11	2009-10
	£'000	£'000
Gross Value	972	972
Accumulated Depreciation	(413)	(274)

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2010-11 £'000	2009-10 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	155	159
Non-current	513	390
Finance costs payable in future years	39	22
Minimum Lease Payments	707	571

	Minimum Lease Payments		Finance Lease Liabilities	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Not later than one year	171	171	159	155
Later than one year and not later than five years	292	464	400	543
Later than five years	-	-	-	-
Total	463	635	559	698

Disclosures in Relation to Operating Leases – Council as Lessee

Operating Leases – Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. Rentals payable under operating leases are charged to revenue on an accruals basis.

Plant and equipment – as at 31 March 2011 the Council had 12 service vehicles on a contract hire-operating lease basis and 28 staff lease vehicles. The Council is committed to making payments of £97,300 in 2011-12 and onward as detailed below. This commitment is expected to expire within three years of the Balance Sheet date. The amount paid under these arrangements in 2010-11 was £96,772.

	2010-11 £'000	2009-10 £'000
Not later than one year	64	97
Later than one year and not later than five years	33	77
Later than five years	-	-
Total	97	174

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010-11 £'000	2009-10 £'000
Minimum lease payments	97	174
Contingent rents	-	-
(Sublease payments receivable)	-	--
Total	97	174

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Disclosures in Relation to the Council Acting as Lessor

Operating Leases

The Council holds a number of operating leases with third parties. The following table details the main operational leases with third parties.

Asset	Lessee	Term	Value per annum in £'000
Leisure Centres	Swale Community Leisure Trust	15 years	Peppercorn
Faversham Pool	Faversham Swimming Pool Management Committee	99 years	Peppercorn

In addition to these the Council has a number of operating leases on non operational assets (commercial, industrial, community and miscellaneous properties) with third parties.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010-11 £'000	2009-10 £'000
Not later than one year	47	51
Later than one year and not later than five years	118	105
Later than five years	626	571
Total	791	727

Embedded Leases

The transition to IFRS requires the Council to identify within any long term contracts any assets that are used by the contractor exclusively for works carried out on the Council's behalf. The Council then has to account for these assets on its balance sheet. The review of the Council's contracts has identified that the vehicles used within the Grounds maintenance contract and the Cleansing contract need to be accounted for as "embedded leases".

The asset, net of depreciation is therefore shown within non-current assets and the notional liability within long term liabilities. The asset value is depreciated over the life of the vehicles equivalent to the calculated notional lease repayment.

	2010-11 £'000	2009-10 £'000
Value of Embedded Lease assets, net of depreciation	989	1,354
Notional long term liability	(989)	(1,354)

The notional gross investment is made up of the following amounts:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2010-11 £'000	2009-10 £'000
Finance lease liabilities (net present value of minimum lease payments)	989	1,354
Gross investment in the lease	989	1,354

The notional gross investment in the lease and the minimum lease payments will be accounted for over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Not later than one year	350	335	392	396
Later than one year and not later than five years	393	732	420	799
Later than five years	8	20	9	21
Total	751	1,087	821	1,216

58. Termination Benefits

The Council terminated the contracts of five employees in 2010-11, incurring liabilities of £44,000. These liabilities are a result of employee acceptance of voluntary redundancy or termination of employment before the normal retirement date. Voluntary early retirements are not included in these totals as such benefits are available as a right of all scheme members.

59. Defined Benefit Pension Scheme

(a) Participation in pensions schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees final pay and length of service.

(b) Change of accounting policy

None

(c) Revenue transactions relating to retirement benefits

The costs of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and General Fund Balance via the Movement in Reserves Statement during the year:

	2010-11 £'000	2009-10 £'000
<u>Comprehensive Income and Expenditure Account</u>		
<u>Cost of Services</u>		
Current Service Cost	1,907	871
Past Service Costs	(7,096)	(212)
Settlements/Curtailments	68	498
<u>Financing and Investment Income and Expenditure</u>		
Interest Cost	4,695	4,524
Expected Return on Assets in the Scheme	(3,233)	(2,098)
Total post employment benefit charges to the surplus or deficit on the provision of services	(3,659)	3,583
<u>Other Post Employment Benefit Charges to Comprehensive Income and Expenditure Account</u>		
Actuarial Gains and Losses	21,610	(21,380)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	17,951	(17,797)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the Code	3,659	(3,583)
<u>Actual amount charged against the General Fund Balance for pensions in the year:</u>		
Employers' contributions payable to scheme	3,092	3,278

The Government has announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This is accounted for as a past service gain in the Comprehensive Income & Expenditure Account. The capitalised gain from the change in pension increase policy from RPI to CPI is calculated at £7,096,000 for the council.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010-11 is a gain of £21,610,000.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

(d) Assets and liabilities in relation to retirement benefits

i) Reconciliation of present value of the scheme liabilities:

	2010-11 £'000	2009-10 £'000
1 April	(100,520)	(67,485)
Current Service Cost	(1,907)	(871)
Interest Cost	(4,695)	(4,524)
Contributions by scheme participants	(527)	(537)
Losses on Curtailments	(68)	(498)
Actuarial gains and losses	18,465	(30,812)
Benefits Paid	3,877	3,995
Past Service Costs	7,096	212
31 March	(78,279)	(100,520)

ii) Reconciliation of fair value of the scheme assets:

	2010-11 £'000	2009-10 £'000
1 April	44,720	33,370
Expected rate of return	3,233	2,098
Actuarial gains and losses	3,145	9,432
Employer contributions	3,093	3,278
Contributions by scheme participants	527	537
Benefits paid	(3,877)	(3,995)
31 March	50,841	44,720

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

The actual return on plan assets in the year was a gain of £6.1 million (2009-10: gain of £11.4 million).

(e) Pension scheme history

The underlying assets and liabilities for retirement benefits attributable to the Council are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Present value of Liabilities in the scheme	(78,280)	(100,520)	(66,840)	(68,940)	(78,600)
Fair value of assets in the scheme	50,841	44,720	33,370	41,730	48,020
Surplus/(deficit) in the scheme	(27,439)	(55,800)	(33,470)	(27,210)	(30,580)
Cumulative Actuarial Gains and Losses	(13,207)	(34,817)	(13,437)	(8,037)	(11,517)

The liabilities show the underlying commitments that the Council has in the end to pay post employment (retirement) benefits. The total liability of £27.439 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £2.349 million.

(f) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The value of the Kent County Council Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates of the liability are based on the rolled forward value of the Employer's liabilities calculated for the triennial valuation of the scheme as at 31 March 2010, allowing for the different assumptions required under IAS19.

The principal assumptions used by the actuary have been:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2010-11	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.4%	7.5%
Gilts	4.4%	4.5%
Bonds	5.5%	5.5%
Property	5.4%	5.5%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.8	21.5
Women	23.9	24.4
Longevity at 65 for future pensioners:		
Men	21.9	22.6
Women	25.8	25.5
Rate of inflation (RPI increases)	3.5%	3.9%
Rate of inflation (CPI Increases)	2.7%	n/a
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate of discounting scheme liabilities	5.5%	5.5%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011		31 March 2010	
	£'000	%	£'000	%
Equity investments	38,706	76	33,114	74
Gilts	509	1	447	1
Bonds	6,111	12	6,265	14
Property	4,584	9	3,132	7
Cash	931	2	1,762	4
Total	50,841	100	44,720	100

(g) History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2010-11	2009-10	2008-09	2007-08	2006-07
	%	%	%	%	%
Differences between the expected and actual return on assets	6	21	(33)	(22)	(1)
Experience gains and losses on liabilities	10	1	0	3	0

(h) Further information on the Kent Pension Fund

Further information can be found in the latest Kent Pension Fund Annual Report, which is available upon request from the Investments Section, County Hall, Maidstone, Kent, ME14 1XQ.

60. Contingent Liabilities
Charges levied

Some local authorities have been challenged about charges levied for the provision of certain information. This is a national issue and the situation is being kept under review.

61. Contingent Assets
Mesothelioma Insurance Claim - Reimbursement sought under Insurance Policies

Further to legal action taken and advice received, final settlement of the claimant's case was made in 2009-10, the total payments made to the claimant being £101,000. The claim concerned a period of employment between 1958 and 1978. Details of the insurance policy held covering the claim between 1957-58 and 1974 were not available during the legal action and payment was required without assurance of insurance cover to reimburse all of the council's costs. Notification of the claim to the subsequently traced first insurer, Norwich Union, has not to date been acknowledged. This will now be referred to the Insurance Ombudsman. As settlement of an insurance claim may not be subject to legal action, there can be no guarantee that full settlement of the Council's claim will be achieved. It is prudent therefore to consider only the offered 4/20th settlement from Municipal Mutual Insurance for the period 1974 to 1978 as the contingent asset, i.e. £20,200.

62. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Head of Finance on 30 June 2011.

63. Trust Funds

The Council acts as sole trustee of two trust funds. The funds of the Trusts do not represent assets of the Council and have not therefore been included in the Balance Sheet. The assets in respect of Swale Recreation Trust have been restated to include the revaluation of land in 2007-08. However, where the Council holds cash on behalf of the Trusts an equivalent creditor to the Trusts has been included as a sundry creditor.

Queenborough Fishery Trust – to provide for the inhabitants of the Borough of Swale (including in particular the former Borough of Queenborough) for: (i) the relief of aged, poor, sick and disabled inhabitants; (ii) the provision and support of facilities for recreation and other leisure occupation in the interests of social welfare with the objective of improving the conditions of life; and (iii) the provision and support of educational facilities.
Swale Recreation Trust – to provide facilities for recreation and other leisure occupation in the interests of social welfare with the objective of improving the conditions of life of the inhabitants of the Borough of Swale.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2010-11 Queenborough Fishery Trust £'000	2009-10 Queenborough Fishery Trust £'000	2010-11 Swale Recreation Trust £'000	2009-10 Swale Recreation Trust £'000
Fund balance brought forward 1 April	24	33	49	50
Income for the year	134	27	3	3
Expenditure for the year	(84)	(36)	(3)	(4)
Fund balance carried forward 31 March	74	24	49	49
Value of Assets	79	30	49	49
Value of Liabilities	(5)	(6)		-
Net Worth	74	24	49	49

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (in this case, Swale Borough Council) in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Note	2010-11 £'000	2010-11 £'000	2009-10 £'000	2009-10 £'000
INCOME					
Council Tax	1	(57,359)		(55,637)	
Transfers from General Fund - Council Tax Benefits		(11,323)		(10,652)	
Business rates	2		(68,682)		(66,289)
Previous year's NNDR Relief Fund			(31,138)		(34,176)
			(204)		(168)
TOTAL			(100,024)		(100,633)
EXPENDITURE					
Precepts and demands -					
Kent County Council		49,535		48,028	
Swale Borough Council		8,328		8,003	
Kent Police Authority		6,556		6,301	
Kent & Medway Towns Fire Authority		3,212		3,092	
			67,631		65,424
NNDR Relief Fund			214		204
Business Rate -					
Payment to national pool		30,966		34,005	
Costs of collection		172		171	
			31,138		34,176
Bad and doubtful debts -	5				
Write offs - Council Tax		220		229	
Provision for non payment - Council Tax		102		114	
			322		343
Contribution towards previous year's Collection Fund					
Kent County Council		432		292	
Kent Police Authority		57		37	
Kent & Medway Towns Fire Authority		28		19	
Swale Borough Council		72		48	
			589		396
TOTAL			99,894		100,543
Deficit/(Surplus) for the year			(130)		(90)
Balance at the beginning of the year			(716)		(626)
Balance at the end of the year (Surplus)/Deficit	5		(846)		(716)

COLLECTION FUND

NOTES TO THE COLLECTION FUND:

1. The Calculation of the Council Tax Base

The Council Tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of Kent County Council, Kent Police Authority, Kent & Medway Towns Fire Authority and Swale Borough Council by the Tax Base for Swale which is 47,276.32. This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The Basic Council Tax payable for each band in 2010-11 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	942.89	6/9	4,843.18
B	1,100.04	7/9	10,026.95
C	1,257.19	8/9	12,777.84
D	1,414.34	9/9	8,870.27
E	1,728.64	11/9	5,681.02
F	2,042.94	13/9	3,072.54
G	2,357.23	15/9	1,813.46
H	2,828.68	18/9	191.06
TOTAL			47,276.32

Additional amounts are payable for precepts levied by the Parish and Town Councils within the Borough.

The level of non-payment provided for in 2010-11 was 0.8%.

The original anticipated income = 47,276.32 x £1,430.57 (Band D plus average Parish Precept) = £67,632,085. The actual income was £68,682,459. The difference is attributable to an increase in properties in the borough and an increase in the collection rate.

2. Income Collectable from Business Ratepayers

Non-domestic rates are organised on a national basis. The government specifies a rate poundage and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The rate poundage set for 2010-11 was 41.4p (2009-10 was 48.5p). A new rating list came into force on 1 April 2005, and the rate poundage was adjusted so that the total raised nationally was not increased. Small businesses have a lower rate poundage of 40.7p (2009-10 was 48.1p).

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a National Non Domestic Rates (NNDR) Pool administered by the government. The government redistributes the sums paid into the Pool back to local authorities based on a fixed amount per head of population.

COLLECTION FUND

The Business Rate income, after reliefs and provisions, was £31.1 million for 2010-11 (£34.2 million for 2009-10). The rateable value for the Council's area at the end of the financial year 2010-11 was £101.6 million (£89.5 million in 2009-10). A national re-valuation led to a new Local Rating List (Valuation List), which was effective from 1 April 2005.

3. Collection Fund Surplus/ Agency Arrangements

The Collection Fund balance at 31 March 2011 of £846,000 relates solely to Council Tax.

Swale's element of the surplus (£104,000) is shown in the Balance Sheet as the Collection Fund Adjustment Account. The Movement in Reserves Statement shows the additional amount credited to the account for the year 2010-11.

Amounts relating to precepting authorities are shown in the Balance Sheet as creditors (for prepaid or overpaid council tax) or as debtors (for council tax arrears). This reflects that billing authorities are acting as agents of the precepting authorities.

4. Significant Precepts and Demands on the Collection Fund

The names of preceptors are disclosed on the face of the Collection Fund Statement.

	2010-11 £'000	2009-10 £'000
Parish and Town Councils		
Bapchild	6,500	6,500
Bobbing	10,300	10,300
Borden	38,026	38,026
Boughton-under-Blean	41,933	39,440
Bredgar	9,000	8,000
Doddington	7,000	6,000
Dunkirk	11,450	9,795
Eastchurch	23,700	23,700
Eastling	2,686	3,140
Faversham Town Council	198,383	189,021
Graveney & Goodnestone	4,845	5,298
Hartlip	5,000	3,750
Hernhill	7,500	6,500
Iwade	29,500	29,899
Leysdown	25,724	23,164
Lower Halstow	19,233	18,764
Luddenham	-	-
Lynsted	15,951	18,604
Milstead	2,000	2,000
Minster	99,371	56,000
Newington	29,854	31,788
Newnham	1,500	-
Norton & Buckland	4,950	4,110
Oare	8,400	5,764
Ospringe	4,500	4,500
Queenborough Town Council	40,500	39,000
Rodmersham	5,000	5,000
Selling	5,518	5,019
Sheldwich, Leaveland & Badlesmere	6,700	6,150
Stalisfield	2,050	1,950

COLLECTION FUND

	2010-11 £'000	2009-10 £'000
Teynham	41,480	40,480
Throwley	3,281	3,163
Tonge	1,800	1,600
Tunstall	10,510	10,525
Upchurch	27,182	27,219
Warden	16,000	16,000
Total	767,327	700,169

5. Debt Impairment

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

	2010-11 Council Tax £'000	2009-10 Council Tax £'000	2010-11 NNDR £'000	2009-10 NNDR £'000
Balance brought forward 1 April	(838)	(724)	(2,419)	(2,104)
Less Amounts written off	220	229	133	870
Add Increase in Provision	(322)	(343)	(311)	(1,185)
Balance at 31 March	(940)	(838)	(2,597)	(2,419)

Council Tax bad debt provision was calculated by analysing the debts by the year in which they were raised and then by their recovery stage, against which a judgement was made on the proportion of the debt that was non-collectable. In addition, a percentage of non-payment (0.8%) was applied to the total tax due less the write-offs in year. As at 31 March 11, the total outstanding debt for council tax was £3.9 million of which debt one year old was £1.9 million, debt 2 to 5 years old was £1.7 million and debt over 5 years old was £0.3 million.

The provision for NNDR debt was based on an assessment of each debt in respect of each financial year since 1995-96. The bad debt provision took into account the recovery action, receivership/administration arrangements and potential absconders. The write-off of sums in excess of £5,000 was authorised by the Executive.

Under the Code, NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the billing authority and are not recognised in the Balance Sheet.

In October 2008 the Valuation Office Agency made significant changes to the Sheerness Port Cumulative Rating Assessment and brought into the 2005 rating a list a number of new hereditaments backdated to April 2005. This warranted our Non-Domestic Rates team raising backdated liabilities to businesses in the port of Sheerness. On 27 May 2010 the government issued The Non Domestic Rates (Collection and Enforcement) (Local lists) (England) amendment regulations 2010 no.1507, which suspended payments towards the arrears. However, some companies have chosen to make payments during 2010-11.

Following an impact assessment of the Localism Bill it was announced that the cost of cancelling the backdated rates bills will be met by central Government. There will not be

COLLECTION FUND

an impact upon revenues for Local Authorities allocated to them as part of the Local Government Financial Settlement.

GLOSSARY

ACCOUNTING POLICIES	Accounting policies define the process whereby transactions and other events are reflected in financial statements.
ACCRUALS	The inclusion of outstanding debtors and creditors in the year's income, gross expenditure and capital expenditure.
ACTUARIAL GAINS AND LOSSES	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.
ACTUARY	An actuary is a suitably qualified independent consultant employed to advise the Council upon the financial position of the pension fund.
AMORTISED COST	Some assets and liabilities will be carried at 'amortised cost', where part of their carrying amount in the Balance Sheet will either be written down or written up via the Comprehensive Income and Expenditure Account over the term of the asset or liability.
APPROPRIATION	An Appropriation is a transfer of resources between reserves.
ASSET	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non current asset has use and value for more than one year where a current asset can readily be converted into cash.
AUDIT COMMISSION	An Independent body created by the Local Government Finance Act 1982 with responsibility for the external audit of local authority accounts.
BALANCE SHEET	A summary of all the assets, liabilities, funds, reserves, etc. of the Council.
BEST VALUE ACCOUNTING CODE OF PRACTICE	The Best Value Accounting Code of Practice provides guidance on the content and presentation of the costs of service activities.
BILLING AUTHORITY	A local authority charged by statute with the responsibility for the collection of and accounting for Council Tax, NNDR and residual Community Charge. Swale Council is a billing authority.
BUDGET	The Council's aims and policies set out in financial terms against which performance is measured. Both capital and revenue budgets are prepared.
BUSINESS RATE GRANT	The Council's share of the total local business rates collected for England & Wales.
CAPITAL ADJUSTMENT ACCOUNT	The account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non current assets, or for the repayment of external loans.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non current asset.
CAPITAL FINANCING	The raising of money to pay for capital expenditure, including borrowing, revenue financing, useable capital receipts, capital grants and capital contributions.
CAPITAL PROGRAMME	The capital schemes the Council intends to carry out over a specified time period.
CAPITAL RECEIPTS	The proceeds of the sale of capital assets.
CASH AND CASH EQUIVALENTS	The most liquid assets found within the asset portion of the balance sheet
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY	The principal accountancy body dealing with local government finance.
CODE OF PRACTICE	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the authority
COLLECTION FUND	A separate fund maintained by a billing authority which records the expenditure and income relating to Council tax, non-domestic rates and residual community charges.
COMMUNITY ASSETS	Non-current assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT	This Account records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.

GLOSSARY

CONTINGENT ASSETS	A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control.
CONTINGENT LIABILITY	Either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the Council's control; or, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required.
COUNCIL TAX	A local tax set by local authorities in order to finance their budget requirement. The level set by a Council will be dependent on its net expenditure in relation to its Formula Grant.
CREDITOR	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
CURRENT ASSETS	An asset held which will be used or received within the next financial year.
CURTAILMENT	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.
DEBTOR	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEPRECIATION	The measure of the cost or re-valued amount of the benefits of the non current assets that have been consumed during the period.
DISCRETIONARY BENEFITS	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.
EMPLOYEE COSTS	Pay and associated costs e.g. National Insurance, superannuation and car allowances.
ESTIMATION TECHNIQUES	The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.
EVENTS AFTER THE BALANCE SHEET DATE	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
EXCEPTIONAL ITEMS	These relate to events or transactions that are material in terms of the Authority's overall expenditure but are not expected.
FAIR VALUE	The Fair Value of a non current asset is the price at which an asset could be exchanged in an arms length transaction, less, where applicable, any grants received towards the purchase or use of the asset.
FINANCE LEASE	A lease which transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee.
FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT	An account that holds the values of the differences between statutory requirements and proper practices for borrowings and investments
GENERAL FUND	This is the main revenue account which summarises the costs of all services provided by the Council.
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.

GLOSSARY

GROSS EXPENDITURE	The total cost of providing services before deducting any income.
HOUSING BENEFITS	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.
IMPAIRMENT	A reduction in the value of a non current asset below its carrying amount on the Balance Sheet.
INCOME	Monies received or due from rents, fees and charges for services, specific grants and investment interest.
INFRASTRUCTURE ASSETS	Non Current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created.
INTANGIBLE ASSETS	These are non-financial fixed assets that do not have physical substance but are identifiable and controlled by the authority through custom legal rights (e.g. computer software).
INTERNATIONAL FINANCIAL REPORTING STANDARDS	Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements
INVESTMENT PROPERTIES	Interest in Land and/or buildings in respect of which construction work and development have been completed; and, which is held for its investment potential, with any rental income being negotiated at arm's length.
LIABILITIES	Those amounts which will become payable by the authority in the short or long term.
LIQUID RESOURCES	Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
LONG-TERM INVESTMENTS:	Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.
MATERIALITY	A threshold quality ensuring that information is of such significance as to justify its inclusion in the Statement.
MOVEMENT IN RESERVES STATEMENT	This statement brings together all the gains and losses of the Council during the period. A distinction is made between the reserves that can be used to support revenue spending and those established for other purposes.
NATIONAL NON-DOMESTIC RATES	National Non-Domestic Rate is a standard rate in the pound set by the government on the assessed rateable value of properties used for business purposes.
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.
NET WORTH	This is the overall value of the Balance Sheet at the end of the financial period.
NON CURRENT ASSETS	Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
NON-OPERATIONAL ASSETS	Non Current assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objective of the authority.
OPERATING LEASE	A lease where the ownership of the non current asset remains with the lessor.
OPERATIONAL ASSETS	Non Current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the authority.
OUTTURN	The actual results for the financial year in question.
PRECEPT	The levy made by those authorities which do not run the local taxation system, e.g. county councils on those authorities which do so, e.g. districts requiring them to collect the required income from local taxpayers on their behalf.

GLOSSARY

PRIOR PERIOD ADJUSTMENTS	Those material adjustments applicable to prior years which arise from changes in accounting policies or from the correction of fundamental errors.
PROJECTED UNIT METHOD	An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings.
PROPERTY PLANT AND EQUIPMENT	An asset that is vital to business operations but cannot be easily liquidated. The value of property, plant and equipment is depreciated over the estimated life of the asset as even the longest-term assets become obsolete or useless after a period of time.
PROVISION	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.
PRUDENTIAL CODE	The code sets out a framework for self-regulation of capital spending; in effect, allowing authorities to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable.
RATEABLE VALUE	The annual assumed rental value of a property that is used for business purposes.
RECHARGE	An internal charge made by one Service in respect of services provided for another.
RELATED PARTIES	Parties, bodies, or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council.
REMUNERATION	All sums paid to or receivable by an employee and sums due by way of expenses allowances (chargeable to UK income tax) and the money value of any other benefits received other than in cash. Employer pension contributions are excluded.
RESERVES	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
RETIREMENT BENEFITS	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment.
REVALUATION RESERVE	This account represents the balance of the net surpluses arising on the revaluation of non current assets.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Account.
REVENUE EXPENDITURE/ INCOME	The cost or income related to the day-to-day running of services.
REVENUE SUPPORT GRANT	A grant paid by central government to local authorities to help pay for the cost of their services.
RUNNING COSTS	Regular revenue expenditure other than employee costs and capital charges.
SCHEME LIABILITIES	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date.
SETTLEMENT	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.
SOFT LOANS	Loans made below prevailing interest rates and include loans made to organisations that undertake activities that the authority considers benefits the local population.
TANGIBLE NON CURRENT ASSETS:	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
TRUST FUNDS	Money that does not belong to the Council us but is managed by the Council for the owners of the money.
USEFUL ECONOMIC LIFE	The period over which the Council derives benefits from the use of a non current asset.



Statement of Accounts

For year ended 31 March 2010

The statements and notes that follow represent the changes to the published 2009-10 Statement of Accounts figures following the implementation of International Financial Reporting Standards (IFRS). Only new notes or where there are changes to those previously published are included.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

IFRS - MOVEMENT IN RESERVES STATEMENT

	General Fund £'000	Earmarked Gen Fund Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserve s £'000	Unusable Reserves £'000	Total Reserve s £'000
BALANCE AT 1 APRIL 2009	1,821	6,639	1,399	234	10,093	5,266	15,359
Comprehensive Income & Expenditure							
Surplus / (Deficit) on Provision of Services	61				61		61
Other Comprehensive Income & Expenditure					0	(17,052)	(17,052)
Total Comprehensive Income & Expenditure	61	0	0	0	61	(17,052)	(16,991)
Adjustments Between Accounting Basis & Funding Basis Under Regulations							
Depreciation and Impairment of Fixed assets	3,470				3,470	(3,470)	0
Pension Costs	305				305	(305)	0
Minimum Revenue Provision	(845)				(845)	845	0
Net Gain / Loss on Sale of Fixed Assets	(151)		389		238	(238)	0
Financial Instruments Adjustment Account	4				4	(4)	0
Revenue Expenditure Funded by Capital Under Statute (REFCUS) adjustments	496				496	(496)	0
Employee Benefits	(38)				(38)	38	0
Write out of asset value					0	0	0
Capital Grants Applied	(2,465)			107	(2,358)	2,358	0
Capital Expenditure Charged to the General Fund Balance	(92)				(92)	92	0
Collection Fund Adjustment Account	(13)				(13)	13	0
Transfer from Capital Receipts Reserves to Fund Payment to the Housing Capital Receipts Pool	10		(10)		0	0	0
Transfer from Capital Receipts Reserves to Fund Purchase of Fixed Assets			(1,005)		(1,005)	1,005	0
Net Increase / (Decrease) Before Transfers to / from Earmarked Reserves	681	0	(626)	107	162	(162)	0
Transfers to / from Earmarked Reserves							
Earmarked Reserves	(4)	4			0		0
Increase / (Decrease) in Year	738	4	(626)	107	223	(17,214)	(16,991)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

IFRS - MOVEMENT IN RESERVES STATEMENT

	General Fund £'000	Earmarked Gen Fund Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
BALANCE AT 31 MARCH 2010	2,559	6,643	773	341	10,316	(11,948)	(1,632)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

INCOME AND EXPENDITURE ACCOUNT

SWALE	SORP	IFRS ADJUSTMENTS							IFRS
	2009-10 Net Expenditure £'000	Amortised Grants £'000	Capital Grants £'000	Embedded Leases £'000	Depreciation £'000	Drainage Board £'000	Investment Property £'000	Annual Leave £'000	2009-10 Net Expenditure £'000
Central Services to the Public	1,424	5			7				1,436
Cultural Services	4,475	132		(15)	1				4,593
Environmental Services	7,125	76		(65)	1				7,137
Planning Services	2,088	3							2,091
Highways etc	280								280
Housing	1,710				1				1,711
Corporate and Democratic Core	2,643								2,643
Non-Distributed Costs	859				48	(324)		(38)	545
Net Cost of Services	20,604	216	0	(80)	58	(324)	0	(38)	20,436
(Gain) / Loss on Disposal of Fixed Assets	(475)	324							(151)
IFRS Drainage Board Levy						324			324
Precepts paid to Parish Councils	700								700
Contribution of Housing Capital Receipts to Government Pool	10								10
Trading Undertakings	(414)						252		(162)
Interest Payable and Similar Charges	101			80					181
Pensions Interest Cost	4,524								4,524
Expected Return on Pension Assets	(2,098)								(2,098)
Income and Expenditure in Relation to Investment properties							(252)		(252)
Interest and Investment Income	(59)								(59)
Net Operating Expenditure	22,893	540	0	0	58	0	0	(38)	23,453
Income From Council Tax	(8,063)								(8,063)
General External Contributions	(62)								(62)
General Government Grants	(3,173)								(3,173)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

INCOME AND EXPENDITURE ACCOUNT

SWALE	SORP	IFRS ADJUSTMENTS							IFRS
	2009-10 Net Expenditure £'000	Amortised Grants £'000	Capital Grants £'000	Embedded Leases £'000	Depreciation £'000	Drainage Board £'000	Investment Property £'000	Annual Leave £'000	2009-10 Net Expenditure £'000
Capital Grant Contributions			(2,465)						(2,465)
National Non-Domestic Rate Distribution	(9,751)								(9,751)
(SURPLUS) / DEFICIT FOR THE YEAR	1,844	540	(2,465)	0	58	0	0	(38)	(61)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	£'000
IFRS (Surplus) / deficit arising on revaluation of fixed assets	(4,337)
(Surplus) / Deficit on the General Fund	1,844
Other Adjustments	(5)
Actuarial (Gains) / Losses on Pension Fund Assets & Liabilities	21,380
TOTAL RECOGNISED (GAIN) / LOSS	18,882

IFRS OTHER COMPREHENSIVE INCOME AND EXPENDITURE	17,038
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	16,986

Amortised Grants - The IFRS code no longer allows Government Grants to be written off against the asset over its useful life, therefore the credit incurred in 2009-10 needs to be reversed.

Capital Grants - In line with the amortised grants rather than writing them off they are fully recognised in the year of receipt.

Embedded Leases - The IFRS code requires the calculation and inclusion of finance leases for contractor assets which are used predominately by the authority to provide services. In this case it is for Grounds Maintenance, Street Cleansing and Refuse Collection.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

INCOME AND EXPENDITURE ACCOUNT

SWALE	SORP 2009-10	IFRS ADJUSTMENTS							IFRS 2009-10
	Net	Amortised	Capital	Embedded	Depreciation	Drainage	Investment	Annual	Net
	Expenditure	Grants	Grants	Leases		Board	Property	Leave	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Annual Leave - Under the IFRS code the Council is required to calculate the monetary values of outstanding leave owed to staff as at the end of the financial year.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

BALANCE SHEET

	31 March 2010 Per SORP £'000	IFRS Adjustments 2008-09 £'000	Asset Reclassification £'000	Embedded Leases £'000	Capital Cont Deferred £'000	Cash Equivalent s £'000	Annual Leave £'000	31 March 2010 Per IFRS £'000
Land & Buildings	33,553	(521)	69					33,101
Vehicles, plant and equipment	2,434	(854)	155					1,735
Infrastructure assets	2,960	125	11					3,096
Leased Assets		2,572	(155)	(365)				2,052
Community assets	3,373							3,373
Surplus Assets held for Disposal	2,467	(2,004)	(463)					0
Non Operational Land and Buildings		4,034	(67)					3,967
Property, Plant & Equipment	44,787	3,352	(450)	(365)	0	0	0	47,324
Investment Property	4,985	(2,233)	(63)					2,689
Intangible Assets	75							75
Long Term Investments	8							8
Long Term Debtors	2,114							2,114
Long Term Assets	7,182	(2,233)	(63)	0	0	0	0	4,886
Short Term Investments	724					(724)		0
Stocks & Work in Progress	2							2
Short Term Debtors	12,149							12,149
Assets available for Sale			525					525
Current Assets	12,875	0	525	0	0	(724)	0	12,676
Bank Overdraft	(1001)					1001		0
Cash and Cash Equivalents						(277)		(277)
Short Term Creditors	(3,457)	(197)					38	(3,616)
Current Liabilities	(4,458)	(197)	0	0	0	724	38	(3,893)
Provisions	(240)							(240)
Capital Contributions Deferred	(7,600)	5,866			1,734			0
Deferred Revenue S106 Receipts	(1,111)							(1,111)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

	BALANCE SHEET							
	31 March 2010 Per SORP	IFRS Adjustments 2008-09	Asset Reclassification	Embedded Leases	Capital Cont Deferred	Cash Equivalent s	Annual Leave	31 March 2010 Per IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants Receipts in Advance	(2,636)	341						(2,295)
Lease Liability inc Embedded	(1,825)	(1,719)		365				(3,179)
Pension Liability	(55,800)							(55,800)
Long Term Liabilities	(69,212)	4,488	0	365	1,734	0	0	(62,625)
NET ASSETS	(8,826)	5,410	12	0	1,734	0	38	(1,632)
General Fund Balance	2,559							2,559
Earmarked Reserves	6,643							6,643
Capital Grants Unapplied	0	341						341
Capital Receipts	773							773
Total Usable Reserves	9,975	341	0	0	0	0	0	10,316
Revaluation Reserve	6,049		(185)					5,864
Deferred Capital Receipts	69							69
Capital Adjustment Account	30,935	5,266	197		1,734			38,132
Financial Instruments Adjustment Account	(142)							(142)
Collection Fund Adjustment Account	88							88
Employee Adjustment Account		(197)					38	(159)
Pensions Reserve	(55,800)							(55,800)
Total Unusable Reserves	(18,801)	5,069	12	0	1,734	0	38	(11,948)
NET WORTH	(8,826)	5,410	12	0	1,734	0	38	(1,632)

Embedded Leases - Under the IFRS code we are required to recognise the value of assets held under embedded leases within the balance sheet, this net book value will be offset by a deferred liability on the balance sheet.

Capital Contributions Deferred - The contributions held against purchased assets and are written down in line with the asset life, the new code recognises these contributions in the year that they arise and therefore require the held on this account to be transferred to the Capital Adjustment Account.

Cash Equivalents - These are internally managed investments which have a maturity of less than 3 months of the balance sheet date.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

BALANCE SHEET

31 March 2010 Per SORP £'000	IFRS Adjustments 2008-09 £'000	Asset Reclassification n £'000	Embedded Leases £'000	Capital Cont Deferred £'000	Cash Equivalent s £'000	Annual Leave £'000	31 March 2010 Per IFRS £'000
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Annual Leave - The accrued annual leave is shown within the creditors balance and is offset by an employee adjustment account on the lower half of the balance sheet.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
RESTATED EXTRACT FROM 2009-10 STATEMENT OF ACCOUNTS**

IFRS Cash Flow Statement	2009-10 £'000s	Govt Grants Deferred £'000s	Capital Grants £'000s	Asset Reclass £'000s	Employee Benefits £'000s	Cash Equiv. £'000s	Restated 2009-10 £'000s
a) Net Surplus or Deficit on the Provision of services	1,844	540	(2,465)	58	(38)		(61)
b) Adjust net surplus or deficit on the provision of services for noncash movements							
Depreciation	(1,372)			(58)			(1,430)
Impairment and downward valuations	(1,614)						(1,614)
Amortisation	198	(540)					(342)
Increase in impairment provision for bad debts	(215)						(215)
Movement in Debtors and Creditors	2,564				38		2,602
Pension liability	(305)						(305)
Carrying amount of non-current assets sold	(218)						(218)
Other non-cash items charged to the net provision of services	84		2,465				2,549
c) Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities							
Proceeds from short term and long term investments	38						38
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	390						390
d) Net Cash Flows from Operating Activities	1,394	0	0	0	0	0	1,394
e) Investing Activities							
Purchase of Property, plant and equipment, investment property and intangible assets	2,134						2,134
Other Payments for investing activities	913						913
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(390)						(390)
Net cash flows from investing activities	2,657	0	0	0	0	0	2,657
f) Financing Activities							
Cash receipts of short and long term borrowing							0
Other receipts from financing activities	(1,878)						(1,878)
Repayments of short and long term borrowing	(4,096)					1,390	(2,706)
Other payments for financing activities	3,241						3,241
Net cash flows from financing activities	(2,733)	0	0	0	0	1,390	(1,343)
g) Net increase or decrease in cash or cash equivalents	1,318	0	0	0	0	1,390	2,708
h) Cash and cash equivalents at the beginning of the period	321					2,110	2,431
i) Cash and cash equivalents at the end of the period	(997)					720	(277)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

A. Other Operating Expenditure

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Net Expenditure £'000
Parish Precepts	700	-	700	662
Levies	324	-	324	205
Payments to the Housing Capital Receipts Pool	10	-	10	9
Gains/losses on the disposal of non current assets (see detail below)	18	(169)	(151)	81
Housing Repair Loans	-	-	-	305
TOTAL	1,052	(169)	883	1,262

Details of gains and losses on disposal of non current assets are shown below:

	2009-10 £'000	2008-09 £'000
Capital receipts in year from sale of asset	(370)	(926)
Capital receipts in year from repayment of grant	-	(4)
Disposal of assets - write out of carrying value	219	1,011
Net (gain)/loss on sales of fixed assets	(151)	81

B. Financing and Investment Income and Expenditure

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Net Expenditure £'000
Interest Payable and Similar Charges	181	-	181	107
Pensions interest cost and expected return on pensions assets	4,524	(2,098)	2,426	4,720
Interest Receivable and similar income	13	(72)	(59)	(414)
(Gain)/Loss on Trading Undertakings (see below)	567	(729)	(162)	140
Income and expenditure in relation to investment properties	54	(306)	(252)	(236)
Other Investment Income				
TOTAL	5,339	(3,205)	2,134	4,317

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

C. Trading Undertakings

Trading undertakings relate to those activities that operate in a commercial environment.

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Net Expenditure £'000
Property Portfolio	250	(412)	(162)	
Markets	44	(57)	(13)	45
Building Control (chargeable activities only)	273	(260)	13	95
TOTAL	567	(729)	(162)	140

Markets: The three markets in Swale produce an annual income for the Council excluding impairment. They are currently based in Sittingbourne, Sheerness and Faversham. The Council is in the process of re-tendering to operate all three markets that should be finalised in 2010-11.

D. Taxation and Non Specific Grant Income

	2009-10 £'000	2008-09 £'000
Council Tax	(8,063)	(7,618)
Business Rates (NNDR)	(9,751)	(10,403)
Non ringfenced Grants and Contributions (see table below)	(3,235)	(2,142)
Capital Grants and Contributions	(2,465)	-
TOTAL	(23,514)	(20,163)

Non Ringfenced Government Grants - these are government grants and external contributions that do not relate to the performance of a specific service.

	2009-10 £'000	2008-09 £'000
Revenue Support Grant	(2,251)	(1,448)
Area Based Grant	(114)	(72)
Local Authority Business Growth Initiative Grant	(77)	(8)
Performance Reward Grant	(20)	(210)
Housing and Planning Delivery Grant	(640)	(349)
Supporting People Programme Grant	(71)	-
TOTAL	(3,173)	(2,087)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

E. Movement of Property Plant and Equipment Assets

Property Plant and Equipment Classification 2009-10	Operational Assets					Non Operational Assets		TOTAL £'000
	Land & Buildings	Plant & Equipment	Infrastruc-ture	Community	Leased Assets	Investment Property	Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or Valuation								
At 1 April 2009	31,803	5,147	2,060	2,399	3,532	2,708	4,764	52,413
Additions	747	367	1,385	13			4	2,516
Disposals	(29)	(556)		(4)	(16)		(618)	(1,223)
Reclassifications	(1,199)		(11)	1,184		17	(116)	(125)
Revaluation - Reversal prior impairment	359						6	365
Revaluation Gain	3,674		94			26	533	4,327
Revaluation - Reversal prior RRA gain	(64)					(52)	(69)	(185)
Revaluation Loss	(1,479)		(71)			(10)	(400)	(1,960)
At 31 March 2010	33,812	4,958	3,457	3,592	3,516	2,689	4,104	56,128
Depreciation and impairments								
At 1 April 2009	(318)	(3,266)	(318)	(186)	(959)	0	(80)	(5,127)
Charge for 2009-10	(767)	(427)	(43)	(33)	(507)	0	(61)	(1,838)
Disposals	4	470			2	0	2	478
Revaluation Gain	236					0	2	238
Revaluation Loss	134					0		134
At 31 March 2010	(711)	(3,223)	(361)	(219)	(1,464)	0	(137)	(6,115)
Balance Sheet amount at 31 March 2010	33,101	1,735	3,096	3,373	2,052	2,689	3,967	50,013
Balance Sheet amount at 1 April 2009	31,485	1,881	1,742	2,213	2,573	2,708	4,684	47,286
Nature of asset holding								0
Owned	33,101	1,735	3,096	3,373	0	2,689	3,967	47,961
Finance/Embedded lease	0		0	0	2,052	0	0	2,052
BALANCE SHEET AMOUNT AT 31 MARCH 2010	33,101	1,735	3,096	3,373	2,052	2,689	3,967	50,013

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

F. Leases - Amended for new sub section on Embedded Leases

Embedded Leases

The transition to IFRS requires the Council to identify within any long term contracts any assets that are used by the contractor exclusively for works carried out on Swale BC's behalf. The Council then has to account for these assets on its balance sheet. The review of the Council's contracts has identified that the vehicles used within the Grounds maintenance contract and the Cleansing contract need to be accounted for as "embedded Leases"

The asset, net of depreciation is therefore shown within non-current assets and the notional liability within long term liabilities. The asset value is depreciated over the life of the vehicles equivalent to the calculated notional lease repayment.

	2009-10 £'000
Value of Embedded Lease assets, net of depreciation	1,354
Notional long term liability	1,354

G. Analysis of Net Assets Employed

	31 March 2010 £'m
General Fund	(10)
Trading Undertakings	8
Net Assets / (Liabilities)	(2)

H. Unuseable Reserves - NEW

	2009-10 £'000	2008-09 £'000
Revaluation Reserve	5,864	1,755
Capital Adjustment Account	38,132	37,799
Deferred Capital Receipts	69	87
Financial Instruments Adjustment Account	(142)	(138)
Pensions Reserve	(55,800)	(34,115)
Collection Fund Adjustment Account	88	75
Accumulated Absences Account	(159)	(197)
Total Unuseable Reserves	(11,948)	5,266

I. Revaluation Reserve

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

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	Original 2009-10	IFRS Adjust- ments	Restated 2009-10
	£'000s	£'000s	£'000s
Balance as at 1 st April 2009	(1,750)		(1,750)
Revaluation and Restatement of Non Current Assets			
Downward revaluation set off reserve	21		21
Less write down of additional depreciation arising from revaluations to historical cost depreciation	4		4
Reclassification of Investment properties		7	7
Prior Year Adjustment	1		1
Surplus arising on revaluation of non current assets	(4,560)		(4,560)
Adjustment for current value depreciation to historic cost			
Less Disposal of Non current Assets		115	115
Balance as at 31 March 2010	(6,040)	182	(5,858)

J. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2009-10 £'000	IFRS Adj. 2009-10 £'000	Restated 2009-10 £'000
Balance as at April 1	(32,533)	(5,266)	(37,799)
Minimum Revenue Provision	(480)		(480)
Government Grants Deferred	(217)	(2,058)	(2,275)
Capital Financing - Revenue	(92)	-	(92)
Re classify assets to Held for Sale		(70)	(70)
Revenue Expenditure funded by Capital under Statute (REFCUS)	(496)	-	(496)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

	2009-10 £'000	IFRS Adj. 2009-10 £'000	Restated 2009-10 £'000
Financing non current assets	(509)	-	(509)
Write down of revenue expenditure funded from Capital under Statute (REFCUS)	1,992	-	1,992
Write down of government grants and external contributions that funded REFCUS	(1,497)	-	(1,497)
Amortisation of Intangible assets	19	-	19
Depreciation of Tangible assets	1,416	58	1,474
Write down of RRA depreciation gains	(44)	-	(44)
Disposal of assets - write out of Carrying Value	218	-	218
Disposal of assets - write out of government grant deferred	(324)	324	-
Revaluation Losses - impairment to C I/E account	1,989	(185)	1,804
Revaluation - Reversal of prior impairments	(365)	-	(365)
Revaluation - adjustment prior year impairment/RRA a/c	(10)	-	(10)
Adjustment to prior year	(2)	-	(2)
Balance as at March 31	(30,935)	(7,197)	(38,132)

K. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	1 April 2009	Income	Expenditure	31 March 2010
	£'000s	£'000s	£'000s	£'000s
Mortgages	87	18		69
Total	87	18		69

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

L. Pensions Reserve

(this note shows the net asset and liabilities only)

(i) Reconciliation of present value of the scheme liabilities:

	2009-10 £'000	2008-09 £'000
1 April	(67,485)	(68,940)
Current service cost	(871)	(1,080)
Interest cost	(4,524)	(4,720)
Contributions by scheme participants	(537)	(550)
Losses on Curtailments	(498)	-
Actuarial gains and losses	(30,812)	5,660
Benefits paid	3,995	3,280
Past Service Costs	212	(1,135)
31 March	(100,520)	(67,485)

(ii) Reconciliation of fair value of the scheme assets:

	2009-10 £'000	2008-09 £'000
1 April	33,370	41,730
Expected rate of return	2,098	2,930
Actuarial gains and losses	9,432	(11,060)
Employer contributions	3,278	2,500
Contributions by scheme participants	537	550
Benefits paid	(3,995)	(3,280)
31 March	44,720	33,370

M. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009-10 £'000	2008-09 £'000
Balance at 1 April	75	93
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13	(18)
Balance at 31 March	88	75

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

N. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2009-10 £'000	2008-09 £'000
Balance at 1 April	(197)	-
Settlement or cancellation of the accrual made at the end of the preceding year	197	-
Amounts accrued at the end of the current year	(159)	(197)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	38	(197)
Balance at 31 March	(159)	(197)

O. Deferred Liabilities

Deferred liabilities relate to four items: The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure

- Leisure Management Contract - the Council's contractor for Leisure Management has agreed to provide phased capital expenditure of £1.826 million at the leisure centres over the 15 year life of the contract. Under the contract, the Council is committed to make regular monthly payments for 15 years to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure both provided and yet to be provided under the contract. Where capital expenditure is due to be provided in future years, payments in advance has been recognised in the Balance Sheet as appropriate.
- Refuse Collection wheeled bins - a finance lease was entered into in 2007-08 with the Council's contractor for capital expenditure of £0.98 million on new-wheeled bins. The Council is committed to make regular monthly payments until 2013-14 to cover repayment of this sum together with associated financing costs.
- Swallows Leisure Centre - a credit sale agreement dated 22 September 2009, has been taken out for £250,000 to purchase various equipment for Swallows Leisure Centre. Under the terms of the agreement, the Council is committed to make regular monthly payments for ten years to cover this sum together with associated financing costs.
- Embedded Leases - the Council is dependent on the use of specific assets by suppliers for the grounds maintenance and waste collection contracts which are embedded leases for £2.5 million. Under the terms of the agreement, the Council is committed to make regular monthly payments until 2012-13 for the waste collection

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
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contract and 2017-18 for the grounds maintenance contract to cover this sum together with associated financing costs.

	As at 31 March 10 £'000	As at 31 March 09 £'000	Movement £'000
Deferred liabilities			
- due within one year	(618)	(628)	10
- due after more than one year	(2,576)	(3,170)	594
Movement in deferred liabilities	(3,194)	(3,798)	604

P. Capital Grants Unapplied & External Contributions Receipts in Advance

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances and movements in the year are reflected in the table below:

	1 April 2009 £'000s	Income £'000s	Expenditure £'000s	31 March 2010 £'000s
Section 106:	(916)	(290)	5	(1,201)
English Heritage	(16)			(16)
Regional Housing Board	(1,476)	(261)	927	(810)
CCTV	(53)	(45)		(98)
Stronger Communities	-	(41)	-	(41)
Coast Protection	(54)	-	-	(54)
Miscellaneous External contributions	11	(60)	31	(18)
Miscellaneous Government Grants	(127)	(1,325)	1,395	(57)
TOTAL	(2,631)	(2,022)	2,358	(2,295)

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

	Balance as at 1 April 2009 £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2010 £'000
Housing	(289)	(200)	-	(489)
Play Areas	(307)	-	-	(307)
The Meads Community Centre	(310)	-	5	(305)
Other	(10)	(90)	-	(100)
Total	(916)	(290)	5	(1,201)

Revenue sums not yet applied are held as a deferred revenue receipt where the purpose set out in the planning permission is a revenue activity, and in capital grants and contributions unapplied for those to be spent on capital purposes.

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

Q. Financial Instruments

The financial instruments disclosed in the Balance Sheet at amortised cost and are analysed across the following categories:

Financial Liabilities measured at amortised cost	Long-Term		Current	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	Restated 2008-09 £'000
Trade Creditors	-	-	2,325	3,988
Deferred Revenue Credits (S106 Receipts)	-	-	1,111	1,246
Cash and cash Equivalents	-	-	277	(2,431)
Total Financial Liabilities	-	-	3,713	2,803

Financial Assets	Long-Term		Current	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	Restated 2008-09 £'000
<u>Loans and Receivables</u>				
Short term investments	-	-	-	1,700
Trade Debtors	365	718	2,681	3,452
Soft Loans	1,593	665	6	20
Car Loans	73	46	-	-
Mortgages	84	101	-	-
Cash in hand	-	-	-	321
<u>Available for Sale</u>				
Short term investments	-	-	-	1,300
Bond investment at cost	8	4	-	-
Total Financial Assets	2,123	1,534	2,687	6,793

	Financial Liabilities £'000 (measured at amortised cost)	Financial Assets £'000	Total £'000
Interest Costs	(181)	-	(181)
Interest Payable and Similar Charges	(181)	-	(181)
Interest Income:			
Loans and Receivables	-	40	40
Available for Sale	-	19	19
Interest & Investment Income	-	59	59
Net Gain/(Loss) for year	(181)	59	(122)

R. Notes to the Cash Flow Statement – Operating Activities

	Cash Flow £'000s
Operating Activities	
Interest Received	67
Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	390
Interest Paid	(105)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
NOTES TO CORE FINANCIAL STATEMENTS**

	Cash Flow
Operating Activities	£'000s
Total Operating activities	352

S. Notes to the Cash Flow Statement – Investing Activities

	Cash Flow
Investing Activities	£'000s
Purchase of Property, plant and equipment, investment property & intangible assets	2,134
Purchase of short term and long term investments	
Other Payments for investing activities	913
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(390)
Proceeds from short term and long term investments	-
Other receipts from investing activities	-
Net cash flows from Investing activities	2,657

T. Notes to the Cash Flow Statement – Financing Activities

	Cash Flow
Financing Activities	£'000s
Cash Receipts of short and long term borrowing	(1,878)
Repayments of short and long term borrowing	(2,706)
Other payments for Financing Activities	3,241
Net cash flows from Financing activities	(1,343)

U. Cash and Cash Equivalents

31 March 2009		31 March 2010	Movement 2009-10
£'000s		£'000s	£'000s
(321)	Cash (in Hand)/Overdrawn	997	1,318
(2,110)	Short Term deposits	(720)	1,390
(2,431)	Total cash and cash equivalents	277	2,708

V. Amounts Reported for Resource Allocation Decisions – Segments

See separate statement in note 31 on pages 63-65 of this document.

W. Investment properties

The following table summarises the movement in the fair value of investment properties over the year:

	2009-10
	£'000s
Balance at start of the year	2,708
Additions	-
Disposals	-
Net gains/losses from fair value adjustments	-
Net Revaluations	(36)

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
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	2009-10
	£'000s
Reclassifications	17
Other Changes	-
Balance at end of the year	2,689

X. Current Assets Held for Sale

	31 March 2010 £'000
Balance Outstanding at start of year	-
Assets newly classified as held for sale:	525
Balance Outstanding at year end	525

Current assets held for sale are those assets that are available for immediate sale, that are actively being marketed and are expected to be sold within one year of the date of classification.

Y. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Account in 2009-10:

	2009-10
	£'000s
Credited to Taxation and Non Specific Grant Income	
S106 Contributions	5
Performance Reward Grant	1,415
Regional Housing Board	955
CCTV	64
Other	42
Total	2,481
Credited to Services	
Homes and Community Agency	555
Empty Shop Support	53
Air Quality	38
Community Development	286
Homelessness	114
Connecting Communities Grant	20
Sure Start	553
Supporting people	154
Concessionary Fares	314
Regional Housing Board	36
Total	2,123

**TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
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Z. Useable Reserves

The Council keeps a number of reserves in the balance sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

	Restated 1 April 2009	Transfers Between Reserves	Revenue Movements	31 March 2010
	£'000s	£'000s	£'000s	£'000s
Usable Capital Receipts Reserve	1,400	(627)		773
General Fund Balance	1,821		738	2,559
Capital Grants Unapplied	224	(210)	318	341
Earmarked Reserves	6,640	(1,909)	1,912	6,643
	10,085	(2,746)	2,968	10,316

AA. Useable Capital Receipts Reserve

These are receipts from the sale of assets, which are available for financing new capital expenditure. The disposal costs relating to the capital receipts generated during the year are treated as a revenue transaction in the Comprehensive Income and Expenditure Account.

	2009-10 £'000	2008-09 £'000
Balance at 1 April	(1,400)	(1,225)
Add: Capital receipts in year from sale of assets	(370)	(926)
Add: Capital receipts in year from deferred capital receipts	(17)	(13)
Add: Capital receipts in year from repayment of grant	-	(5)
Less: Capital receipts applied during the year - financing revenue expenditure funded by Capital under Statute	496	405
Less: Capital receipts applied during the year - financing fixed assets	508	355
Less: Housing Pooled Capital Receipts	10	9
Balance at 31 March	(773)	(1,400)

BB. Capital Grants Unapplied

	Restated 1 April 2009	Transfers Between Reserves	Revenue Movements	31 March 2010
	£'000s	£'000s	£'000s	£'000s
Communities and Local Government	5	5		10
Performance Reward Grant	210	230	(210)	230
Home Repair Loans	19	82		101
	234	317	(210)	341

AUDITOR'S REPORT

The accounts were audited in August 2011 and the final Auditor's Report will be added here when approved by the Audit Committee.