



Swale Borough Council

Annual Financial Report
(including the Statement of Accounts)
For the year ended 31 March 2012

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Welcome to the 2011/12 Annual Financial Report

This is the Council's Annual Financial Report for 2011/12. The purpose of this document is to provide clear information to readers on how Swale Borough Council has utilised its financial resources. The accounts and all relevant documents are subject to review by the Audit Commission.

The Council provides services for 130,300 residents, and the many visitors to the district, including waste collection, recycling, planning, leisure, recreation and environmental health. The Council covers an area of 141 miles², has 36 parishes, 47 elected members, and 279 employees (full time equivalents).

The Annual Financial Report

The Annual Financial Report comprises of the following:

- Explanatory Foreword – giving a background to the Council's financial performance;
- Glossary – to explain any technical terms used in the Report;
- Annual Governance Statement – showing how the Council meets set standards in the conduct of its business;
- Auditor's Report – the report by the Audit Commission after they have reviewed the Council's accounts; and
- The Statement of Accounts – see below.

The Statement of Accounts for the year ended 31 March 2012 has been prepared in accordance with the Accounts and Audit Regulations (England) 2011. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Expenditure Reporting Code of Practice 2011/12 (SerCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts for the year ended 31 March 2012 appears on pages 9-85 inclusive. The Council's core financial statements, beginning at page 9, listed below along with a brief explanation of their purpose:

Movement in Reserves Statement page 10 – this statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet. The statement shows:

- the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income;
- the increase or decrease in the net worth of the Council as a result of the movements in the value of its assets; and
- movements between reserves to increase or reduce the resources available to the Council according to its statutory provisions.

Comprehensive Income & Expenditure Statement page 11 – this statement consolidates all the gains and losses experienced by the Council during the year. Gains and losses are shown either as service expenditure, or as other items of income and expenditure.

The Balance Sheet pages 12 & 13 – this statement summarises the Council's financial position at 31 March each year. The top half contains assets and liabilities held or that have been accrued with other parties. The bottom half consists of reserves, separated between those that are usable to meet future expenditure and those that are not (unusable reserves).

Cash Flow Statement page 14 – this statement summarises the flows of cash that have taken place into and out of the Council's bank account over the financial year.

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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.

These accounts are also supported by a Statement of Responsibilities on page 9.

Actual Revenue Spend Compared to the Budget 2011/12

Revenue spending represents the net cost of the services delivered by the Council during the year. The table below shows the overall cost of Council services to the revenue account – known as the General Fund:

	Working Budget 2011/12 £'000	Actual 2011/12 £'000	Difference £'000
Central Services to the Public	1,524	940	(584)
Cultural Services	4,192	4,315	123
Environmental Services	7,073	6,317	(756)
Planning Services	2,778	2,608	(170)
Highways, Roads and Transport Services	(629)	(888)	(259)
Housing Services	1,909	1,734	(175)
Corporate & Democratic Core	1,975	2,754	779
Exceptional Item – VAT Claims	0	(522)	(522)
Non Distributed Costs	2	49	47
Net Cost of Services	18,824	17,307	(1,517)
Other Operating Expenditure (Note 19)	1,119	1,141	22
Financing and Investment Income & Expenditure (Note 20)	(330)	595	925
Taxation and Non-Specific Grant Income (Note 22)	(18,702)	(19,302)	(600)
Deficit or (Surplus) on Provision of Services	911	(259)	(1,170)
Adjustment between accounting basis and funding basis	(911)	(422)	489
Contribution to Balances	0	(681)	(681)

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

Detail	Budget over/(under) spend £'000	Explanation
2010/11 underspends	606	Rollover agreed at Cabinet on 8 July 2011
Variations advised re cost centres requesting rollovers	(47)	Underspends in 2011/12 to be rolled forward into 2012/13
Salaries	(206)	As a result of vacancy management
Learning & Skills	(149)	Delays in setting up the apprenticeship scheme
Contracts	(269)	Net savings on grounds maintenance, street cleansing, public conveniences and refuse collection
Use of reserves	(100)	Use of reserves to fund 2010/11 expenditure.
Parking Management	(91)	Increase in car parking enforcement income following the introduction of the new partnership contract. Savings also made from reduced maintenance costs and sale of surplus equipment.
Planning Fees	(72)	Increased general and pre-application fees income
Building Control	(69)	Savings arising from the Building Control Partnership
Allowance for bad debts	(61)	Due to reduction in sundry debts
Leisure & Sports Centres	(70)	Reduction in operating fee for 2011/12 only

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Detail	Budget over/(under) spend £'000	Explanation
Financial guarantee	68	Financial guarantee entered into for the Drill Hall Faversham
Discretionary Rate Relief	68	The scheme supports voluntary and community groups in Swale by reducing part or all of their non-domestic rates bill
Housing Benefits	(55)	Savings on running expenses
Refuse Collection	(44)	Reduced fly tipping, and litter picking costs
Energy Costs	(45)	Savings on energy costs
Parks & Open Spaces	(35)	Project slippage
Human Resources	(32)	Savings on partnership with another local council
Other	(78)	
Total Net Variance	(681)	
Reconciliation to Cabinet Outturn Report:		
Remove 2010/11 Rollovers	(606)	
General Fund	(199)	Add variance to Budgeted contribution from General Fund
Total Service Variance Reported to Cabinet	(1,486)	Total Service Variance Reported to Cabinet

A detailed report on the revenue and capital outturn for 2011/12 will be presented to the Cabinet on 4 July 2012 and to the Scrutiny Committee on 25 July 2012. The web link is: <http://www2.swale.gov.uk/dso/download/FA442BC221A44C9192A80F176BCBDE0A.pdf>

The Council received £522,000 in 2011/12 as a result of successful Value Added Tax (VAT) claims and this was added to the Council's reserves.

General Fund Balance

Due to the contribution to balances shown above, the General Fund balance increased from £3.134 million at 1 April 2011 to £3.816 million as at 31 March 2012. This compares with the original estimate of a decrease in the balance of £199,000. The Council's policy remains to maintain a minimum of £1.5 million as the General Fund balance. The current level of the General Fund represents 21% of the net expenditure budget for 2011/12 and is considered to be at an adequate level. The Council has created a number of earmarked reserves to provide for specific future spending requirements.

Capital Programme

Capital spending results in an asset which will provide benefit to the Council over a number of years. The Capital Programme is primarily funded by government grants and capital receipts (i.e. money from the sale of land and other assets).

The Council continued its mandatory Disabled Facility Grant programme, which attracted 67% funding from central government, the total spend in 2011/12 being £1,052,000.

The schedule below highlights the main areas of capital spending and details of the funding of this expenditure is shown under note 37 in the Notes to the Core Financial Statements.

ANNUAL FINANCIAL REPORT – EXPLANATORY FOREWORD

The main areas of capital spending during 2011/12 were:

	Revised Budget 2011/12 £'000	Actual 2011/12 £'000	Variance 2011/12 £'000	Level of Approved Rollover £'000
Disabled Facilities Grants	1,304	1,052	(252)	252
Rushenden Housing Renovations	379	379	0	0
Sheerness Gateway Partnership	300	0	(300)	0
Meads Community Centre	188	0	(188)	0
New Play Areas	125	33	(92)	92
Parking Ticket Machines	98	98	0	0
Cemeteries & Closed Churchyards	91	5	(86)	86
Swale House Refurbishment and Repair	83	49	(34)	34
Community Safety & Development Initiatives	72	0	(72)	0
Other	201	132	(69)	48
Total	2,841	1,748	(1,093)	512

	2011/12 Outturn £'000
Total Capital Expenditure	1,748
Source of Funding:	
Capital Receipts	97
Capital Grants & Other Contributions	1,539
Earmarked Reserves	112
Total Capital Funding	1,748

On 4 July 2012, the Cabinet will be asked to approve the rollover of capital budgets, which accounts for £0.5 million of the above underspend.

Assets to a carrying value of £72,129 were disposed of in 2011/12.

The Council did not acquire any material assets or liabilities in 2011/12.

How the Council Performed in 2011/12

Almost half of the Council's performance indicators, for which an appropriate national comparator dataset is available, are now performing in the best quartile nationally, with almost three-quarters performing above the national median.

In January 2012 the Council invited a group of councillors and senior managers from other councils to come to Swale to undertake a "peer review", to assess its achievements and give their views on where it could be doing better. Their report was overwhelmingly positive, and they were "incredibly impressed" with the progress the Council had made.

The proportion of survey respondents who felt that the Council provided value for money rose from 27% (worst quartile nationally) in 2008 to 40% (best quartile nationally) in 2011. The Council's hard work to improve its customer focus received formal validation during 2011 when the customer service team was awarded Customer Service Excellence accreditation.

The Council has participated in a number of innovative projects. The Rushenden Retrofit project is working with local residents in both privately owned and social housing to reduce carbon emissions by at least 40% and to deliver a community programme. In Faversham, a "neighbourhood plan" for Faversham Creek is being developed. The Council has also been heavily involved in the Government's "troubled families" agenda working with a range of partners on a pooled community budget.

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The Council has been working hard to give its communities a greater say in the running of local services and facilities. This has included the transfer of a number of physical assets such as community halls to local volunteer groups, which the Council believe will provide a better safeguard of the halls' future. The Council also successfully transferred the management of Queenborough Harbour to an independent trust. These are early examples of the Council's commitment to encourage a flourishing civic society within Swale and enable local groups to take over the running of the services their communities value.

The Council's Financial Reporting and Monitoring Arrangements in 2011/12

The Council continued to operate in an extremely testing financial environment in 2011/12. Against the backdrop of the European Sovereign Debt Crisis, the UK economy experienced negligible growth, high inflation and high unemployment. These forces exerted additional pressure on Council services and budgets, already stretched by the reduction in government financial support in 2011/12.

In this environment robust financial planning is crucial, with a need to ensure sufficient buffers exist for the uncertain times ahead. The Council agreed revenue savings of £1.6 million for 2012/13 and Swale has a good track-record of delivering agreed savings. Revenue and Capital Monitoring reports are reviewed by the Strategic Management Team every month and by the Cabinet every quarter. This should ensure the Council is in a strong position to be able to meet the anticipated funding gap in future years.

The Impact of Pension Funding

The Council is a member of the Local Government Pension Scheme (LGPS) which is administered on its behalf by Kent County Council (KCC). The Statement of Accounts reflects the full adoption of International Accounting Standard (IAS)19 Employee Benefits. Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Pension Fund. The increase in the pension deficit from £27,439,000 at 31 March 2011 to £39,488,000 at 31 March 2012 has arisen principally due to changes in assumptions underlying the present value of the scheme liabilities related to very low gilt yields which increases the value of liabilities. IAS 19 does not directly impact on the actual level of employer contributions paid to the KCC Fund. Employers' levels of contribution are determined by triennial actuarial valuations, which are based on the Fund's actual investment strategy. Further information is shown in note 56. Reports on the Kent Pension Fund can be found by contacting Kent County Council, Pension Section, 2nd Floor Brenchley House, Week Street, Maidstone, Kent ME14 1RF, or by using this link: http://www.kentpensionfund.co.uk/investments/report_and_accounts.aspx.

Significant Changes in Accounting Policies in 2011/12

The only significant change in accounting policies is the implementation of Heritage Assets. These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture. These only affect 2011/12 and not previous years as they are not material in value.

Transparency of Council's Spending

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. They can be found on the web at: <http://www.swale.gov.uk/council-transparency/>

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All Councillors are required by law to complete a Declaration of Members' Interest form to register their financial or other interests. The full Register is maintained by the Monitoring Officer and is available for inspection by appointment at the Council during normal office hours or see the web at: <http://www.swale.gov.uk/register-of-interests/>

Each month a report highlighting the key aspects of performance is published. It can be found on the web at <http://www.swale.gov.uk/Monthly-performance-monitoring/>

Treasury Management

Treasury Management is the investment of the Council's surplus cash. The Council fully complies with government and the Chartered Institute of Public Finance Accounting (CIPFA) requirements on treasury management. These requirements have an over-riding emphasis on 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%, 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 as protection of the Council's financial reserves is the overriding issue.

The Council's investment portfolio averaged £13 million during 2011/12 (£7 million for 2010/11) and closed at £15,423,000 at 31 March 2012. The 'in-house' team achieved a return of 0.69% for 2011/12 (0.73% for 2010/11) amounting to £84,000 (£53,000 in 2010/11). This resulted in an additional £22,100 of investment income when compared with the average 7-day London Inter Bank Bid Rate (LIBID) rate for the year of 0.52%. The increase in the average investment portfolio compared to the previous year is due mainly to a repayment from Department for Communities and Local Government (DCLG) following the final audit of the 2010/11 Business Rates. This was due to a reduction in the aggregate rateable value for the Council, which then reduced the amount of rates payable.

The Council does not have any external borrowing for capital purposes.

Material Events after the Reporting Date

There have not been any material events after the date the accounts were authorised for issue.

The Impact of the Current Economic Climate on the Council and its Services

Against a difficult macro economic background the Council experienced a £1.6 million reduction in Formula Grant for 2011/12 and a further £1.2 million reduction for 2012/13. In the Medium Term Plan it is assuming a 2% reduction in 2013/14 and 6% in 2014/15.

A comprehensive review of fees and charges was agreed in January 2012. The Council maintained a delicate balance between maximising income to limit expenditure reductions and equity to local citizens many of whom face real reductions in living standards.

The Council has undertaken a rigorous process with the contractors to get a better client side grasp of the contracts and to generate financial savings. For the budget the overall impact is a base budget saving of £355,000 in 2012/13. A joint procurement approach to the waste contract after the end of the current contract in December 2013 is expected to result in further savings.

The 2012/13 budget allows for a considerably reduced capital programme for 2012/13 and beyond. One-off funding has almost entirely disappeared as part of the Government's spending reductions. The reductions in revenue funding to the Council meant that for 2012/13 there were no revenue contributions to capital.

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A comprehensive and systematic review of expenditure by service was undertaken and savings options identified which were prioritised by Members. The approach to savings in 2012/13 was based on:

- contract/ procurement savings;
- efficiency savings;
- reductions in service levels; and
- increased income.

The Council now has a much more well defined Medium Term Financial Plan. This reflects assumptions or issues such as contractual price increases, staff pay, superannuation contributions, Council Tax, change in government funding and planned savings. The assumptions will be updated for the 2013/14 revenue and capital budget.

In its Medium Term Plan the Council is committing to:

- achieving a balanced budget position with the base budget requirement being met from government grant and Council Tax revenue;
- reserves only being used to fund one-off cost pressures; and
- Council Tax being frozen in 2012/13 and thereafter reviewed with regards to the Council's overall funding position and guidelines issued by the Government.

The principle of the management of reserves moving forward is to:

- maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events; and
- fund one-off items of expenditure against the Council's highest priorities, as determined by Members.

The Council's priorities for the use of available capital funds will be:

- projects which support the Council's Localism agenda;
- earmarked receipts related to specific projects e.g. Section 106 monies;
- minimum fulfilment of legal duties e.g. DFG;
- essential life and death maintenance work e.g. Health & Safety; and
- essential remedial expenditure on the Council's IT systems.

The Council on balance should remain free from external borrowing and not undertake borrowing to fund capital expenditure, apart from exceptional circumstances.

The 2012/13 Budget Book can be obtained from the Council's website using the following link: <http://www.swale.gov.uk/revenue-budget-and-capital-programme/>

The largest project the Council is embarking upon is the regeneration of Sittingbourne Town Centre with Spirit of Sittingbourne as a development partner. Adding the Mill Site redevelopment and potentially Tesco's proposals both north and south of the railway increases the scope even further. The Council's contribution is largely by way of land transfers. Beyond 2012/13, there are potentially large revenue budget implications around issues such as the loss of car park income and reduced rental costs on the Forum Car Park project.

The Council was once again as part of the 2012/13 budget process able to add resources to the Regeneration Fund and establish a new Localism Fund of £100,000.

Collection Fund

The Collection Fund is the statutory account which records Council Tax and Business Rate transactions. At the year-end, this account had a surplus balance of £439,153 compared with the surplus estimated in January 2012 of £312,760 which was taken into account when setting the Council Tax for 2012/13. The difference can be attributed to prudent forecasts of the collection rate and tax base. The Council Tax and Business rate in-year collection rate was 97.2%.

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. The inspection dates are between 9 July and 3 August 2012 inclusive. From 6 August 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 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, Audit Commission, 4th Floor, "B" Block, Sessions House, County Hall, Maidstone, Kent ME14 1XQ 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

29 June 2012

Head of Finance

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 reporting date and its income and expenditure for the year ended 31 March 2012.

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

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2011/12 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2012 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2011 at the meeting of the Audit Committee on 19 September 2012.

Councillor Nicholas Hampshire
Chair of the Audit Committee

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Revenue Earmarked Reserves	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Note 9	Note 7	Note 8		Note 10	
BALANCE AS AT 31 MARCH 2010	(2,558)	(6,643)	(773)	(342)	(10,316)	11,950	1,634
(Surplus) on Provision of Services 2010/11 (page 11)	(9,387)	0	0	0	(9,387)	0	(9,387)
Other Comprehensive Expenditure or Income 2010/11 (page 11)	0	0	0	0	0	(22,400)	(22,400)
Total Comprehensive Expenditure and Income 2010/11	(9,387)	0	0	0	(9,387)	(22,400)	(31,787)
Adjustments between accounting basis and funding basis (Note 5) 2010/11	8,199	0	65	(70)	8,194	(8,194)	0
Net (increase)/decrease before transfers to Earmarked Reserves 2010/11	(1,188)	0	65	(70)	(1,193)	(30,594)	(31,787)
Transfers (to)/from earmarked reserves 2010/11 (Note 9)	612	(612)	0	0	0	0	0
(Increase)/Decrease in 2010/11	(576)	(612)	65	(70)	(1,193)	(30,594)	(31,787)
BALANCE AS AT 31 MARCH 2011	(3,134)	(7,255)	(708)	(412)	(11,509)	(18,644)	(30,153)
(Surplus)/deficit on Provision of Services 2011/12 (page 11)	(259)	0	0	0	(259)	0	(259)
Other Comprehensive Expenditure or Income 2011/12 (page 11)	0	0	0	199	199	11,465	11,664
Total Comprehensive Expenditure and Income 2011/12	(259)	0	0	199	(60)	11,465	11,405
Adjustments between accounting basis and funding basis (Note 5) 2011/12	(778)	0	54	24	(700)	700	0
Net (increase)/decrease before transfers to Earmarked Reserves 2011/12	(1,037)	0	54	223	(760)	12,165	11,405
Transfers (to)/from earmarked reserves 2011/12 (Note 9)	355	(355)	0	0	0	0	0
(Increase)/Decrease in 2011/12	(682)	(355)	54	223	(760)	12,165	11,405
BALANCE AS AT 31 MARCH 2012	(3,816)	(7,610)	(654)	(189)	(12,269)	(6,479)	(18,748)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2011/12 Gross Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
Cost of Continuing Operations				
Central Services to the Public	13,257	(12,317)	940	1,088
Cultural and Related Services	5,095	(780)	4,315	5,170
Environmental and Regulatory Services	8,130	(1,813)	6,317	6,773
Planning Services	3,869	(1,261)	2,608	2,513
Highways, Roads & Transport Services	1,368	(2,256)	(888)	196
Housing Services	57,351	(55,617)	1,734	2,129
Corporate & Democratic Core	3,724	(970)	2,754	2,532
Exceptional Item - VAT Fleming Claims (Note 18)	0	(522)	(522)	(1,021)
Exceptional Item – Change of Inflation Measurement for Pensions (Note 18)	0	0	0	(7,096)
Non Distributed Costs	65	(16)	49	86
Net Cost of Services	92,859	(75,552)	17,307	12,370
Other Operating Expenditure (Note 19)	1,181	(40)	1,141	1,080
Financing and Investment Income and Expenditure (Note 20)	5,415	(4,820)	595	405
Taxation and Non-Specific Grant Income (Note 22)	0	(19,302)	(19,302)	(23,242)
(Surplus) on Provision of Services	99,455	(99,714)	(259)	(9,387)
Surplus or Deficit on revaluation of non-current assets (Note 11)			(989)	(832)
Actuarial (gains)/losses on pension assets/liabilities (Note 55)			12,355	(21,610)
Reverse the movement from a capital reserve included in the Provision of Services above			199	0
Receipts from Long-Term Debtors			99	42
Other Comprehensive Income & Expenditure			11,664	(22,400)
Total Comprehensive Income & Expenditure			11,405	(31,787)

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 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Property, Plant and Equipment (PPE)					
Operational Assets (PPE):	29				
Land and Buildings		31,458		31,641	
Vehicles, Plant, Furniture & Equipment		2,750		2,957	
Infrastructure Assets		3,678		4,029	
Community Assets		3,213		3,348	
Leased Assets		1,106		1,538	
Total Operational PPE			42,205		43,513
Non-Operational Assets	29				
Land and Buildings		4,325		4,089	
Total Non-Operational PPE			4,325		4,089
Total Property, Plant and Equipment			46,530		47,602
Assets Held for Sale	39	525		0	
Heritage Assets	32	399		0	
Investment Property	33	3,223		3,337	
Intangible Assets	34	37		56	
Long-Term Investments		3		8	
Long-Term Debtors	38	2,955		2,931	
			7,142		6,332
Total Long-Term Assets			53,672		53,934
Current Assets					
Assets Held for Sale	39	0		525	
Short-Term Investments	51	8,006		0	
Inventories		5		1	
Cash and Cash equivalents	40	8,606		1,724	
Short-Term Debtors	41	3,830		11,989	
Total Current Assets			20,447		14,239
Total Assets			74,119		68,173
Current Liabilities					
Short-Term Creditors	42	(10,563)		(4,629)	
Deferred Revenue S106 Receipts	43	(960)		(984)	
Total Current Liabilities			(11,523)		(5,613)
Total Assets less Current Liabilities			62,596		62,560
Long-Term Liabilities					
Deferred Liabilities	44	(1,935)		(2,526)	
Liability Related to Defined Benefit Pension Scheme	15	(39,488)		(27,439)	
Capital Grant Receipts in Advance	45	(2,295)		(2,442)	
Provisions	46	(130)		0	
Total Long-Term Liabilities			(43,848)		(32,407)
NET ASSETS			18,748		30,153

BALANCE SHEET

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Unusable Reserves					
Revaluation Reserve	11	(7,442)		(6,660)	
Deferred Capital Receipts Reserve	13	(35)		(52)	
Accumulated Absences Account	17	154		145	
Capital Adjustment Account	12	(38,666)		(39,535)	
Collection Fund Adjustment Account	16	(54)		(104)	
Pensions Reserve	15	39,488		27,439	
Financial Instruments Adjustment Account	14	76		123	
Total Unusable Reserves			(6,479)		(18,644)
Usable Reserves					
Usable Capital Receipts Reserve	7	(654)		(708)	
Capital Grants Unapplied Account	8	(189)		(412)	
Earmarked Reserves	9	(7,610)		(7,255)	
General Fund		(3,816)		(3,134)	
Total Usable Reserves			(12,269)		(11,509)
TOTAL RESERVES			(18,748)		(30,153)

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 unusable 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).

As the responsible financial officer for Swale Borough Council, I hereby certify that these unaudited accounts give a true and fair view of the authority's financial position and financial performance in advance of approval.

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

Date: 29 June 2012

CASH FLOW STATEMENT

	2011/12 £'000	2011/12 £'000	2010/11 £'000 Restated
Net Surplus on the Provision of Services (see CI&E page 11)		259	9,387
Depreciation	1,998		1,663
Impairment & downward valuations	44		800
Amortisation	19		19
Reversal of revaluation decreases previously charged to Income & Expenditure	(89)		
Movement in market value of Investment Property and upward revaluation	114		(849)
Increase/(Decrease) in Creditors	2,150		1,028
(Increase)/Decrease in Debtors	2,377		476
(Increase)/Decrease in impairment for bad debts / provisions	(210)		537
(Increase)/Decrease in Inventories	(4)		1
Adjustments to fair value of soft loans	(47)		(19)
Financial Guarantee Adjustment and creation of MMI provision (note 46)	130		
Movement in pension liability	(306)		(6,751)
Carrying amount of non-current assets and current assets held for sale, sold or derecognised	72		200
Adjustment to net surplus on the provision of services for non-cash movements		6,248	(2,895)
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities		(1,579)	(3,883)
Net Cash Inflows from Operating Activities (a)		4,928	2,609
Net Cash Inflows/(Outflows) from Investing Activities (b) (Note 49)		(7,152)	2,770
Net Cash Inflows/(Outflows) from Financing Activities (c) (Note 50)		9,106	(3,378)
NET INCREASE IN CASH OR CASH EQUIVALENTS (a+b+c)		6,882	2,001
Cash and cash equivalents as at 1 April (Note 40)		1,724	(277)
Cash and cash equivalents at 31 March (Note 40)		8,606	1,724
NET INCREASE IN CASH OR CASH EQUIVALENTS DURING YEAR		6,882	2,001

This shows the changes in cash and cash equivalents during the reporting period and 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.

Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Financing activities represent the cash effect of the collection of local taxes, i.e. Council Tax and business rates.

The 2010/11 restatement is due to redefining loans from operating to investing activities.

1. Accounting Policies**General Principles**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the accounts 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 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12, supported by IFRS.

Accounting Convention

The accounting convention adopted in the Statement of Accounts for the basis of measurement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

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 (FRS's) as far as they apply to local authorities have been observed.

Accruals & Revenue Recognition

Income and expenditure is accounted for in the year to which the activity relates, not when cash payments are made or received.

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 has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Capital Receipts

All income from the sale of capital assets is categorised as capital receipts and credited to the Usable 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, which are subject to an insignificant risk of changes in value and are shown on the Balance Sheet at their nominal value. The Council has defined cash equivalents as internally held investments that do not require notice for withdrawal.

Interest on cash and cash equivalents that the Council can redeem on 31 March 2012 has also been added to the cash and cash equivalents balance. If interest is not redeemable on the Balance Sheet date, this would be classified as accrued interest, which would fall under 'short-term investments' on the Balance Sheet.

Cash Flow

The Cash Flow is prepared using the indirect method, whereby revenue Cash Flow is derived by adjusting the overall Comprehensive Income & Expenditure Statement operating surplus or deficit to a cash basis. Gross Cash Flow categories are not presented in the Cash Flow Statement.

Collection Fund

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for the three major precepting authorities (Kent County Council, Kent Police and Kent Fire and Rescue) in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of the Council's proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government in respect of National Non-Domestic Rates and as such the Accounts show a net debtor or creditor in respect of amounts received and paid over to the Government.

In addition, the Comprehensive Income and Expenditure Statement includes our share of the Collection Fund surplus/deficit for the year, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

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 (where possible).

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. The disclosures indicate 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 the Council enters into an agreement that has the features of a finance lease, but where some of the assets may be received in the future. Assets 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

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

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 the cash has actually been received or paid in the year or not.

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, National Non Domestic Rates (NDR), 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 Statement, 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'.

Employee Benefits – Costs

The cost of employees are charged to the accounts of the period within which the employees worked.

The Code requires that the Council identifies the costs of any Employee Benefits accrued but untaken at the Balance Sheet date. These costs primarily consist of any untaken leave 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.

Termination benefits are amounts payable due to a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income & Expenditure Statement. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 – Exit Packages

The number of compulsory redundancies and departures in each year recognises a demonstrable commitment in that year i.e. the departure was made in that financial year. The total costs of exit packages recognises when the payment was made.

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 (LGPS), administered by KCC. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council, as detailed below.

The LGPS is accounted for as a defined benefits scheme.

The liabilities of the KCC Pension Fund attributable to the Council are included in the Balance Sheet on an

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

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 4.6% 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 2012).

The assets of the KCC 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 investment income and expenditure in the Comprehensive Income & Expenditure Statement;
- 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; and
- contributions paid to the KCC Pension Fund – cash paid as employers' contributions to the Pension Fund.

The provisions of IAS 26 Accounting and Reporting by Retirement Benefit Plans, 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 affect 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 because 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 LGPS.

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.

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.

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 & Expenditure Statement 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

The requirements for accounting for financial instruments are based on IFRS 7, IAS 32 and IAS 39 Financial Instruments. The 2011/12 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 Statement of Recommended Practice (SORP) remain.

Financial instruments are either financial assets or financial liabilities and are recognised on the Balance Sheet only when the Council becomes a party to the contractual provisions of the instrument. Trade receivables are an exception as they are not recognised when the Council becomes committed to supply the good or service but when the ordered goods or services have been delivered or rendered. Similarly, trade payables are recognised when the ordered goods or services have been received.

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

- fair value through profit or loss;
- available-for-sale – this category includes;
 - Money Market Funds (MMF's) and are initially measured and carried at fair value. MMF's 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;
 - Long-term investments (those held for greater than one year) which are shown in the Balance Sheet at cost;
- 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.

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

- fair value through profit or loss; or
- financial liabilities measured at amortised cost.

The 'fair value through profit or loss' category does not apply to any financial assets or liabilities held by the Council, therefore all financial assets and liabilities are initially recognised at transaction cost.

The subsequent measurement of a financial instrument depends on its classification according to the categories listed above. 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 the associated

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

risks and rewards are transferred. Financial liabilities are derecognised when the obligation specified in the contract either expires, is cancelled or discharged.

Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income & Expenditure Statement over the life of the instrument. Where these are considered to be immaterial, they can be charged in full to the Comprehensive Income & Expenditure Statement in the financial year in which they are incurred. Transaction costs in 2011/12 are all immaterial.

The reconciliation of amounts charged to the Comprehensive Income & Expenditure Statement 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 guarantees require the Council to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The financial guarantee shall be initially recognised at fair value, this being assessed by considering the probability of the guarantee being called and the likely amount payable under the guarantee. The accounting entries are to charge the relevant service and therefore the Surplus or Deficit on the Provision of Services and to create a Provision to monitor the risk which can be adjusted to reflect any changes on an annual basis.

The Council has made loans with nil interest charged (soft loans). For accounting purposes a charge based on an appropriate rate of interest is charged to the Comprehensive Income & Expenditure Statement, but this is then reversed out through a transfer to the Financial Instruments Adjustment Account so this is not borne by the local taxpayer via the Movement in Reserves Statement.

Government Grants and Other External Contributions

Revenue grants received are accrued and credited to the Comprehensive Income & Expenditure Statement in the same period as the related expenditure was incurred. Grants specific to a service will be shown against that service expenditure line. General grants, e.g. Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool, are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions received will be credited in full to the Comprehensive Income & Expenditure Statement on receipt where there are no conditions attached to their use and in the year that the capital expenditure is incurred where there are conditions attached to their use.

Group Accounts

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 2011/12.

Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture.

The aggregate value of these assets is £399,600 and the Council has decided that this sum is not material and so has not amended its Balance Sheet for previous years but has disclosed the nature and value of the assets in a note to the Core Financial Statements.

A Heritage asset (other than operational heritage assets) will normally be measured at valuation in accordance with FRS 30 Heritage Assets. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current. Where no records of valuation are available, the assets are not included on the Balance Sheet but a disclosure is made as to these assets.

The assets are held to have indefinite lives hence the authority does not consider it appropriate to charge

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

depreciation. Acquisitions are initially recognised at cost or, if bequeathed or donated at nil cost, at valuation. Heritage Assets are reviewed for evidence of impairment. Any impairment will be accounted for in accordance with the Council's Property Plant and Equipment accounting policy. The proceeds of any disposals likewise follow the Council's general accounting policy.

The Authority accounts for heritage assets in accordance with FRS 30, except where interpretations or adaptations to fit the public sector are detailed in the Code. References in FRS 30 to UK accounting standards shall be taken to refer to the equivalent IFRS or International Public Sector Accounting Standards (IPSAS).

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the authority for other activities or to provide other services) shall be accounted for as operational assets, and shall be valued in the same way as other assets of that general type.

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.

An intangible asset is initially 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 and Long-Term Contracts

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.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investments

See the accounting Policy on Financial Instruments.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. They 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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other bodies that involve the use of the assets and resources of the bodies rather than the establishment of a separate entity.

The Council maintains 'shared service' operations in respect of its Human Resources, Parking, Internal Audit and Legal services. All expenditure and income of these services are accounted for within the Comprehensive Income & Expenditure Statement.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other bodies, with the assets being used to obtain benefits for all the bodies concerned. The joint service does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint service and income that it earns from the venture.

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 & Expenditure Statement 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 are apportioned between:

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

- 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 & Expenditure Statement 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 International Financial Reporting Interpretations Committee (IFRIC)12. 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.

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.

Property, Plant and Equipment

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 the value of an existing asset, should be capitalised, provided that it yields benefits to the Council and the services it provides for a period of more than one year.

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.

Property, Plant and Equipment non-current assets can be analysed as:

- Operational Land and Buildings;
- Infrastructure assets;
- Vehicles, Plant, Furniture and Equipment;
- Community Assets;
- Assets under Construction;
- Leased Assets; and
- Non-Operational Land and Buildings.

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 Vehicles, Plant, Furniture and Equipment) are valued at the lower of net current replacement cost and net realisable value;
- infrastructure and community assets are valued at historic cost, net of depreciation;

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

- non-operational assets (including assets that are surplus to requirements) are valued at the lower of net current replacement cost and net realisable value;
- other non-operational assets (including assets under construction) are valued at historic cost; and
- leased non-current assets are valued at fair value which is historic cost less depreciation.

As the Council's principal assets are re-valued, 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 interim period, as they occur. Where assets are valued 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.

The Council applies the principles of component accounting where an asset has a gross book value 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 International Accounting Standards (IAS) 36 Impairment of Assets, and section 4.7 of The Code, authorities are required to initially account for all impairments, however generated, against the Revaluation Reserve up to the amount attributable to each specific asset held in that Reserve. Any excess of this amount is then chargeable to the Comprehensive Income & Expenditure Statement. Any charges to the Comprehensive Income & Expenditure Statement are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

Disposals – when an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are also credited to the Comprehensive Income & Expenditure Statement 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. Receipts from disposals are appropriated to the Usable Capital Receipts Reserve from the Comprehensive Income & Expenditure Statement

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 & Expenditure Statement

Depreciation – depreciation is provided for on all property, plant and equipment 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.

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 to 50 Years
IT Equipment	3 to 7 years depending on the nature of the asset

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

Asset	Depreciation Methodology
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 are estimated on a realistic basis. They are 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 historic 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, but are not anticipated to be sold within twelve months of the Balance Sheet date. They will be reported on the Balance Sheet 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 non-current assets used by the relevant service;
- revaluation and impairment losses where they are in excess of the sum available in the Revaluation Reserve are chargeable to the Comprehensive Income & Expenditure Statement; 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 amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Comprehensive Income & Expenditure Statement 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 'Service Reporting Code of Practice 2011/12'. 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 and Non

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

Distributed costs. These two cost categories are accounted for as separate headings in the Comprehensive Income & Expenditure Statement 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 Council'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

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Reserves

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

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.

Any grants receivable by a Council in relation to REFCUS will be accounted for as revenue grants in the Comprehensive Income & Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income should be posted to the service(s) that the qualifying expenditure is charged to, in accordance with the general provisions for accounting for grants as discussed in this section. However, in the Movement in Reserves Statement, the grant will be treated as being made towards capital expenditure and reversed out of the General Fund Balance to the Capital Adjustment Account (or the Capital Grant Unapplied Account if the grant has not yet been applied).

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

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

according to the Service Reporting Code of Practice. 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.

Value Added Tax (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. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets), have been issued and will be adopted in the 2012/13 accounts. This replaces the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets, e.g. through the use of derivatives. This is not a common transaction for local authorities, and so the Council does not anticipate having to make these additional disclosures.

3. 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 satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends;
- the Council is the sole trustee of the Serco Paisa Leisure Trust, a charitable organisation that 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 relationship between the Leisure Trust and the Council is good and effective business planning operates that will identify any potential risk;
- Heritage Assets – The Code has introduced a classification within non-current Assets for Heritage Assets. The Council identified a range of assets within the definition included in the Code. The majority of these assets were not previously included on the Balance Sheet and a corresponding adjustment has been made to the Revaluation Reserve. Within the Council's accounting policies (note 1 to the Core Financial Statements), a separate accounting policy has been included for Heritage Assets, which sets out the recognition and valuation criteria that have been applied. Due to the nature of the asset base the valuations attributed to some assets are only approximate and they are not required to be revalued on the normal five yearly cycle; and
- during 2011/12 the Council entered into an agreement with a Trust to act as a guarantor against a loan in their name, secured on the Trust's assets. A provision has been made to cover the value of the estimated risk within the agreement, which can be reduced in future years as repayments are made by the Trust.

NOTES TO THE CORE FINANCIAL STATEMENTS – ACCOUNTING POLICIES

4. 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 2012 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
Debtor Arrears (inc Housing Benefit Overpayments)	At 31 March 2012, the Council had a balance for sundry debtors of £3.6m. A review of significant balances suggested that an impairment for doubtful debts of 58% (£2,051,000) was appropriate. But in the current economic climate and with changes to benefits it is not certain that such an allowance would be sufficient.	If collection rates were to fall the cost of covering the impairment of doubtful debts would require an additional £36,000 to be set aside for every 1% reduction in collection rates.
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. The current value of Land & Building assets as at 31 March 2012 is £35,783,000.	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 £42,000 should the useful life of each property be reduced by one year.
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 value as at 31 March 2012 is £39.5m.	A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.987m. An increase in the estimated life of the future pensioners will increase the liabilities by £3.4 million. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions' liability had increased by £0.1m as a result of estimates being corrected as a result of experience and increased by £10m attributable to updating of the assumptions.

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

5. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure recognised by the Council in the year, in accordance with proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

General Fund

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

2011/12	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non-current assets	(1,998)	0	0	1,998
Movements in the fair value of Investment Properties	(114)	0	0	114
Revaluation of Non-current assets	45	0	0	(45)
Amortisation of Intangible assets	(19)	0	0	19
Capital grants and contributions applied	1,516	0	24	(1,540)
Revenue expenditure funded from capital under statute	(1,444)	0	0	1,444
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	(72)	0	0	72
Statutory provision for the financing of capital investment	874	0	0	(874)
Capital expenditure charged to the General Fund	112	0	0	(112)
Adjustments primarily involving the Capital Receipts Reserve (CRR)				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	40	(40)	0	0
Use of the CRR to finance new capital expenditure	0	97	0	(97)
Use of CRR to finance the payments to the Government's capital receipts pool.	(13)	13	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	(16)	0	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	47	0	0	(47)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

2011/12	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement in accordance with the Code	(2,129)	0	0	2,129
Employer's pensions contributions and direct payments to pensioners payable in the year under pension scheme regulations	2,435	0	0	(2,435)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the CI&E Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(50)	0	0	50
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	(8)	0	0	8
Total Adjustments	(778)	54	24	700

2010/11 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non-current assets	(1,979)	0	0	1,979
Amortisation of Intangible assets	(19)	0	0	19
Capital grants and contributions applied	3,683	0	(70)	(3,613)
Revenue expenditure funded from capital under statute	(1,772)	0	0	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)	0	0	130
Statutory provision for the financing of capital investment	840	0	0	(840)
Capital expenditure charged against the General Fund	562	0	0	(562)
Adjustments primarily involving the Capital Receipts Reserve (CRR)				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	223	(223)	0	0
Use of the CRR to finance new capital expenditure	0	294	0	(294)
Use of CRR to finance the payments to the Government's capital receipts pool.	(10)	10	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

2010/11 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments primarily involving the Deferred Capital Receipts Reserve (DCRR)				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	(16)	0	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	0	0	(19)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement in accordance with the Code	3,659	0	0.	(3,659)
Employer's pensions contributions and direct payments to pensioners payable in the year under pension scheme regulations	3,092	0	0	(3,092)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the CI&E Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	17	0	0	(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	0	0	(14)
Total Adjustments	8,199	65	(70)	(8,194)

6. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 7-10 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.

	1 April 2011	Transfers Between Earmarked Reserves	Revenue Movements	31 March 2012
	£'000	£'000	£'000	£'000
	Usable Capital Receipts Reserve (Note 7)	(708)	0	54
Capital Grants Unapplied (Note 8)	(412)	0	223	(189)
General Fund Balance	(3,134)	355	(1,037)	(3,816)
Usable Earmarked Reserves (Note 9)	(7,255)	(355)	0	(7,610)
Total	(11,509)	0	(760)	(12,269)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

7. Usable Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	(708)	(773)
Prior Year Adjustment	0	(24)
Capital receipts in year from sale of assets	(27)	(192)
Capital receipts in year from deferred capital receipts (Note 13)	(17)	(16)
Capital receipts in year from repayment of grant	(13)	(7)
Capital receipts applied during the year – financing Revenue Expenditure Funded by Capital under Statute	2	178
Capital receipts applied during the year – financing fixed assets	96	116
Housing Pooled Capital Receipts	13	10
Balance as at 31 March	(654)	(708)

8. Capital Grants Unapplied Account

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

	1 April 2011 £'000	Transfers Between Reserves £'000	Revenue Movements £'000	31 March 2012 £'000
Communities and Local Government	(11)	0	0	(11)
Performance Reward Grant	(200)	0	200	0
Home Repair Loans	(101)	(96)	19	(178)
Amicus	(100)	0	100	0
Abbey Playbuilder	0	(31)	31	0
Total	(412)	(127)	350	(189)

9. Usable Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance 1 April 2010 £'000	Transfers out 2010/11 £'000	Transfers in 2010/11 £'000	Balance 31 March 2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance 31 March 2012 £'000
General Reserve	(2,702)	1,053	(1,021)	(2,670)	291	(978)	(3,357)
Performance	(126)	151	(450)	(425)	219	(554)	(760)
Repairs & Renewals	(321)	75	(126)	(372)	188	(153)	(337)
Partnership	(450)	24	(200)	(626)	632	(6)	0
Invest to Save	(207)	0	(257)	(464)	497	(33)	0
Regeneration	0	0	0	0	100	(451)	(351)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	Balance 1 April 2010 £'000	Transfers out 2010/11 £'000	Transfers in 2010/11 £'000	Balance 31 March 2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance 31 March 2012 £'000
Superannuation	(34)	368	(156)	178	57	(235)	0
Transformation	(113)	0	(400)	(513)	219	0	(294)
Localism	0	0	0	0	0	(100)	(100)
Building Maintenance	(774)	158	(6)	(622)	27	(77)	(672)
Building Control	(95)	0	0	(95)	0	0	(95)
Housing	(244)	5	(180)	(419)	87	(124)	(456)
Stay Put Grants	(173)	71	0	(102)	0	(44)	(146)
Empty Property Initiative	(128)	39	0	(89)	14	0	(75)
Retrofit Programme	(10)	0	0	(10)	18	(45)	(37)
Risk Management	(44)	24	(15)	(35)	0	(15)	(50)
Carbon Management	(21)	0	(66)	(87)	50	(11)	(48)
Local Development Framework	(292)	176	(45)	(161)	8	0	(153)
Local Strategic Partnership	(158)	79	0	(79)	139	(199)	(139)
Capital Programme, Revenue Funded	0	0	(176)	(176)	14	0	(162)
Insurance	(9)	0	(9)	(18)	0	(64)	(82)
Miscellaneous	(742)	281	(9)	(470)	948	(774)	(296)
Total	(6,643)	2,504	(3,116)	(7,255)	3,508	(3,863)	(7,610)

General Reserve	To fund revenue expenditure and its use is subject to the approval of Members. This has been increased by the VAT Fleming claims received, and by numerous unused reserves being closed in 2011/12.
Performance	To improve overall performance. Officers are invited to submit a bidding list of proposals.
Repairs and Renewals	Regular contributions are made to this fund from the General Fund. Large items of expenditure are then charged to the service and funded from this reserve.
Partnership	To attract additional resources from third parties for joint funded projects. The balance has now been moved to the Performance Improvement Reserve.
Invest to Save	This was a pool of funding to support initiatives to enable step changes in service delivery/performance to be achieved. This reserve has now been closed and contributed to the Performance Improvement Reserve.
Regeneration	To fund Regeneration Projects in the Borough.
Superannuation	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement. The balance has now been moved to the Transformation Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

Transformation	To meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement and to fund any redundancy costs.
Localism	To support the Council's Localism Agenda.
Building Maintenance	To meet items of backlog building maintenance as identified in the Council's medium term maintenance plan as well as urgent or unexpected items.
Building Control	Any balance on this reserve represents the Council's share of the Building Control Partnership's balance.
Housing	This is made up of a number of housing reserves, including Private Sector Lease Scheme Reserve, Rent Deposit Scheme Bond Reserve, Recession Funding reserve and the Supporting People Reserve. All these reserves will help to fund the homelessness service in future years.
Stay Put Grants	For ring fenced external funding for health grants and supporting people grants.
Empty Property Initiative	Funds to be used to assist with initiatives to restore long-term empty homes back into use.
Retrofit Programme	To support the implementation of the Rushenden Retrofit project.
Risk Management	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.
Carbon Management	This reserve was established by an invest to save fund for climate change related initiatives only.
Local Development Framework	Under the Planning and Compulsory Purchase Act 2004, district Local Plans were replaced with Local Development Documents (LDDs). Together, the LDDs will comprise a Local Development Framework (LDF) for the district authority area. Any underspend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund LDF associated work.
Local Strategic Partnership	This is funded from the Local Area Agreement Grant. Expenditure is decided by the Swale Public Services Board.
Capital Programme, Revenue Funded	This reserve reflects the under spend on capital schemes in 2010/11.
Insurance	For damage valued at £1,000 or less to Council occupied property – an excess of £1,000 will apply to cover for certain types of damage.
Miscellaneous	This is made up of the earmarked reserves that are less than £50,000. A full list of these reserves is available upon request.

10. Unusable Reserves

	2011/12 £'000	2010/11 £'000
Revaluation Reserve (note 11)	(7,442)	(6,660)
Capital Adjustment Account (note 12)	(38,666)	(39,535)
Deferred Capital Receipts Reserve (note 13)	(35)	(52)
Financial Instruments Adjustment Account (note 14)	76	123
Pensions Reserve (note 15)	39,488	27,439
Collection Fund Adjustment Account (note 16)	(54)	(104)
Accumulated Absences Account (note 17)	154	145
Total Unusable Reserves	(6,479)	(18,644)

11. Revaluation Reserve

This contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

- 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 were consolidated into the balance on the Capital Adjustment Account.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	(6,660)	(5,864)
Revaluation and Restatement of Assets:		
Downward revaluation of assets set off reserve	34	95
Surplus arising on revaluation of non-current assets	(671)	(927)
Recognition of Heritage Assets	(352)	0
Sub-Total Revaluation Adjustments	(989)	(832)
Other Adjustments:		
Write down Revaluation Reserve Account (RRA) balance re gains derived from Historic Cost -v- Current Value depreciation differences	99	106
Prior year adjustment – RRA balance written down following Historic Cost depreciation amendment	108	0
Reclassification of Investment properties	0	(70)
Balance as at 31 March	(7,442)	(6,660)

12. Capital Adjustment Account

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

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	(39,535)	(38,131)
Revaluation Losses – impairment to CI&E account:		
Investment Assets	338	46
Other Assets	44	828
Minimum Revenue Provision	(874)	(840)
Government Grants Deferred	(1)	(2,347)
Capital Financing – Revenue (Note 37)	(111)	(562)
Reclassify assets to Held for Sale	0	70
Write down REFCUS	1,444	1,772
Write down of government grants and external contributions that funded REFCUS	(1,443)	(1,224)
Amortisation of Intangible assets	19	19
Depreciation of Tangible Non-current assets	1,998	1,954
Adjusting Amounts Written out of Revaluation Reserve (RRA) (Note 11):		
Write down of Revaluation Reserve depreciation gains	(99)	(106)

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	2011/12 £'000	2010/11 £'000
Disposal of assets – write out of Carrying Value	72	130
Revaluation – Reversal of prior impairments:		
Investment Assets	0	(9)
Other Assets	(89)	(34)
Revaluation – gain direct to CI&E account – Investment Assets	(224)	(806)
Capital Financing – Capital Receipts:		
Financing non-current assets	(96)	(116)
Revenue Expenditure funded by Capital under Statute (REFCUS)	(1)	(178)
Adjustment to prior year	(108)	(1)
Balance as at 31 March	(38,666)	(39,535)

13. Deferred Capital Receipts Reserve

This 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 usable 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.

	1 April 2011 £'000	Income £'000	Expenditure £'000	31 March 2012 £'000
Private streetworks	9	0	0	9
Mortgages	43	(17)	0	26
Total	52	(17)	0	35

14. Financial Instruments Adjustment Account

This 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.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	(123)	(142)
Movement in year	47	19
Balance as at 31 March	(76)	(123)

15. Pensions Reserve

This 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 & Expenditure Statement as the benefits are earned by employees. 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:

NOTES TO THE CORE FINANCIAL STATEMENTS – MIRS

	2011/12 £'000	2010/11 £'000
Opening balance as at 1 April – Defined Benefit Obligation	(78,280)	(100,520)
Current service cost	(1,351)	(1,907)
Interest cost	(4,249)	(4,695)
Contributions by scheme participants	(492)	(528)
Liabilities extinguished on settlements	243	0
Losses on curtailments	(30)	(68)
Actuarial gains and (losses)	(10,133)	18,465
Benefits paid	3,599	3,877
Past service costs	0	7,096
Closing balance as at 31 March – Defined Benefit Obligation	(90,693)	(78,280)

ii) Reconciliation of fair value of the scheme assets:

	2011/12 £'000	2010/11 £'000
Opening balance as at 1 April – Fair Value of Scheme Assets	50,841	44,720
Expected rate of return	3,469	3,233
Actuarial gains and (losses)	(2,222)	3,145
Employer contributions	2,435	3,093
Contributions by scheme participants	492	527
Receipt/(payment) of bulk transfer value	(211)	0
Benefits paid	(3,599)	(3,877)
Closing balance as at 31 March – Fair Value of Scheme Assets	51,205	50,841

The Pensions Reserve figure in the Balance Sheet consists of the total assets plus liabilities detailed above.

16. Collection Fund Adjustment Account

This manages the differences arising from the recognition of Council Tax income in the Comprehensive Income & 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.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	(104)	(88)
Movement in year	50	(16)
Balance as at 31 March	(54)	(104)

17. Accumulated Absences Account

This 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.

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	145	159
Settlement of the accrual made at the end of the preceding year	145	159
Amounts accrued at the end of the current year	154	145
Movement in year	9	(14)
Balance as at 31 March	154	145

18. Material Items of Income and Expense

Material items in the 2011/12 accounts

£522,000 net of fees was received from Her Majesty's Revenues and Customs (HMR&C) in respect of VAT claims submitted. This amount is shown separately in the Comprehensive Income & Expenditure Statement. £422,000 was transferred to the General Reserve, and £100,000 to the Localism reserve.

Material items in the previous year's (2010/11) accounts

Settlements totalling £1.021m were received as a result of VAT claims lodged with HMR&C. The capitalised gain from the change in pension increase policy from RPI to CPI was calculated at £7.096m.

19. Other Operating Expenditure

	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
Parish Precepts	772	0	772	767
Levies	325	0	325	324
Payments to the Housing Capital Receipts Pool	12	0	12	10
(Gains)/losses on the disposal of non-current assets (see detail below)	72	(40)	32	(21)
Total	1,181	(40)	1,141	1,080

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

	2011/12 £'000	2010/11 Restated £'000
Capital receipts in year (Note 7):		
Investment assets	0	(190)
Other Assets	(27)	(2)
Miscellaneous	(13)	(31)
Disposal Costs:		
Investment assets	0	2
Other assets	0	4
Disposal of assets - write out of carrying value:		
Investment assets (Note 33)	0	120
Other assets (Note 29)	72	10
Net loss/(gain) on sales of fixed assets	32	(87)

20. Financing and Investment Income and Expenditure

	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
Interest Payable & Similar Charges	150	0	150	173
Pensions interest cost & expected return on pensions assets	4,249	(3,469)	780	1,462
Interest Receivable & similar income	7	(84)	(77)	(44)

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
(Gain) on Trading Undertakings (Note 21)	596	(764)	(168)	(140)
Income and expenditure in relation to investment properties	75	(279)	(204)	(212)
Losses/(gains) in relation to investment properties and changes in their fair value	338	(224)	114	(768)
(Gains) on disposal of investment properties	0	0	0	(66)
Total	5,415	(4,820)	595	405

21. Trading Undertakings

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

	2011/12 Gross Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
Property Portfolio	295	(446)	(151)	(136)
Markets	31	(48)	(17)	(23)
Building Control (chargeable activities only)	270	(270)	0	19
Total	596	(764)	(168)	(140)

Property Portfolio – The net expenditure above relates to those properties not classified on the Council's Balance Sheet as investment property, but as PPE.

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 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

	2011/12 £'000	2010/11 £'000
Council Tax	(8,483)	(8,416)
Business Rate Grant (Swale share of NNDR Pool)	(7,355)	(10,596)
Unringfenced Government Grants (Note 23)	(3,312)	(1,699)
KCC Second Homes Discount	(79)	(71)
Recognised Capital Grants and Contributions	(73)	(2,460)
Total	(19,302)	(23,242)

23. Grant Income

Grants Credited to Taxation and Non Specific Grant Income

These are government grants and external contributions that do not relate to the performance of a specific service.

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

	2011/12 £'000	2010/11 £'000
Council Tax Freeze Grant	(192)	0
Revenue Support Grant	(2,274)	(1,539)
Area Based Grant	0	(160)
New Homes Bonus	(846)	0
Total	(3,312)	(1,699)

- Council Tax Freeze Grant – This grant is intended to represent the equivalent of a 2.5% rise in Council Tax and is only paid to authorities that freeze their Council Tax;
- Revenue Support Grant – this is a government grant in aid of local Council services generally, it is based on the government's assessment of how much a Council needs to spend in order to provide a standard level of service;
- Area Based Grant – From 2011/12 Area Based Grant is now incorporated within the Revenue Support Grant; and
- New Homes Bonus – This is a non-specific grant introduced by the government for 2011/12 as an incentive for councils to deliver sustainable housing development. The grant is calculated on the basis of the national average for Council Tax based on each additional property, and is paid for the following six years.

Grants Credited to Services

Grant Area	Provider	2011/12 £'000	2010/11 £'000
Anti-Social Behaviour Grant	The Home Office	0	(39)
Arts at the Centre Grant	Arts Council England	(40)	0
Community Safety Partnership Grant	Kent County Council	(83)	(31)
Concessionary Fares	Department for Transport	0	(125)
Contribution towards Community Support Unit Hawkeye & Communication Officer	Kent Police	(25)	(35)
Crime & Disorder Reduction Partnership Funding	Kent County Council	0	(108)
Demolition of Bridge Street Toilets – Contribution	Tesco	(36)	0
Discretionary Housing Payments Grant	Department for Work & Pensions	(68)	(60)
Erosion Study Grant	Environment Agency	(30)	(50)
Housing Benefit Additional Grant	Department for Work & Pensions	(3)	(43)
Housing Benefit Admin Subsidy	Department for Work & Pensions	(1,126)	(1,221)
Housing/Council Tax Benefit Grant	Department for Work & Pensions	(62,397)	(59,539)
Interreg Contribution	European Regional development Fund	(36)	(28)
Iwade Village Park – Phase 5 Commuted Sums	Ward Homes Limited	(94)	0
Local Services Support Grant – Homelessness	Department for Communities & Local Government	(92)	(66)
Milton Creek Grant	Heritage Lottery	0	(25)
Neighbourhood Planning Front Runners	Department for Communities & Local Government	(20)	0

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

Grant Area	Provider	2011/12	2010/11
		£'000	£'000
New Burdens Grant – Search Fees	Department for Environmental & Rural Affairs	(34)	0
Performance Reward Grant	Department for Communities & Local Government	(7)	(114)
Preventing Repossessions Grant	Department for Communities & Local Government	(44)	0
Queenborough and Rushenden Community Development Grant	Homes & Communities Agency	(177)	(70)
Thames Gateway Growth Fund	Homes & Communities Agency	0	(372)
Revenue Expenditure Funded by Capital Under Statute	Various Contributions	(1,443)	(1,224)
Rushenden Community Energy Saving Programme Grant	Climate Energy	(217)	0
Sittingbourne Masterplan Grant	Homes & Communities Agency	0	(50)
Stay Put Scheme Grants	Kent County Council	(78)	(107)
Stayput Scheme – Handy Person Grant	National Health Service	(85)	(115)
Sports Unlimited Grant	Kent County Council	0	(31)
Sure Start Grant	Kent County Council	(171)	(494)
Other Grants		(185)	(290)
Total Grant Income Credited to Cost of Services		(66,491)	(64,237)

Grants – Receipts in Advance

Grant Area	Provider	2011/12	2010/11
		£'000	£'000
Air Quality Grant	Department for Environmental & Rural Affairs	(26)	0
Disabled Facilities Grant	Department for Communities & Local Government	(22)	0
Discretionary Housing Payment Grant	Department for Work & Pensions	(11)	0
Housing Benefits Grant	Department for Work & Pensions	(43)	0
Local Development Forum	Area Based Grant	0	(17)
Marine Town Alleyway Project	Kent County Council	(5)	0
Queenborough Castle Grant	Heritage Lottery Fund	(8)	0
Rushenden Retrofit Grant	Homes & Communities Agency	(314)	0
Staying Put Grant	Kent County Council	(37)	(7)
Warm Homes & Healthy People Grant	Kent County Council	(8)	0
Play Ranger Grant	Kent County Council	0	(11)
Swale Extended Services Grant	Kent County Council	0	(12)
Total Grant Income – Receipts in Advance		(474)	(47)

Capital Grants Receipts in Advance

Please See Note 45 for a breakdown of Capital Grants Receipts in Advance.

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

24. Members' Allowances

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

	2011/12 £'000	2010/11 £'000
Basic allowance	156	157
Special responsibility allowance	87	93
Members travel and IT allowance	24	23
Total	267	273

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 Council (Members Allowances) (England) Regulations 2003, details of payments to individual Members are published annually.

25. Officers' 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	2011/12 Number of employees	2010/11 Number of employees
£50,000 – £54,999	8	5
£55,000 – £59,999	1	3
£60,000 – £64,999	3	2
£65,000 – £69,999	2	2
£70,000 – £74,999	4	4
£75,000 – £79,999	1	1
£80,000 – £84,999	0	0
£85,000 – £89,999	0	0
£90,000 – £94,999	1	1
£95,000 – £99,999	0	1
£100,000 – £104,999	1	0
£105,000 – £109,999	0	0
£110,000 – £114,999	0	0
£115,000 – £119,999	0	0
£120,000 – £124,999	0	0
£125,000 – £129,999	0	0
£130,000 – £135,000	0	1
£135,001 – £140,000	1	0
Total	22	20

These remuneration bands include senior employees – this has been applied consistently to both years. Remuneration comprises of:

- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

(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) 2011/12		2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
Post holder Information		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
(Post title)	Notes	£	£	£	£	£	£	£	£
Chief Executive Swale Borough Council		141,279	0	0	0	0	141,279	41,135	182,414
Director of Corporate Services	Note 1	96,560	0	0	0	799	97,359	28,100	125,459
Head of Legal Services	Note 2	101,841	0	0	0	0	101,841	0	101,841
Director of Regeneration		76,265	0	0	0	0	76,265	22,784	99,049
Head of Development Services		74,960	0	0	0	0	74,960	22,392	97,352
Head of Economic Development & Cultural Services		74,960	0	0	0	0	74,960	22,392	97,352
Head of Commissioning & Customer Contact		74,960	0	0	0	0	74,960	22,392	97,352
Head of Service Delivery		74,960	0	0	0	537	75,497	22,392	97,889
Head of Corporate Governance & Communications		69,740	0	0	0	0	69,740	20,702	90,442
Chief Executive Thames Gateway Kent Partnership		64,070	0	0	0	0	64,070	19,140	83,210

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

(b) (i) 2011/12		2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
Post holder Information		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
(Post title)	Notes	£	£	£	£	£	£	£	£
Head of Housing Services		68,226	0	0	0	0	68,226	20,380	88,606
Head of Audit Partnership	Note 3	0	0	0	0	0	0	0	0
Head of HR Partnership	Note 4	0	0	0	0	0	0	0	0
Head of Finance	Note 5	0	0	0	0	0	0	0	0
Total		917,821	0	0	0	1,336	919,157	241,809	1,160,966

Note 1: Includes Elections / Acting Returning Officer fees.

Note 2: The Head of Legal Services Partnership is covered by an interim.

Note 3: The Head of Audit Partnership - disclosure covering this post will be made by Maidstone Borough Council.

Note 4: The Head of HR is shared with Maidstone Borough Council. Disclosure covering this post will be made by Maidstone Borough Council.

Note 5: The Head of Finance – Disclosure covering this post will be made by Kent County Council.

(b) (ii) 2010/11		2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11
Post holder Information		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
(Post title)	Notes	£	£	£	£	£	£	£	£
Chief Executive Swale Borough Council		135,000	0	0	0	0	135,000	43,200	178,200
Director of Corporate Services	Note 6	96,066	0	0	0	1,382	97,448	30,099	127,547
Head of Legal Services	Note 7	91,010	0	0	0	0	91,010	0	91,010
Director of Regeneration	Note 8	77,409	0	0	0	0	77,409	20,973	98,382

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

(b) (ii) 2010/11		2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11
Post holder Information		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
(Post title)	Notes	£	£	£	£	£	£	£	£
Head of Development Services		72,075	0	0	0	0	72,075	23,064	95,139
Head of Economic Development & Cultural Services		72,075	0	0	0	0	72,075	23,064	95,139
Head of Commissioning & Customer Contact		72,075	0	0	0	0	72,075	23,064	95,139
Head of Service Delivery		72,075	0	0	0	0	72,075	23,064	95,139
Head of Corporate Governance & Communications		66,635	0	0	0	0	66,635	21,323	87,958
Chief Executive Thames Gateway Kent Partnership		64,070	0	0	0	0	64,070	20,502	84,572
Head of Housing Services		64,405	0	0	0	0	64,405	20,610	85,015
Head of Finance	Note 9	28,924	0	0	0	0	28,924	0	28,924
Total		911,819	0	0	0	1,382	913,201	248,963	1,162,164

Note 6: Includes Elections / Acting Returning Officer fees.

Note 7: The Head of Legal post is covered by an interim.

Note 8: 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 9: 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.

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (Including Special Payments)	Number Of Compulsory Redundancies		Number Of Other Departures Agreed		Total Number Of Exit Packages By Cost Band		Total Cost Of Exit Packages In Each Band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £	2010/11 £
£0 – £20,000	15	10	0	1	15	11	117,500	92,600
£20,001– £40,000	1	3	0	0	1	3	46,700	114,700
£40,001– £60,000	0	0	0	0	0	0	0	0
£60,001– £80,000	0	0	0	0	0	0	0	150,600
£80,001– £100,000	0	0	0	0	0	0	0	0
£100,001– £150,000	0	0	0	0	0	0	0	0
£150,001 – £200,000	0	0	0	0	0	0	0	171,100
Total	16	13	0	1	16	14	164,200	529,000
Total paid to employee							107,900	160,600
Total Paid to KCC for contracted payments for pension scheme							56,300	368,400
Total							164,200	529,000

The 2010/11 cost of £171,100 was for a member of staff who left at the end of 2009/10 but the exit payment was made in 2010/11. The cost was met partly by contributions of £99,800 from the Council's partners in shared services – Maidstone Borough Council and Tunbridge Wells Borough Council.

The number of compulsory redundancies and departures in each year recognises a demonstrable commitment in that financial year i.e. the departure was made in that financial year. The total cost of exit packages recognises when the payment was made. In 2012/13 £53,100 has been paid in exit packages relating to four staff departing in 2011/12.

26. 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 2011/12, the Council incurred the following fees relating to external audit and inspection:

	2011/12 £'000	2010/11 Restated £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	123	132
Fees payable to the Audit Commission for the certification of grant claims and returns	25	23
Total	148	155

The 2010/11 figures were restated to reflect the actual cost which in 2010-11 accounts included an estimate.

27. Long-Term Contracts

In 2011/12, the Council is committed to making payments under the following contracts:

- £4,075,900 for the provision of cleansing services (refuse & recycling, street cleansing and public conveniences); the remaining value of the contracts is estimated at £6.79 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

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

have been procured from the contractor under a finance lease (for further details see note 54)

- £542,900 for the provision of Leisure Centre Management (including utilities subsidies); the remaining value of the contract is estimated at £3.39 million (excluding future indexation and contract variations). The original contract period expires in 2018; and
- £1,120,600 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 £5.24 million (excluding future indexation and contract variations)

The Council also belongs to a partnership with KCC and other Kent District Councils, which 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 is managed by Housing 21, a housing association.

28. Amounts Reported for Resource Allocation Decisions

Segmental Analysis of Assets and Liabilities

Internal reporting covers an analysis of sundry debt by department. This information is presented below

Reporting Segment	2011/12 £'000	2010/11 £'000
Corp Strategy & Communications	3	11
Economy & Communities	118	125
Housing	892	872
Planning	53	15
Director Of Regeneration / Director Of Corporate Services	58	0
Audit	0	100
Finance	0	4
Human Resources	3	0
Legal & Democratic Services	13	11
Property Services	218	201
Service Delivery	32	49
Commissioning & Customer Contact	36	124
Total	1,426	1,512

Segmental Analysis of Income and Expenditure

The analysis of income and expenditure by service on the face of the Comprehensive Income & Expenditure Statement is that specified by the Service Expenditure Reporting 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, where appropriate, prepared on the same basis as the accounting policies used in the financial statements so that the budget managers see the true financial implications of their decisions.

The following tables show:

- the income and expenditure of the Council's principal departments recorded in the budget reports for the year; and
- how the figures in the analysis of departments' income and expenditure relate to the amounts included in the Comprehensive Income & Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

2011/12	Staff Costs £'000	Supplies, Service and Third Party Payments £'000	Transfer Payments £'000	Depreciation, Amortisation & Impairment £'000	Precepts and Levies £'000	Interest Paid £'000	Payment to Housing Capital Receipts Pool £'000	Gains / Losses on non-current assets £'000	Government Grant £'000	Fees, Charges and Service income £'000	Interest & Invest Income £'000	Council Tax Income £'000	Support Service Recharges £'000	Total £'000
Chief Executive	218	32	0	0	0	0	0	0	0	(1)	0	0	0	249
Corporate Strategy & Communications	538	157	0	0	0	0	0	0	11	(41)	0	0	0	665
Economy & Communities	884	1,449	0	315	0	0	0	0	(435)	(169)	0	0	0	2,044
Housing	1,161	2,229	0	3	0	0	0	0	(2,499)	(117)	0	0	0	777
Planning	1,580	502	0	4	0	0	0	0	(77)	(807)	0	0	0	1,202
Directors: Regeneration / Corporate	444	193	0	0	0	0	0	0	(160)	(5)	0	0	0	472
IT	471	205	0	43	0	0	0	0	0	(38)	0	0	0	681
Audit	101	82	0	0	0	0	0	0	0	0	0	0	0	183
Finance	688	460	0	0	325	0	0	0	0	0	0	0	0	1,473
Human Resources	179	195	0	0	0	0	0	0	0	(3)	(2)	0	0	369
Legal & Democratic	671	570	0	0	0	0	0	0	(15)	(106)	0	0	0	1,120
Property Services	478	607	0	105	0	0	0	0	(36)	(795)	0	0	0	359
Service Delivery	2,941	1,579	62,283	69	0	0	0	0	(63,766)	(3,535)	(1)	0	0	(430)
Commissioning & Customer Contact	1,256	6,536	0	1,409	0	0	0	0	(492)	(1,300)	0	0	0	7,409
NNDR Discretionary Relief	0	0	233	0	0	0	0	0	0	0	0	0	0	233
Debt Impairment	0	0	0	0	0	0	0	0	0	205	0	0	0	205
Financial Guarantee	0	0	0	0	0	0	0	0	0	68	0	0	0	68
2010/11 Expenditure Funded From Reserves	(36)	(66)	0	0	0	0	0	0	0	0	0	0	0	(102)
Below The Line Items	2,636	1,995	0	(866)	0	7	13	0	(576)	(4,206)	(84)	0	0	(1,081)
Net Recharges	0	0	0	0	0	0	0	0	0	0	0	0	(314)	(314)
Rollovers – Specific Grants	0	0	0	0	0	0	0	0	582	0	0	0	0	582
Total Service Expenditure Reported To Management	14,210	16,725	62,516	1,082	325	7	13	0	(67,463)	(10,850)	(87)	0	(314)	16,164

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

2011/12	Staff Costs	Supplies, Service and Third Party Payments	Transfer Payments	Depreciation, Amortisation & Impairment	Precepts and Levies	Interest Paid	Payment to Housing Capital Receipts Pool	Gains / Losses on non-current assets	Government Grant	Fees, Charges and Service Income	Interest & Invest Income	Council Tax Income	Support Service Recharges	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax & Formula Grant	0	0	0	0	772	0	0	0	(9,628)	0	0	(8,533)	0	(17,389)
11/12 Expenditure Funded From Reserves	352	1,048	0	0	0	0	0	0	(15)	(3)	0	0	0	1,382
Post Reporting Entries	356	(226)	0	(14)	0	0	0	0	(1,044)	(161)	0	0	314	(775)
Items Not Included in Net Cost of Services	(987)	(577)	0	(220)	(1,097)	(7)	0	40	10,855	941	84	8,533	0	17,565
Items Excluded From Surplus/Deficit on Services	(2,386)	(1,703)	(43)	1,095	0	0	0	(40)	(25)	3,462	0	0	0	360
Net Cost of Services	11,545	15,267	62,473	1,943	0	0	13	0	(67,320)	(6,611)	(3)	0	0	17,307
Other Operating Expenditure	0	13	0	71	1,097	0	0	(40)	0	0	0	0	0	1,141
Financing & Investment Income & Expenditure	987	563	0	149	0	7	0	0	(36)	(991)	(84)	0	0	595
Taxation & Non-Specific Grant Income	0	0	0	0	0	0	0	0	(10,819)	50	0	(8,533)	0	(19,302)
(Surplus)/Deficit on the Provision of Services	12,532	15,843	62,473	2,163	1,097	7	13	(40)	(78,175)	(7,552)	(87)	(8,533)	0	(259)
Surplus or Deficit on Revaluation of Non-current Assets	0	0	0	0	0	0	0	(989)	0	0	0	0	0	(989)
Deficit on Provision of Services	12,355	0	0	0	0	0	0	0	0	0	0	0	0	12,355
Other Adjustments	0	0	0	0	0	0	0	0	298	0	0	0	0	298
Total Comprehensive Income & Expenditure	24,887	15,843	62,473	2,163	1,097	7	13	(1,029)	(77,877)	(7,552)	(87)	(8,533)	0	11,405

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

2010/11 Comparative Figures (Restated):

2010/11	Staff Costs £'000	Supplies, Services and Third Party Payments £'000	Transfer Payments £'000	Depreciation, Amortisation & Impairment £'000	Precepts and Levies £'000	Interest Paid £'000	Payment to Housing Capital Receipts Pool £'000	Gains/Losses on non-current assets £'000	Government Grants £'000	Fees, Charges and Service Income £'000	Interest & Invest Income £'000	Council Tax Income £'000	Support Service Recharges £'000	Total £'000
Chief Executive	241	32	0	0	0	11	0	0	(5)	(2)	0	0	(235)	42
Director of Regeneration	235	4	0	0	0	0	0	0	(123)	0	0	0	(101)	15
Corporate Strategy & Communications	490	241	0	0	0	14	0	0	(23)	(185)	0	0	(379)	158
Economy & Communities	1,276	2,097	130	233	0	35	0	0	(1,520)	(271)	0	0	(133)	1,847
Housing	1,148	508	0	0	0	0	0	0	(291)	(351)	0	0	177	1,191
Planning	1,408	895	0	22	0	0	0	0	(27)	(795)	0	0	155	1,658
Director Corporate Services	146	225	0	0	0	0	0	0	0	(5)	0	0	910	1,276
Emergency Planning	14	32	0	0	0	0	0	0	0	0	0	0	68	114
IT	464	136	0	41	0	0	0	0	(6)	(11)	0	0	(737)	(113)
Audit	281	83	0	0	0	2	0	0	(100)	0	0	0	(217)	49
Finance	852	323	0	0	324	9	0	0	(5)	(242)	0	0	(1,219)	42
Human Resources	300	135	0	0	0	10	0	0	(8)	0	(1)	0	152	588
Legal & Democratic	609	526	0	0	0	11	0	0	(1)	(74)	0	0	132	1,203
Property Services	481	593	0	107	0	11	0	0	0	(690)	0	0	(800)	(298)
Service Delivery	3,272	2,513	59,880	38	0	0	0	0	(61,258)	(3,433)	0	0	749	1,761
Commissioning & Customer Contact	1,293	7,201	73	972	0	58	0	0	(532)	(1,513)	0	0	191	7,743
Total Service Expenditure Reported To Management	12,510	15,544	60,083	1,413	324	161	0	0	(63,899)	(7,572)	(1)	0	(1,287)	17,276
Below The Line Charges	(2,127)	3,033	0	2,106	767	(463)	10	9	4,442	(6,933)	(53)	0	1,293	2,084
Council Tax and Government Funding	0	0	0	0	0	0	0	0	(12,134)	0	0	(8,416)	0	(20,550)
Items Excluded From Surplus/Deficit on Services	(6,751)	(61)	0	(1,451)	0	0	0	(102)	146	22	0	0	0	(8,197)

NOTES TO THE CORE FINANCIAL STATEMENTS – C I&E

2010/11	Staff Costs £'000	Supplies, Services and Third Party Payments £'000	Transfer Payments £'000	Depreciation, Amortisation & Impairment £'000	Precepts and Levies £'000	Interest Paid £'000	Payment to Housing Capital Receipts Pool £'000	Gains/Losses on non-current assets £'000	Government Grants £'000	Fees, Charges and Service Income £'000	Interest & Invest Income £'000	Council Tax Income £'000	Support Service Recharges £'000	Total £'000
Items Not Included in Net Cost Of Services	(4,695)	(608)	0	723	(1,087)	(9)	0	93	14,826	4,176	53	8,416	(131)	21,757
Net Cost of Services	(1,063)	17,908	60,083	2,791	4	(311)	10	0	(56,619)	(10,307)	(1)	0	(125)	12,370
Other Operating Expenditure	0	10	0	6	1,087	0	0	(23)	0	0	0	0	0	1,080
Financing & Investment Income & Expenditure	4,695	598	0	(729)	0	9	0	(70)	0	(4,176)	(53)	0	131	405
Taxation & Non-Specific Grant Income	0	0	0	0	0	0	0	0	(14,826)	0	0	(8,416)	0	(23,242)
(Surplus)/ Deficit on the Provision of Services	3,632	18,516	60,083	2,068	1091	(302)	10	(93)	(71,445)	(14,483)	(54)	(8,416)	6	(9,387)
Surplus or Deficit on Revaluation of Non-current Assets	0	0	0	0	0	0	0	(832)	0	0	0	0	0	(832)
Actuarial (Gains) on Pensions Assets/ Liabilities	(21,610)	0	0	0	0	0	0	0	0	0	0	0	0	(21,610)
Other Adjustments	0	0	0	0	0	0	0	0	42	0	0	0	0	42
Total Comprehensive Income & Expenditure	(17,978)	18,516	60,083	2,068	1,091	(302)	10	(925)	(71,403)	(14,483)	(54)	(8,416)	6	(31,787)

The 2010/11 segmental analysis of income & expenditure has been restated to reflect the current reporting structure and the outturn report submitted to Cabinet.

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

29. Property, Plant and Equipment Assets

Movements on Balances in 2011/12:

Classification 2011/12	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant and Equipment Assets £'000
	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infrastructure	Community		
	£'000	£'000	£'000	£'000	£'000		
Cost or Valuation							
At 1 April 2011	32,973	6,708	3,496	4,473	3,604	4,251	55,505
Previous year rounding adjustment	(1)	0	0	0	0	0	(1)
Additions – Capital Expenditure	163	136	0	0	5	0	304
Additions – Other	0	0	60	0	0	0	60
Revaluation – increase recognised in Revaluation Reserve (RRA)	435	0	0	0	0	51	486
Revaluation – decrease recognised in RRA	(42)	0	0	0	0	(13)	(55)
Revaluation – increase recognised in Surplus on Provision of Services (reversal prior loss)	28	0	0	0	0	(36)	(8)
Revaluation – decrease recognised in Surplus on Provision of Services	(38)	0	0	0	0	(6)	(44)
Derecognition – other	(71)	0	(22)	0	0	0	(93)
Reclassifications	(158)	374	0	(257)	(242)	236	(47)
At 31 March 2012	33,289	7,218	3,534	4,216	3,367	4,483	56,107
Accumulated Depreciation and Impairments							
At 1 April 2011	(1,332)	(3,751)	(1,958)	(444)	(256)	(162)	(7,903)
Previous year rounding adjustment	1	0	0	0	(1)	1	1
Depreciation Charge	(756)	(553)	(483)	(143)	(12)	(51)	(1,998)
Depreciation written out to the RRA	182	0	0	0	0	2	184
Depreciation written out to the Surplus/Deficit on Provision of Services (reversal prior loss)	48	0	0	0	0	49	97
Impairment losses/(reversals) recognised in RRA	15	0	0	0	0	6	21
Derecognition – other	8	0	13	0	0	0	21

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

Classification 2011/12	Operational Assets					Non-Operational Assets Surplus Land & Buildings	Total Property, Plant and Equipment Assets
	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infrastructure	Community		
	£'000	£'000	£'000	£'000	£'000		
Reclassifications	3	(164)	0	49	115	(3)	0
At 31 March 2012	(1,831)	(4,468)	(2,428)	(538)	(154)	(158)	(9,577)
Balance Sheet at 31 March 2012	31,458	2,750	1,106	3,678	3,213	4,325	46,530
Balance Sheet amount at 1 April 2011	31,641	2,957	1,538	4,029	3,348	4,089	47,602
Nature of asset holding							
Owned	31,458	2,750	0	3,678	3,213	4,325	45,424
Finance/Embedded lease	0	0	1,106	0	0	0	1,106
Balance Sheet at 31 March 2012	31,458	2,750	1,106	3,678	3,213	4,325	46,530

Comparative Movements in 2010/11:

Classification 2010/11	Operational Assets					Non-Operational Assets Surplus Land & Buildings	Total Property, Plant and Equipment Assets
	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infrastructure	Community		
	£'000	£'000	£'000	£'000	£'000		
Cost or Valuation							
At 1 April 2010	33,812	4,959	3,517	3,457	3,591	4,104	53,440
Additions – Capital Expenditure	185	988	0	1,016	13	0	2,202
Revaluation – increase recognised in Revaluation Reserve (RRA)	744	0	0	0	0	134	878
Revaluation – decrease recognised in RRA	(97)	0	0	0	0	(5)	(102)
Revaluation – increase recognised in Surplus/Deficit on Provision of Services (reversal prior loss)	16	0	0	0	0	18	34

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

Classification 2010/11	Operational Assets					Non-Operational Assets Surplus Land & Buildings £'000	Total Property, Plant and Equipment Assets £'000
	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infrastructure	Community		
	£'000	£'000	£'000	£'000	£'000		
Revaluation – decrease recognised in Surplus/Deficit on Provision of Services	(852)	(74)	0	0	0	0	(926)
Derecognition – other	0	0	(21)	0	0	0	(21)
Reclassifications	(835)	835	0	0	0	0	0
At 31 March 2011	32,973	6,708	3,496	4,473	3,604	4,251	55,505
Accumulated Depreciation and Impairments							
At 1 April 2010	(711)	(3,224)	(1,465)	(361)	(218)	(138)	(6,117)
Depreciation Charge	(751)	(527)	(504)	(83)	(38)	(50)	(1,953)
Depreciation written out to the RRA	26	0	0	0	0	25	51
Depreciation written out to the Surplus/Deficit on Provision of Services (reversal prior loss)	85	13	0	0	0	0	98
Impairment losses/(reversals) recognised in RRA	6	0	0	0	0	1	7
Derecognition – other	0	0	11	0	0	0	11
Reclassifications	13	(13)	0	0	0	0	0
At 31 March 2011	(1,332)	(3,751)	(1,958)	(444)	(256)	(162)	(7,903)
Balance Sheet at 31 March 2011	31,641	2,957	1,538	4,029	3,348	4,089	47,602

Balance Sheet at 1 April 2010	33,101	1,735	2,052	3,096	3,373	3,966	47,323
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Nature of asset holding	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infrastructure	Community	Non-Operational Assets Surplus Land & Buildings	Total Property, Plant and Equipment Assets
Owned	31,641	2,957	0	4,029	3,348	4,089	46,064
Finance/Embedded lease	0	0	1,538	0	0	0	1,538
Balance Sheet at 31 March 2011	31,641	2,957	1,538	4,029	3,348	4,089	47,602

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

30. 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 2011/12 Wilks, Head and Eve valued assets, including Investment properties and Held for Sale properties, at a gross value of £11,941,447 as at 1 April 2011 and £148,808 as at 31 March 2012.

An impairment review was also carried out by Wilks, Head and Eve as part of the valuation contract. The results of the impairment review were no change to the values. Mr K Parker, member of the Royal Institution of Chartered Surveyors (MRICS) and an employee of the Council, reviewed both tasks. 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 is an executive agency. Its 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:

Date Valued or acquired	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Leased	Infra-structure	Comm-unity	Surplus Land & Buildings	Total Property, Plant and Equipment Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic cost	0	0	0	3,678	3,213	0	6,891
Pre 2007	10	503	593	0	0	78	1,184
01/04/2007	0	167	437	0	0	0	604
01/04/2008	82	239	36	0	0	0	357
17/07/2008	2	0	0	0	0	0	2
01/04/2009	17,509	0	0	0	0	1,402	18,911
01/10/2009	559	392	0	0	0	0	951
03/03/2010	0	0	0	0	0	0	0
30/03/2010	242	0	0	0	0	98	340
01/04/2010	5,385	1,368	0	0	0	620	7,373
31/03/2011	1,600	0	0	0	0	0	1,600
01/04/2011	6,069	81	40	0	0	2,127	8,317
31/03/2012	0	0	0	0	0	0	0
Grand Total	31,458	2,750	1,106	3,678	3,213	4,325	46,530

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

31. Impairment Losses

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 & Expenditure. These disclosures are consolidated in notes 29 and 33 reconciling the movement over the year in the Property, Plant and Equipment and Investment Properties asset balances.

During 2011/12 the Council has recognised a total net loss/impairment of £68,900 in respect of its non-current assets. The comparative figure for 2010/11 was £25,252

	Property, Plant and Equipment Assets £'000	Investment Assets £'000	Total £'000
Revaluation – increase recognised in Surplus on Provision of Services (reversal prior loss)	(8)	224	216
Revaluation – decrease recognised in Surplus on Provision of Services	(44)	(338)	(382)
Depreciation written out to the Surplus on Provision of Services (reversal prior loss)	97	0	97
Total net Loss/Impairment	45	(114)	(69)

32. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Total £'000
Cost or Valuation				
At 1 April 2011	0	0	0	0
Additions or Recognition	65	179	108	352
Reclassifications	47	0	0	47
Balance at 31 March 2012	112	179	108	399

The Nature and Scale of Heritage Assets Held by the Council

War Memorials & Public Statues

There are several 'traditional style' war memorials in varying locations throughout the Borough, however these memorials have not previously been valued except for estimated valuations for insurance purposes. When official valuations are available for these memorials they will be added to the Balance Sheet (see note below for assets not on the Balance Sheet).

The Bronze wreath sculpture atop of the memorial in Central Avenue, Sittingbourne, was added in 2001 and the valuation assessed at that time for insurance purposes – and included in the Council's asset register.

The public statues are 'The Bargee' in Sittingbourne High Street and the 'ShoalStone' at Rushenden Hill. 'The Bargee' bronze casting has been a popular feature of the High Street since 2006 – its valuation was assessed at that time for insurance purposes. The 'ShoalStone' is a 1.5 m high sandstone sculpture by Richard Perry. It was completed in 2010 and is currently valued at cost.

Civic Regalia

The borough has a collection of various fine civic regalia including regalia deriving from past boroughs which were subsumed into Swale in 1974. The Council has applied a de minimis valuation of £10,000 to civic regalia declared on the Balance Sheet.

The most often viewed regalia are the chains and Badges of Office of the Mayor and Mayoress of Swale and

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

the Great Mace. The majority of pieces are held in the Council offices at Swale House, however in 2008 several of the pieces originating from Queenborough were passed to the safekeeping of Queenborough Town Council.

Several pieces of regalia are of notable age and historical interest, particularly the Great Mace of the Borough of Queenborough which dates back to 1678, a Charles II Water Bailiffs Mace and a George III Water Bailiffs bracelet, chain and badge of Office.

A valuation of civic regalia for insurance purposes was last undertaken in 2005.

Historical Items of Cultural Interest

In addition to the miscellany of various items held in Swale for cultural interest (e.g. twinning presents and presentation gifts) the Borough has collections of antique furniture, silverware and paintings and has one of the few lace panels made in commemoration of the Battle of Britain.

Most of the furniture and silverware are amongst items kept in the Guildhall in Queenborough, reflecting the historical nature of this past royal borough and include items of various age and styles.

The paintings are executed in a variety of mediums and are located in multiple locations throughout the Borough, however the majority of paintings are held in Swale House, including the four large oil on canvas portraits of past councillors which can be seen in the Council Chamber.

The Battle of Britain Lace Panel is currently on display in the reception area of the Healthy Living Centre, Sheerness.

A valuation of these items for insurance purposes was last undertaken in 2005

Heritage Assets not on the Balance Sheet

Due to the lack of valuations for most of the war memorials in the Borough, these assets are not included in the Council's Balance Sheet. The memorials are generally of stone/concrete construction with varying decoration and iconography. No original cost information is available for these assets and it is not considered appropriate to value and include these assets in the Council's Balance Sheet as the cost of obtaining valuations is currently taken to outweigh the benefit derived.

In addition to the civic regalia declared on the Balance Sheet there are other multiple items of minor value which are not considered material to disclose on the Balance Sheet. These items have been given over to the safekeeping of Queenborough Town Council. A valuation of these items for insurance purposes was last undertaken in 2005.

The Council owns a small collection of seven historical coins which are held in Swale House. The most notable of the coins is a Henry VI Gold Noble. Again, the minor total value of these items is not considered material to disclose on the Balance Sheet. A valuation of these items for insurance purposes was last undertaken in 2005.

Preservation and Management

No specific preservation treatments or action has been taken with regard to any of the Council's Heritage Assets. All items, except the war memorials and public sculptures, are held in civic property and none have been reported as incurring deterioration or impairment.

The paintings are in general on open display and it is therefore trusted that any change in the condition of the assets would be noticed.

In 2008 an agreement was signed with Queenborough Town Council which transferred responsibility for the management and control of some of the past Queenborough regalia to the Town Council. The Town Council therefore now store the regalia involved on their own premises, allowing them immediate access to this regalia which they use when undertaking their engagements and duties. This agreement will expire in February 2013.

Some of the civic regalia has occasionally incurred damage, however this has been commensurate with being actively used on Council business and has been readily repaired.

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

Acquisitions of new Heritage Assets by direct purchase are not anticipated in the future, however the Council will be happy to consider acceptance of assets offered by donation or gift.

Except for War Memorials and sculptures, all Heritage assets are generally currently insured under the Council's All Risks insurance policy. In order to support this insurance a full valuation of all Civic Regalia items (including furniture and paintings etc.) is periodically undertaken and these are the valuations used in the Balance Sheet. The last full valuation was undertaken in August 2005.

Heritage Assets – Five-Year Summary of Transactions

The Code requires that the financial statements shall contain a summary of transactions relating to heritage assets disclosing the following information for the accounting period and each of the previous four accounting periods where it is practicable to do so:

- a) the cost of acquisitions of heritage assets
- b) the value of heritage assets acquired by donation
- c) the carrying amount of heritage assets disposed of in the period and the proceeds received, and
- d) any impairment recognised in the period.

For 2011/12 the only movements are in respect of the recognition of assets, none of which were previously held on the Balance Sheet, and reclassification of the stone sculpture, previously included in expenditure attributed to Vehicles, Plants, Furniture and Equipment.

The summary below shows separately the assets that are reported in the Balance Sheet and those that are not after applying the de-minimis criteria.

	On Balance Sheet				Not on Balance Sheet	
	War Memorials & Public Statues	Civic Regalia	Historical Items of Cultural Interest	Total	Civic Regalia of Queen- borough	Coins
	£'000	£'000	£'000	£'000	£'000	£'000
Carrying Value 31 March 2007	0	0	0	0	0	0
Cost of Acquisition:						
2008/09	2	0	0	2	0	0
2009/10	45			45		
Recognition of existing asset 2011/12	65	179	108	352	9	1
Cost of Acquisitions 2007/08 to 2011/12	0	0	0	0	0	0
Donated Assets 2007/08 to 2011/12	0	0	0	0	0	0
Disposal of Assets 2007/08 to 2011/12:	0	0	0	0	0	0
Carrying Value	0	0	0	0	0	0
Proceeds	0	0	0	0	0	0
Impairment recognised 2007/08 to 2011/12	0	0	0	0	0	0
Carrying Value 31 March 2012	112	179	108	399	9	1

Further Information on Heritage Assets of Particular Importance

As commented earlier, the Council has several items of particularly fine civic regalia. The majority of these items derive from the past royal borough of Queenborough, which was subsumed into Swale Borough Council in the reorganisation of local authorities in 1973/74. The mace used for Council functions is the Great Mace of the Borough of Queenborough, originally being of silver gilt with an iron rod centre, dating to 1678 (the mace

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

has been re-gilded in gold in recent years). The mace bears the Stuart coat of arms and is described as being of the late Stuart style (Charles II of the House of Stuart reigned between 1660 and 1685).

Several of the Queenborough items can be attributed to being the gift of Thomas Young Greet Esquire who, accordingly to the engravings made on the regalia, was mayor of Queenborough in 1817 and 1827.

The Battle of Britain Lace Panel is one of the 25-30 commemorative panels (the exact number is not known) produced by the firm of Dobson & Browne Ltd. between 1942 and 1946. The panel is in fine Nottingham lace and measures 4.72m x 1.52m. Amongst the recipients of the panels were Sir Winston Churchill, the Royal Air Force Association and those authorities being closely connected with the Battle of Britain. It is believed that Sheerness Council received their panel further to the request of Mr. Norman Smith, a local man who was at that time a member of Parliament for a Nottingham Ward.

Heritage Assets – Change in Accounting Policy

The Code introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be carried in the Balance Sheet at valuation.

For 2011/12, the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet, as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the summary of significant accounting policies.

In applying the new accounting policy, the Authority has identified that the assets that are held as heritage assets are now recognised separately and measured at £399,600. There is an increase in the Revaluation Reserve for the existing assets held but not previously recognised.

As the Council has decided that the value of the assets recognised is not material it has only identified this value within the 2011/12 financial statements and so no adjustments are necessary to previous years' information.

33. 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 & 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.

	2011/12 £'000	2010/11 £'000
Rental Income from Investment property	(279)	(262)
Direct operating expenses arising from investment property	75	50
Net (Gain)	(204)	(212)

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

	2011/12 £'000	2010/11 £'000
Balance at start of the year	3,337	2,689
Disposals	0	(120)
Net gains/(losses) from fair value adjustments	(114)	768
Net Revaluations	(114)	648
Balance at end of the year	3,223	3,337

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

34. 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 useful lives assigned to the intangible assets used by the Authority are:

Asset / Project	Acquisition Date	Original estimated asset life	Estimated no. years outstanding as at 1 April 2011
E-Government Software Licence	31/03/2005	7	1
E-Government Software Network Helplines & Operations	31/03/2006	7	2
Telephony System Upgrade	01/03/2007	7	3
IEG (Implementing Electronic Government) Scheme	01/03/2007	7	3
ICT System Replacement – Environmental Services	01/04/2007	7	4
ICT System Replacement – Performance & Policy Monitoring	01/04/2007	7	4
ICT – Housing Register Software	01/04/2007	7	4
GIS / LLPG Data Take-on / Verification	01/04/2007	7	4

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £18,200 charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost 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 2011/12 £'000	Purchased Software Licence 2010/11 £'000
Original Cost	132	132
Accumulated amortisation to 1 April	(76)	(57)
Balance as at 1 April	56	75
Expenditure in year		
Written off to revenue in year	(19)	(19)
Balance as at 31 March	37	56
Comprising:		
Gross carrying amounts	132	132
Accumulated amortisation	(95)	(76)

35. Revenue Expenditure Funded by Capital under Statute (REFCUS)

REFCUS relates to capital spends 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

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

derived from this expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income & Expenditure Statement in the same year that it was incurred.

	Expenditure 2011/12 £'000	Expenditure 2010/11 £'000
Home Renovation Grants	1,065	1,772
Rushenden Environment Improvements	379	0
Total	1,444	1,772

36. Commitments under Capital Contracts

The commitments at 31 March 2012 totalled £0.86 million.

37. 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.

	2011/12 £'000	2010/11 £'000
Opening Capital Financing Requirement	8,044	8,884
Capital Investment:		
Capital expenditure due to be provided under leisure contract	0	(350)
Property, Plant and Equipment (see Note 29)	304	2,202
Revenue Expenditure funded by Capital under Statute (see Note 35)	1,444	1,772
Total Capital Investment	1,748	3,624
Add Long-Term Debtors – Housing Loans (see below)	0	845
Sources of Finance:		
Capital Receipts (see Note 7) –	0	0
Financing revenue expenditure funded by capital under statute	(1)	(178)
Financing fixed assets	(96)	(116)
Government Grants & External Contributions –		
Financing revenue expenditure funded by capital under statute	(1,443)	(1,224)
Financing fixed assets	(97)	(1,544)
Regional Housing Board Monies – Funding of private fixed assets	0	(845)
Sums set aside from revenue –	0	0
Minimum Revenue Provision	(874)	(840)
Direct Revenue	(111)	(562)
Total Sources of Finance	(2,622)	(5,309)
Closing Capital Financing Requirement	7,170	8,044
Explanation of movements in Capital Financing Requirement in year:		
(Reduction) in underlying need to borrow (unsupported by governmental financial assistance)	(874)	(840)
(Decrease) in Capital Financing Requirement	(874)	(840)

The decrease in the underlying need to borrow (unsupported by government financial assistance) in 2011/12 represents the Minimum Revenue Provision of £527,000 and net depreciation on embedded leases.

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

In 2010/11 Long-Term Debtors – Housing Loans of £845,000 were included as part of the total capital expenditure because they are similar to REFCUS, 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.

In 2010/11 capital expenditure of £350,000 was incurred at the Swallows Leisure Centre by SERCO on behalf of the Council. This expenditure was 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.

38. Long-Term Debtors – Other

Long-term debtors are those that fall due after a period of at least one year. They include advances to private individuals for either purchase or refurbishment of their homes including disabled adaptations, loans to employees, advances to private sector tenants to assist with their housing needs, a payment in respect of future acquisition of equipment at the Leisure Centres and interest free loans, (classed as ‘soft loans’). The Code sets out specific accounting requirements for soft loans and these 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 67.

	31 March 2012 £'000	31 March 2011 £'000
Assisted Car Purchase Loans	192	110
Housing Repair Loans	2,164	2,250
Homelessness Prevention Loans	55	94
Private Street Works	9	9
Payments in advance under Leisure Contract	356	356
West Faversham Community Association	12	0
Mortgages	51	68
Sub-Total	2,839	2,887
Rent Deposit Scheme – Gross Debt	560	506
Rent Deposit Scheme – Allowance for bad debts	(444)	(462)
Sub-Total Rent Deposit Scheme	116	44
Total	2,955	2,931

39. Current and Non-Current Assets Held for Sale

These are assets that are available for immediate sale, that are actively being marketed and are expected to be sold within 1 year of the date of classification.

In 2010/11 it was assessed that one asset would be sold before 31 March 2012 and therefore was classed as a current asset. However, the sale did not proceed and the property remains on the market. This asset is now assessed as continuing to comply with all the conditions applicable to ‘Held for Sale’ assets except for expecting it to be sold within one year. It is however still anticipated that this property will be sold and therefore it is now classed as a non-current asset.

Assets Held for Sale	Current Assets		Non-Current Assets	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Balance outstanding at start of year	525	525	0	0
Transfers from non-current to current	(525)	0	525	0
Balance outstanding at year end	0	525	525	0

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

40. Cash and Cash Equivalents

	31 March 2012 £'000	31 March 2011 £'000	Movement £'000
Cash in Hand / (Cash Overdrawn)	1,183	(186)	1,369
Call accounts same day access	2,000	1,910	90
Money Market Funds	5,423	0	5,423
Total cash and cash equivalents	8,606	1,724	6,882

41. Debtors and Payments in Advance

	31 March 2012 £'000	31 March 2011 Restated across categories £'000
Central government bodies	463	1,729
National Non Domestic Rates	0	5,658
Other local authorities	1,326	1,042
NHS Bodies	1	5
Other entities and individuals	1,814	3,318
Payments in advance	226	237
Total	3,830	11,989

42. Creditors and Receipts in Advance

	31 March 2012 £'000	31 March 2011 Restated across categories £'000
Central government bodies	(1,086)	(494)
National Non Domestic Rates	(3,988)	0
Other local authorities	(1,063)	(714)
Public corporations and trading funds	(32)	0
Other entities and individuals	(3,785)	(3,196)
Grants Receipts in advance (Note 23)	(474)	(47)
Other Receipts in Advance	(135)	(178)
Total	(10,563)	(4,629)

43. 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. 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.

Description of Commuted Sum	Balance as at 1 April 2011	in Year	Credited to Revenue	Balance as at 31 March 2012
	£'000	£'000	£'000	£'000
Balance Brought Forward	(984)			(984)
Interest	0	(7)	0	(7)
Receipt in year	0	(94)	0	(94)
Credited To Revenue	0	0	125	125
Total	(984)	(101)	125	(960)

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

44. 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. 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 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 credit sale agreement 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; and
- 4) the deferred liabilities for embedded leases, i.e. finance leases representing the value of Vehicles, Plant, Furniture and Equipment that is deemed to be for the exclusive use by the Council for its refuse and grounds maintenance contractors.

	31 March 2012 £'000	31 March 2011 £'000	Movement £'000
Deferred liabilities			
- due within one year	(303)	(288)	(15)
- due after more than one year	(1,935)	(2,526)	591
Total	(2,238)	(2,814)	576

45. Capital Grant Receipts in Advance

	1 April 2011 £'000	Income £'000	Expenditure £'000	31 March 2012 £'000
Section 106	(1,813)	(279)	58	(2,034)
Queenborough Youth Facility	(5)	0	5	0
Regional Housing Board	(359)	(12)	371	0
Disabled Facilities Grant	0	(952)	952	0
CCTV	(96)	0	0	(96)
Stronger Communities	(41)	0	0	(41)
Coast Protection	(54)	0	0	(54)
Miscellaneous External contributions.	(13)	2	2	(9)
Miscellaneous Government Grants	(61)	0	0	(61)
Total	(2,442)	(1,241)	1,388	(2,295)

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 the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided

NOTES TO THE CORE FINANCIAL STATEMENTS – BALANCE SHEET

as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held during the year were as follows:

	1 April 2011 £'000	Income £'000	Expenditure £'000	31 March 2012 £'000
Housing	(548)	10	0	(538)
Play Areas	(894)	(174)	9	(1,059)
The Meads Community Centre	(294)	(115)	0	(409)
Other	(77)	0	49	(28)
Total	(1,813)	(279)	58	(2,034)

Revenue sums not yet applied are held as a deferred revenue receipt (note 43) where the purpose set out in the planning permission is a revenue activity.

46. Provisions

During 2011/12, the Council entered into an agreement with a Trust to act as a guarantor against a loan in their name, secured on the Trust's assets. A provision of £68,000 has been made to cover the value of the estimated risk within the agreement, which can be reduced in future years as repayments are made by the Trust.

Municipal Mutual Insurance (MMI) provided insurance for the Council from 1974 to 1992. It retains financial responsibility for the run-off of its historical portfolio. A contingent Scheme of Arrangement (SOA) under Section 425 of the Companies Act 1985 became effective in 1994, which allowed for a clawback from local authorities previously insured with MMI to be introduced should MMI not have sufficient funds available to pay remaining claims at any time in the future. The estimated amount liable to clawback in this event would be £61,860.02 and a provision has been made to cover this risk.

47. Events after Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date have provided information about conditions existing at 31 March 2012, 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 2012. The Council has no events after Balance Sheet date to disclose for the financial year ending 31 March 2012.

NOTES TO THE CORE FINANCIAL STATEMENTS – CASH FLOW

48. Notes to the Cash Flow Statement – Operating Activities

The Cash Flows for operating activities include the following sums for interest received and paid.

	2011/12 £'000	2010/11 £'000
Interest received	77	44
Interest paid	(150)	(175)

49. Notes to the Cash Flow Statement – Investing Activities

	2011/12 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(437)	(1,907)
Purchase of short-term investments	(102,967)	(47,947)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	40	216
Long-Term Loans	(13)	0
Proceeds from short-term investments	94,967	47,947
Other receipts from investing activities	1,258	4,461
Net cash inflows/(outflows) from investing activities	(7,152)	2,770

50. Notes to the Cash Flow Statement – Financing Activities

	2011/12 £'000	2010/11 £'000
Council Tax and National Non-Domestic Rates adjustments	9,696	(2,725)
Cash payments for the reduction of outstanding liabilities relating to Finance Leases.	(590)	(653)
Net cash inflows/(outflows) from Financing activities	9,106	(3,378)

51. Financial Instruments

(a) Financial Instruments – Classifications

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. 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; and
- investments.

Some types of financial instruments are excluded from the requirements of Financial Instruments as they are covered by more specific provisions. These are shown below and are covered in more detail elsewhere in the Council’s Statement of Accounts:

- rights and obligations under leases (disclosure requirements do apply) (note 55);
- employers’ rights and obligations under employee benefit plans (note 57); and
- joint ventures and group accounts (note 53).

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;
- Housing Benefit Overpayments;
- VAT;
- Her Majesty’s Revenue and Customs;
- Election reimbursements; and
- Grant income accrued at year end.

Balances in money market funds and call accounts at 31 March 2012 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.

(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	
	2011/12 £’000	2010/11 (Restated) £’000	2011/12 £’000	2010/11 (Restated) £’000
Trade Creditors	0	0	(2,824)	(2,276)
Finance Lease Liabilities	(878)	(1,181)	(303)	(288)
Total Financial Liabilities	(878)	(1,181)	(3,127)	(2,564)

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

The figures for 2010/11 have been restated to exclude Deferred Revenue Receipts, which are classified as payments in advance, and to include finance lease liabilities, which are no longer exempt from disclosure.

Table 2

Financial Assets	Long-Term		Current	
	2011/12 £'000	2010/11 (Restated) £'000	2011/12 £'000	2010/11 (Restated) £'000
Loans and Receivables				
Trade Debtors	581	515	771	1,499
Soft Loans	2,219	2,344	38	0
Car Loans	192	110	0	0
Mortgages	51	68	0	0
Cash and cash equivalents	0	0	3,183	1,724
Short-Term Investments	0	0	8,006	0
Available-for-Sale				
Cash and cash equivalents	0	0	5,423	0
Bond Investment at cost – British Government Stocks	3	8	0	0
Total Financial Assets	3,046	3,045	17,421	3,223

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

The 2010/11 figure for Long-Term Trade Debtors has been restated to exclude payments in advance for finance leases, and the 2010/11 figure for Current Trade Debtors has been restated due to reclassification of some debtors to statutory debts which are outside the scope of the accounting provisions for financial instruments.

The figure for current investments on the Balance Sheet includes accrued interest of £6,000.

(c) Material Soft Loans made by the Council

Housing Interest Free Loans

Loans for private sector housing home adaptations – landlords and owner occupiers can apply for a loan for adaptations that will enable them to stay in their own homes. Loans to landlords are repayable after five years whilst owner occupier loans are repayable when a property is sold.

Table 3

	2011/12 £'000	2010/11 £'000
Opening Carrying Amount of Soft Loans on 1 April	2,250	1,438
Nominal value of new loans granted during the year	0	845
Fair value adjustment on initial recognition	0	(26)
Loans repaid during the period	(96)	(42)
Impairment losses recognised	3	0
Increase in discounted amount (due to time)	40	35
Other changes	(8)	0
Closing Carrying Amount of Soft Loans at 31 March	2,189	2,250
Nominal Value at 31 March	2,263	2,367

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Homelessness Prevention Loans

Loans advanced are to individuals to prevent homelessness. Repayment agreements arranged for each loan are on a case-by-case basis.

Table 4

	2011/12 £'000	2010/11 £'000
Opening Carrying Amount of Soft Loans on 1 April	94	160
Nominal value of new loans granted during the year	1	1
Fair value adjustment on initial recognition	0	0
Loans repaid during the period	(31)	(78)
Impairment losses recognised	1	4
Increase in discounted amount (due to time)	3	7
Other changes	0	0
Closing Carrying Amount of Soft Loans at 31 March	68	94

Nominal Value at 31 March	70	101
----------------------------------	-----------	------------

Valuation assumptions

The interest rate used to calculate the fair value of soft loans is arrived at by taking the Council's effective loss on interest receivable over the life of the instrument. No allowance for the risk that the loan might not be repaid has been applied as either a charge is placed on each property (Housing Interest Loans) or a bad debt provision has been made (Homelessness Prevention Loans).

(d) Gains & Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in 2011/12 in relation to financial instruments are as follows:

Table 5

	2011/12 £'000	2010/11 £'000
Financial Liabilities		
Interest Costs	150	173
Total Interest Payable and Similar Charges	150	173
Financial Assets		
Interest Income:		
<u>Loans and Receivables:</u>		
Fixed Term Deposits and Call Accounts	(56)	(30)
<u>Available-for-Sale:</u>		
Money Market Funds	(21)	(14)
Total Interest & Investment Income	(77)	(44)
Net loss for the year	73	129

(e) Fair Value of Assets & Liabilities

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.

The Council's long-term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value is assessed by calculating the present value of

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

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.

In the case of the Council's investments for 2011/12, these consisted of call accounts, short-term investments and Money Market Funds. None of the investments was impaired (i.e. at risk of default). Fair values 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 debtors is taken to be the invoiced or billed amount.

Therefore, the fair value for all financial assets and financial liabilities at 31 March 2012 are the same as the carrying amount on the Balance Sheet. Tables 1 and 2 refer.

(f) 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 Treasury Management Strategy can be obtained from the Council's website using the following link: <http://www.swale.gov.uk/financial-strategies-documents/>.

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 Council might not have the funds available to meet its payment commitments; and

- **Market Risk** – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc.

Credit Risk

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

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 F1 (short-term) / A- (long-term) or equivalent). 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 Government's Recapitalisation scheme.

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 Council has a policy of lending which is specified in detail within the annual Treasury Management Strategy Report which is approved by the Council. The Council 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. Until November 2011 the minimum credit rating criteria for new investments in 2011/12 was a long-term rating of A+/A1/A+ (Fitch/Moody's/S&P).

Following downgrades to a number of systemically important financial institutions in autumn 2011, the lower minimum credit rating criteria of A-/A3/A- (Fitch/ Moody's/S&P) was adopted by the authority once Full Council approved the revised Treasury Strategy.

The Council regularly monitors collection rates, and has consistently recovered over 97% of Council Tax and Business Rates. The Council reports these collection rates as part of the Council's performance management statistics.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2012. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met that criterion at 31 March 2012.

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Table 6

Counterparty/Country	Short-Term Rating	Long-Term Rating	Balance Invested at 31 March 2012 £'000		Total £'000
			Up to 1 month	Greater than 1 month and less than 3 months	
Banks – UK					
Barclays Bank	F1	A	0	2,000	2,000
HSBC Bank	F1+	AA	0	2,000	2,000
Lloyds TSB Bank	F1	A	0	2,000	2,000
Total Banks			0	6,000	6,000
Building Societies – UK					
Nationwide Building Society	F1	A	0	2,000	2,000
Total Building Societies			0	2,000	2,000
Call Accounts – UK					
Royal Bank of Scotland	F1	A	2,000	0	2,000
Total Call Accounts			2,000	0	2,000
Money Market Funds (MMF's)					
Scottish Widows MMF		AAA	1,000	0	1,000
RBS MMF		AAA	1,000	0	1,000
Goldman Sachs MMF		AAA	1,000	0	1,000
RBS Government MMF		AAA	1,000	0	1,000
Goldman Sachs Government MMF		AAA	730	0	730
Black Rock Government MMF		AAA	693	0	693
Total MMF's			5,423	0	5,423
Total			7,423	8,000	15,423

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 Council had deposits with banks and financial institutions of £15,423,000 at 31 March 2012. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2012. (Nil as at 31 March 2011).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Table 7

	Value at 31 March 2012	Average Debt Impairment Provision Last 5 Years	Debt Impairment Provision in 2011/12	Debt Impairment Provision for 2011/12
	£'000	%	%	£'000
Customers:				
Current Trade Debtors	771	29.30	36.10	(279)
Long-Term Trade Debtors	581	N/A	76.41	(444)
Total	1,352		53.42	(723)

The Council allows 30 days credit for current sundry debt customers, such that £347,000 of the £771,000 total current debtor balance is past its due date for payment (£244,000 of the £1,499,000 at 31 March 2011).

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

Table 8

	Value at 31 March 2012	Value at 31 March 2011
	£'000	£'000
Less than 2 months	36	34
2 to 6 months	118	65
6 months to 1 year	26	15
More than 1 year	167	130
Total	347	244

Financial Guarantees

During 2011/12, the Council entered into one agreement with a Trust to act as a guarantor against a loan in their name, secured on the Trust's assets. Consideration has been given to the probability of the guarantee being called and the likely amount payable under the guarantee. As such, a provision has been made to cover the value of the estimated risk within the agreement. This provision will be reviewed annually. Further details can be found in Note 47.

Liquidity Risk

As the Council can access borrowing from the PWLB, 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 2012.

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

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Table 9

Maturity structure of fixed rate borrowing during 2011/12	Upper limit	Lower limit
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 2012.

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 10

	Value at 31 March 2012 £'000	Value at 31 March 2011 £'000
Less than 1 year	2,824	2,276
Total	2,824	2,276

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 & 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 & 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 & 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 £130,000.

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. Updated forecasts within the Mid Year Treasury Monitoring report, allow 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 2011/12 there were no proposals to take out any new borrowing, and investments are all short-term.

As investments are made at fixed rates, but for shorter periods, 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 2012 these bonds were valued at cost at £3,490.

Foreign Exchange Risk

The Council does not have any financial assets or liabilities held in foreign currency and therefore the Council 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 2012/13 of 26,000 Euros, relating to activity in 2011/12. Therefore, there is a risk that the value of the final payment will not match the value of the original claim.

52. 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). Unringfenced grants received from government departments are set out in note 22.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members; allowances paid in 2011/12 is shown on note 24. During 2011/12, no works and services were commissioned from companies in which members had an interest. No grants were made to organisations whose senior management included close members of the families of members. The Council maintains a Register of Members' Interests, which is open to public inspection at the Council Offices during office hours .

Officers

During 2011/12, 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 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 Council

Payment of subsidy of £102,300 was made to Faversham Pool in 2011/12 (revenue grant of £80,000 and capital grant of £22,300). 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.

53. 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 £102,300 in 2011/12, 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 £102,300 is not material in comparison to the Council's net cost of services of £17 million.

The FSPMC accounts for 2011/12 are due to be approved in August 2012 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

54. 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:

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

- 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 & Expenditure Statement 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 finance lease in 2007/08 for blue recycling bins and glass caddies. This finance lease arrangement was in three phases and the total numbers acquired under this arrangement was 51,000 bins and 51,000 glass caddies. The lease payments are being made over the life of the contract. The rentals paid in 2011/12 were £171,232 charged to the Comprehensive Income & Expenditure Statement as £11,829 finance costs (debited to interest payable) and £159,403 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 2012, the outstanding principal sum was £282,610.

The Council reports the following values of assets as held under finance leases, within Property, Plant and Equipment on the Balance Sheet.

	31 March 2012 £'000	31 March 2011 £'000
Gross Value	930	952
Accumulated Depreciation	(526)	(402)
Net Value	404	550

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:

	2011/12 £'000	2010/11 £'000
Finance lease liabilities		
Current	164	159
Non-current	119	283
Finance costs payable in future years	10	22
Minimum Lease Payments	293	464

	Minimum Lease Payments		Finance Lease Liabilities	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Not later than one year	171	171	164	159
Later than 1 year and not later than 5 years	122	293	119	283
Later than 5 years	0	0	0	0
Total	293	464	283	442

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

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

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 2012 the Council had eight service vehicles on a contract hire-operating lease basis and four staff lease vehicles. The Council is committed to making payments of £18,450 in 2012/13 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 2011/12 was £32,413.

	2011/12 £'000	2010/11 £'000
Not later than one year	13	54
Later than 1 year and not later than 5 years	5	20
Later than 5 years	0	0
Total	18	74

The expenditure charged to the Net Cost of Services in the Comprehensive Income & Expenditure Statement during the year in relation to these leases was:

	2011/12 £'000	2010/11 £'000
Minimum lease payments	32	97
Contingent rents	0	0
(Sublease payments receivable)	0	0
Total	32	97

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 classifications of usage within the portfolio.

Asset	Rentals Payable £'000
Business premises	367
Industrial Units	325
Community and Charity Usage	57
Sporting Facilities	22
Other	1
Total	772

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

	2011/12 £'000	2010/11 £'000
Not later than 1 year	184	47
Later than 1 year and not later than 5 years	71	118
Later than 5 years	517	626
Total	772	791

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

Embedded Leases

Vehicles used within the Grounds maintenance contract and the Cleansing contract are 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.

	2011/12 £'000	2010/11 £'000
Value of Embedded Lease assets, net of depreciation	702	989
Notional long-term liability	(702)	(989)

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

	2011/12 £'000	2010/11 £'000
Finance lease liabilities	702	989
Gross investment in the lease	702	989

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	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Not later than one year	380	350	403	392
Later than 1 year and not later than 5 years	57	393	63	420
Later than five years	4	8	4	9
Total	441	751	470	821

55. 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 is a member of the LGPS which is administered on its behalf by KCC. The LGPS is a national scheme that 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 Fund Actuary, Barnett Waddingham, sets the employer contribution rate. 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.

The Fund is valued once every three years and the latest valuation was at 31 March 2010. The valuation disclosed 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

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

in deficit. The employer's contribution has been agreed with the Actuary and is based on the aim of eliminating the deficit over the next 20 years.

(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 & Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12 £'000	2010/11 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Current Service Cost	1,351	1,907
Past Service Costs	0	(7,096)
Settlements/Curtailments	(2)	68
Financing and Investment Income & Expenditure		
Interest Cost	4,249	4,695
Expected Return on Assets in the Scheme	(3,469)	(3,233)
Total post employment benefit charges to the surplus or deficit on the provision of services	2,129	(3,659)
Other Post Employment Benefit Charges to Comprehensive Income & Expenditure Statement		
Actuarial Gains and Losses	(12,355)	21,610
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(10,226)	17,951
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for post employment benefits in accordance with the Code	(2,129)	3,659
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	2,435	3,092

The cumulative amount of actuarial losses recognised in the year to 31 March 2012 is £25.6 million.

(d) Assets and liabilities in relation to retirement benefits

See note 15 for the details of the movement of assets and liabilities.

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 £1.2 million (in 2010/11 a gain of £3.9 million).

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

(e) Pension scheme history

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

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Present value of Liabilities in the scheme	(90,693)	(78,280)	(100,520)	(66,840)	(68,940)
Fair value of assets in the scheme	51,205	50,841	44,720	33,370	41,730
(Deficit) in the scheme	(39,488)	(27,439)	(55,800)	(33,470)	(27,210)
Cumulative Actuarial Losses	(25,562)	(13,207)	(34,817)	(13,437)	(8,037)

The liabilities show the underlying commitments that the Council has in the end to pay post employment (retirement) benefits. The total liability of £39.488 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 LGPS by the Council in the year to 31 March 2013 is £2.054 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 KCC 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:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.4%
Gilts	3.3%	4.4%
Bonds	4.6%	5.5%
Property	4.3%	5.4%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.0	19.8
Women	24.0	23.9
Longevity at 65 for future pensioners:		
Men	22.0	21.9
Women	25.9	25.8
Rate of inflation (RPI increases)	3.3%	3.5%
Rate of inflation (CPI Increases)	2.5%	2.7%
Rate of increase in salaries	4.7%	5.0%

NOTES TO THE CORE FINANCIAL STATEMENTS – OTHER

	2011/12	2010/11
Rate of increase in pensions	2.5%	2.7%
Rate of discounting scheme liabilities	4.6%	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 2012		31 March 2011	
	£'000	%	£'000	%
Equity investments	37,994	74	38,706	76
Gilts	513	1	509	1
Bonds	5,134	10	6,111	12
Property	4,621	9	4,584	9
Cash	1,916	4	931	2
Target Return Portfolio	1,027	2	0	0
Total	51,205	100	50,841	100

(g) History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
Differences between the expected and actual return on assets	(4)	6	21	(33)	(22)
Experience gains and (losses) on liabilities	(0)	10	1	0	3

(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 Kent County Council Treasury and Investments, Room 3.21, Sessions House, County Hall, Maidstone, Kent ME14 1XQ or use the following link:

http://www.kentpensionfund.co.uk/investments/report_and_accounts.aspx

56. Contingent Liabilities

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.

In March 2012 a Supreme Court decision concerning Employers' Liability claims confirmed that the date of exposure to asbestos was the trigger date for insurance cover to apply. This has determined that Municipal Mutual Insurance (MMI) are the responsible insurer for several previously disputed claims raised by other local authorities. This judgement has significant implications for MMI and the scheme creditors of which the Council is one (see provisions note 46). MMI is taking advice to determine the full implications of the judgement. There is a risk of a further £50,000 in addition to the provision (see note 46).

57. Contingent Assets

In 2009/10, an Employers' Liability claim referring to Mesothelioma was settled directly by the Council for £101,146. The claim concerned a past employee who worked for this and previous Councils between 1958 and 1978. Details of the insurance policies that covered the claim were not available during the legal action and the Council was required to settle the claim without the assurance of having insurance cover that would reimburse all of the Council's costs. Subsequently, Norwich Union (now known as Aviva) has been identified as the probable insurer from 1958 to 1974 and MMI was confirmed as the insurer from 1974 to 1978. MMI have advised they are willing to settle £20,200 (in respect of the four years from 1974 to 1978); however to date Aviva have only acknowledged writing policies for nine years between 1953 and 1961. 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 received. It is prudent therefore to consider only the offered 4/20th settlement from MMI, together with an estimated 9/20th settlement of £45,450 from Aviva, to be the contingent asset, i.e. £65,650.

58. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Head of Finance on 29 June 2012.

59. 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.

Queenborough Fishery Trust

The Trust provides charitable relief and support, primarily to those inhabitants of the former Borough of Queenborough. From October 2011, the Trust has administered its own financial affairs. Any balances held by the Council, on behalf of the Trust, were transferred to the Trust during the year. The Trust has not yet finalised its accounts for 2011/12. For the financial year 2010/11 the Trust received income of £134,848 and incurred expenditure of £83,725, with total assets equalling £75,053 at 31 March 2011.

Swale Recreation Trust

This Trust provides 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. The Trust owns land, which is informally valued at £49,000. The annual income and expenditure of the Trust is £3,000 and there are no other material assets or liabilities.

The Council administers two other trusts in a third party capacity – The United Charities of Milton Regis and Sir William Stede's Charity. The financial activities and assets of both are de minimis in relation to the Council's overall activities. In 2011/12 the net income of the former was £119 and the latter £384.

Further information on all trusts is available via the charity commission website:

<http://www.charity-commission.gov.uk/>

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 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 (NNDR).

	Note	2011/12 £'000	2011/12 £'000	2010/11 £'000	2010/11 £'000
INCOME					
Council Tax	1	(57,704)		(57,359)	
Council Tax Benefits		(11,434)		(11,323)	
			(69,138)		(68,682)
Business rates	2		(39,951)		(31,138)
Previous year's NNDR Relief Fund			(214)		(204)
Total			(109,303)		(100,024)
EXPENDITURE					
Precepts and demands –					
Kent County Council		50,264		49,535	
Swale Borough Council		8,445		8,328	
Kent Police Authority		6,653		6,556	
Kent & Medway Towns Fire Authority		3,260		3,212	
			68,622		67,631
NNDR Relief Fund			212		214
Business Rate – Payment to national pool		39,781		30,966	
Business Rate – Costs of collection		170		172	
			39,951		31,138
Bad and doubtful debts –	5				
Write offs - Council Tax		169		220	
Provision for non payment – Council Tax		40		102	
			209		322
Contribution towards previous year's Collection Fund surplus –					
Kent County Council		525		432	
Kent Police Authority		69		57	
Kent & Medway Towns Fire Authority		34		28	
Swale Borough Council		88		72	
			716		589
Total			109,710		99,894
Deficit/(Surplus) for the year			407		(130)
(Surplus) at 1 April			(846)		(716)
(Surplus) at 31 March	3		(439)		(846)

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 Council, Kent & Medway Towns Fire Council and Swale Borough Council by the Tax Base for Swale which is 47,971.52. 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.

COLLECTION FUND

The Basic Council Tax payable for each band in 2011/12 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	942.89	6/9	4,885.54
B	1,100.04	7/9	10,313.39
C	1,257.19	8/9	12,850.00
D	1,414.34	9/9	9,085.88
E	1,728.64	11/9	5,719.95
F	2,042.94	13/9	3,110.80
G	2,357.23	15/9	1,822.14
H	2,828.68	18/9	183.82
Total			47,971.52

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

The level of non-payment provided for in 2011/12 was 0.8%. The original anticipated income = 47,971.52 X £1,430.44 (Band D plus average Parish Precept) = £68,620,381. The actual income was £69,138,296. The difference is attributable to an increase in the number of properties in the borough.

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 2011/12 was 43.3p (2010/11 was 41.4p). Small businesses have a lower rate poundage of 42.6p (2010/11 was 40.7p). The Council is responsible for collecting the rates due from the ratepayers in its area but pays the proceeds into a 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.

The Business Rate income, after reliefs and provisions, was £40 million for 2011/12 (£31.1 million for 2010/11). The rateable value for the Council's area at the end of the financial year 2011/12 was £104.6 million (£101.6 million in 2010/11).

3. Collection Fund Surplus/ Agency Arrangements

The Collection Fund surplus at 31 March 2012 of £439,100 relates solely to Council Tax.

Swale Council's element of the surplus (£54,000) 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 2011/12 (Note 5 to the Core Financial Statements). 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.

Parish & Town Councils	2011/12 £'000	2010/11 £'000	Parish & Town Councils	2011/12 £'000	2010/11 £'000
Bapchild	6,500	6,500	Minster	103,120	99,371
Bobbing	10,500	10,300	Newington	28,386	29,854
Borden	38,026	38,026	Newnham	2,000	1,500
Boughton-under-Blean	42,485	41,933	Norton & Buckland	5,598	4,950
Bredgar	9,000	9,000	Oare	8,400	8,400

COLLECTION FUND					
Parish & Town Councils	2011/12 £'000	2010/11 £'000	Parish & Town Councils	2011/12 £'000	2010/11 £'000
Doddington	7,500	7,000	Ospringe	4,500	4,500
Dunkirk	10,750	11,450	Queenborough Town Council	40,500	40,500
Eastchurch	23,700	23,700	Rodmersham	5,000	5,000
Eastling	2,686	2,686	Selling	7,683	5,518
Faversham Town Council	195,946	198,383	Sheldwich,Leaveland,Badlesmere	6,700	6,700
Graveney & Goodnestone	6,710	4,845	Stalisfield	2,050	2,050
Hartlip	5,000	5,000	Teynham	42,830	41,480
Hernhill	6,500	7,500	Throwley	3,321	3,281
Iwade	29,500	29,500	Tonge	1,900	1,800
Leysdown	29,982	25,724	Tunstall	8,445	10,510
Lower Halstow	19,233	19,233	Upchurch	24,996	27,182
Luddenham	0	0	Warden	16,000	16,000
Lynsted	15,000	15,951			
Milstead	2,000	2,000	Total	772,447	767,327

5. Debt Impairment

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

	2011/12 Council Tax £'000	2010/11 Council Tax £'000	2011/12 NNDR £'000	2010/11 NNDR £'000
Balance brought forward 1 April	(940)	(838)	(2,597)	(2,419)
Less amounts written off	169	220	316	133
(Increase)/ decrease in Provision	(209)	(322)	838	(311)
Balance at 31 March	(980)	(940)	(1,443)	(2,597)

Council Tax bad debt provision was based on an analysis of the age of the debt and their recovery stage plus applying an additional percentage of non-payment to the total tax due less the write-offs in year. At 31 March 2012, the total Council Tax outstanding debt was £4 million of which debt 1 year old was £1.8 million, debt 2 to 5 years old was £1.8 million and debt over 5 years old was £0.4 million.

The provision for NNDR debt is 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.

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 the Council raising backdated liabilities to businesses in the port of Sheerness. The government has now passed the Non-Domestic Rating (Cancellation of Backdated Liabilities) Regulations 2012 (SI2012/537) which cancels certain liabilities. The NNDR bad debt figure for 2011/12 does not include any provision for schedule of payments due, as the arrears have been cancelled with effect from 31 March 2012. The bad debt provision for 2010/11 included a £1.4 million provision for these debts.

The government will be amending NNDR3 forms for 2011/12 to allow for any reduction in rates collected to be reflected in the required payments by authorities into the central rates pool. The cost of cancelling the backdated rates bills will be met by government. There will not be an impact upon revenues for Local Authorities.

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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, expenditure and capital expenditure.
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 & Expenditure Statement 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.
Balance Sheet	A summary of all the assets, liabilities, funds, reserves, etc. of the Council.
Service Expenditure Reporting Code Of Practice (SERCOP)	This provides guidance on the content and presentation of the costs of service activities.
Billing Council	A local Council 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 Council.
Budget	The Council's aims and policies set out in financial terms against which performance is measured. Both capital and revenue budgets are prepared.
Capital Expenditure	Expenditure 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, usable 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
Code Of Practice On Local Council Accounting In The United Kingdom 2011/12 (The Code)	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 Council
Collection Fund	A separate fund maintained by a billing Council 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 Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	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.
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 Council'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.

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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.
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.
Depreciation	The measure of the cost or revalued 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 Council's discretionary powers.
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.
Exceptional Items	These relate to events or transactions that are material in terms of the Council'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.
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 Council in return for past or future compliance with certain conditions relating to the activities of the Council.
Heritage Assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an 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 Council 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 & organisations can follow when compiling financial statements

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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	Amounts which will become payable by the Council in the short or long-term.
Materiality	A threshold quality ensuring that information is of such significance as to justify its inclusion in the Statement.
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.
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 Council but not used or consumed in the delivery of services or for the service or strategic objective of the Council.
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 Council 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 Council.
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.
Projected Unit Method	An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings.
Property Plant, Furniture and Equipment	An asset that is vital to business operations but cannot be easily liquidated. The value of property, plant, furniture 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.
Recharge	An internal charge made by one Service in respect of services provided for another.
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.
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	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 Statement.
Soft Loans	Loans made below prevailing interest rates and include loans made to organisations that undertake activities that the Council considers benefits the local population.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

Background and Scope of Responsibility

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.

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.

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.

This statement explains how Swale Borough Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of the Annual Governance Statement.

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.

This is a corporate document owned by all senior officers and Members of the Council.

The Purpose of the Governance Framework

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.

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.

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the Annual Statement of Accounts.

The Governance Framework

Introduction

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.

In May 2011 for the first time the Council held all out elections which returned 32 Conservatives, 13 Labour, 1 Liberal Democrat and 1 Independent. The Conservatives then formed the governing administration working under the 'Strong' Leader model.

Vision and Corporate Priorities

During the latter part of 2011/12 members and Officers have been working on an update to the Corporate Plan. The Plan was agreed by Cabinet in April and Council in May. The Council's three main priorities are:

Embracing Localism – “demonstrating how we (the Council) will embrace the localism agenda whilst empowering individuals and communities to take more responsibility for their own futures”;

Open for Business – “working with the private sector and other public service partners to create the conditions for growth and to promote a positive image for the Borough”; and

Healthy Environment – “nurturing the place which is Swale in its broadest sense, both a physical place and as a community”.

The Corporate Plan is very much an evolution of the previous plan and places Localism at the heart of what the Council does and how it does it moving forward.

Management Processes

There have been no changes to the senior management structure of the Council in the year. The weekly meeting of the Strategic Management Team is still at the heart of the management process of the Council-links to the broader Head of Service tier have been strengthened by a monthly joint SMT/Heads of Service meeting.

The structure of a monthly team brief and quarterly Third Tier Manager and Staff Briefings has also been maintained. Towards the end of the year a new staff engagement forum, the Staff Panel, was established with representatives of staff meeting with the Chief Executive on a regular basis.

A Pay Policy Statement has been published.

Performance Management

For 2011/12 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.

The outturn position for 2011/12 was:

- twenty-four indicators (83%) were meeting target (Green);
- five indicators (17%) were within 5% of meeting target (Amber); and
- there were no Red indicators to report.

The performance management outcomes are good and the new processes have been well received by members across the board.

Financial Management

The Council's Head of Finance is nominated as the Council's Chief Financial Officer. He reports to the Corporate Services Director and is a member of the Strategic Management Team. The Council's arrangements substantially meet the requirement of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council has continued to cover this role through a part time secondment from Kent County Council.

The Council budgeted for £1.5m of savings in 2011/12. The outturn position for 2011/12 is an underspend of (£1.25m, 7.1%). This is a highly satisfactory outcome and reflects a number of factors:

- the impact of decisions taken early in the financial year on the Council's largest contracts which produced a part year effect saving of around £300,000;

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- advance decisions taken to restrict spend in the face of another very large savings target for 2012/13. So during the course of the year there was a substantial underspend on staff salaries as the Council's headcount reduced from 302 Full Time Equipment (FTE) to 279 FTE an 8% reduction; and
- underspends on specific grant funded items.

It is highly unlikely that the Council will achieve this level of under spend again in light of the further tightening of the financial position. The under spend will be used to fund Council priorities and top up specific reserve funds.

For 2012/13 the Cabinet was determined that budget decisions would be taken much earlier and that a genuine medium term approach would be taken. To achieve these objectives and to deliver a further £1.5m of savings a very different approach was taken to the budget process. Members led an exercise where all Heads of Service were required to identify 20% savings options and these were then prioritised by members to achieve a balanced budget position. This approach also meant that members and senior officers had a much better understanding of what was being funded through the base budget. In support of member priorities it was once again possible to make a substantial top up to the Regeneration Fund and to establish a Localism Fund. There is also now a clear four year financial view of the Council's finances.

The Chief Accountant and the Accounting Team faced a huge challenge in preparing the first set of IFRS compliant accounts with a reduced level of external resource. They responded magnificently to this challenge and the 2010/11 accounts were much improved. The District Auditor stated that "The Council coped well with the first year of IFRS implementation and the financial statements were prepared to a sound standard". They also stated that "The Council has a robust financial governance framework, and there are sound arrangements for financial control".

Partnerships

The three Mid Kent Improvement Partnership (MKIP) District Council Chief Executives' commissioned a review of MKIP by the Audit Commission which reported in February 2011. From this the Leaders and Chief Executives determined to take a more streamlined approach to moving potential partnership working forward. The main focus has been IT and in April 2012 the three Councils agreed a joint IT service.

The Locality Board has continued to oversee and shape local delivery of the public services across the Borough for greater effectiveness and efficiency. The main focus has been youth services and libraries in Swale.

Procurement

Huge steps forward had been taken in 2010/11 to improve procurement practice in the Council. The District Auditor commented that "excellent progress" had been made.

In 2011/12 this has been built upon but with the focus on the major Council contracts – Waste, Street Cleansing and Grounds Maintenance with a total value of £5.5m. In June Cabinet agreed a set of contract variations which produced a saving of £360,000, the biggest single contributor to savings in the 2012/13 budget.

The Council also embarked upon a joint waste contract re-let with KCC, Maidstone Borough Council and Ashford Borough Council.

Internal Audit

The Internal Audit service continues to be provided through a four way shared service with Maidstone Borough Council, Tunbridge Wells Borough Council and Ashford Borough Council.

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A total of 26 audit projects have been completed during the year despite some resourcing issues.

Of the 26 audits the results were:

Control Assurance	2011/12	2010/11
High	1	2
Substantial	17	11
Limited	4	6
Minimal	0	1
Not given	4	4
Total	26	24

82% of reports had a positive assurance assessment identifying control assurance as “substantial” or “high” an improvement on 2010/11. Of the 4 reviews with a Limited level of assurance, 2 have now moved to substantial, 1 to High and the follow up on IT Disaster Recovery is due to take place. The level of internal audit in terms of quality and coverage has a highly positive impact on the Council.

Review of Effectiveness

Introduction

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, and also by comments made by the work of internal and external audit.

Peer Challenge

In late 2011 the Council commissioned the Local Government Association to undertake a peer challenge of the Council with the objectives of:

- help to reflect on the council’s recent improvement journey;
- consider the council's current trajectory, rate of change and readiness for the future;
- consider the council’s future strategic direction and response to the Localism agenda;
- help inform thinking on the new corporate plan; and
- through all of the above, consider the core peer challenge questions relating to priority setting, leadership and governance, organisational capacity and financial planning.

This was a voluntary process to help the Council assess the progress made and identify areas for further development and was led by a Leader and Chief Executive from other District Councils. The Local Government Association (LGA)’s letter on the review is available on the Council’s website but their main conclusions were:

“It is clear to us that Swale Borough Council is in a very different, and much better, place now compared to two or three years ago. There is seen to have been rapid improvement in a range of areas. The political and managerial leadership of the council is widely held in high regard, the planning and management of the council’s finances is much better and there is improved performance on issues important to local people. There is also a positive organisational culture within the council. The council has secured its improvement through having a clear focus and an ability to be bold and flexible.

The Council’s leadership shows impressive ambition for the borough, reflected in the desire

to address the significant issues of deprivation and inequality that exist within Swale, drive forward regeneration and improve the quality of life for people generally. There are clear, and very exciting, opportunities to make a real impact in the borough. In order to capitalise on these opportunities it is important to articulate and promote what Swale has to offer to businesses and tourists. It is also important that the council and its partners become better at communicating successes.”

Standards

Work is underway on a new standards regime in accordance with the Localism Act 2011.

Scrutiny Committees

A ‘call-in’ procedure allows Scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. Both Scrutiny Committees have a well developed, forward looking work programme.

Audit Committee

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.

Internal Audit

Based on internal work undertaken throughout the year, 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. Going forward under MKIP, the Internal Audit Service will be measuring itself against best practice.

Significant Governance Issues

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 effectively.

Overall 2011/12 saw a consolidation based upon the changes made to the management and governance of the Council in the previous two years. The Peer Challenge gave strong external validation to the very significant progress which the Council has made.

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

Sittingbourne Town Centre Regeneration - the development partnership with Spirit of Sittingbourne and the Morrison and Tesco developments will have a huge economic and social impact on Sittingbourne. These are massive projects and it is a huge challenge for the Council to manage them to successful conclusions;

Corporate Plan - the new plan needs to be embedded in the organisation and in particular innovative approaches taken to further developing Localist solutions; and

Risk management - both strategic and operational risk management processes need to be developed further and fully embedded in the organisation.

Signatures

Leader of the Council

Date

Chief Executive

Date

ANNUAL FINANCIAL REPORT – AUDITOR’S REPORT

During July and August 2012, the Audit Commission audited the accounting statements of Swale Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The District Auditor will be presenting his opinion of the financial statements to the Council’s Audit Committee on 19 September 2012 and the final certification will be included here when it has been issued.