2009–2010
Statement of Accounts
For year ended 31 March 2010

Financial Services

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Foreword by Interim Head of Finance

Introduction - The Core Financial Statements

The Statement of Accounts for the year ended 31 March 2010 has been prepared in accordance with the Accounts and Audit Regulations 2003. The format reflects the requirements of the "Code of Practice on Local Authority Accounting in United Kingdom 2009 – A Statement of Recommended Practice" (SORP) and the Best Value Accounting Code of Practice 2008 published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts for the year ended 31 March 2010 appears on pages 29 - 100 inclusive and consists of the following accounting statements:

a) **A Statement of Accounting Policies -** sets out the policies adopted by the Council for drawing up the various accounting statements. The main changes in the accounting policies are detailed below in this Section. These relate to:

- Collection Fund Transactions - Whilst the Collection Fund remains unchanged, the way it is incorporated into the Income and Expenditure Account, Balance Sheet and Cash Flow Statement changes so that the proportion of transactions made on behalf of Precepting Authorities (Kent County Council, Police and Fire) are excluded. Prior year figures are to be re-stated to provide comparable figures. See note 1 on page 51 for further details.

- Deleted Disclosures - The SORP identifies five notes to the accounts which are no longer required:
    - Expenditure under Section 137 of the Local Government Act 1972 (i.e. expenditure for which there is no explicit statutory power). This is now minimal, as the power has largely been superseded by the "wellbeing" powers.
    - Expenditure on publicity.
    - Income under the Local Authorities Goods and Services Act.
    - Building Control Account.
    - Business Improvement District Schemes.

  The amounts reported under these disclosures are not significant in the overall context of the Council's expenditure and do not have parallels in Codes of Practice relating to other sectors, thus it is intended these notes are no longer prepared marginally simplifying the Statement of Accounts, its preparation and audit. However, although they no longer form part of the Statement of Accounts they still have to be prepared to be available for inspection.

- There is a new requirement for the disclosure of the individual remuneration details of senior employees for each financial year. The amended Regulations extend the existing disclosure requirement to disclose remuneration for senior officers from multiples of £10,000 to £5,000. They also introduce a new requirement to disclose individual remuneration details for senior employees whose annualised salary is £50,000 or more per year but less than £150,000, and persons whose salary is £150,000 or more per year must also be identified by name (except where a duty of confidentiality exists).

- Public Finance Initiative (PFI) and similar arrangements - The requirements of International Accounting Standards (IFRIC 12) with regard to accounting for assets used in service delivery controlled but not legally owned by local authorities are incorporated in the current year's SORP. Although the Council is not directly involved in a PFI project it has reviewed its existing service contracts to confirm that they do not match the features of "a similar arrangement" according to IFRIC 12.

- The portion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date to be presented in current liabilities.

b) **The Income and Expenditure Account -** expenditure and income relating to all of the Council's functions; this is fundamental to understanding the Council's activities, showing the net cost for the year of all the Council is responsible for and demonstrates how that cost has been financed from general government grants and income from local taxpayers and other users;

c) **The Statement of Movement on the General Fund Balance -** this reconciles the surplus or deficit for the year on the Income and Expenditure Account to the movement on the General Fund Balance – the difference generally represents amounts required to be taken into account when setting council taxes;

d) **The Statement of Total Recognised Gains and Losses -** this reflects all the gains and losses experienced by the Council to assess the overall financial result for the financial period and includes items not reflected in the Income and Expenditure Account;

e) **The Balance Sheet -** this sets out the financial position of the Council on 31 March 2010; it provides details of the Council's balances and reserves and its long-term indebtedness; it also includes the fixed and net current assets employed in Council operations together with summarised information on the fixed assets held;

f) **The Cash Flow Statement -** this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;

g) **The Collection Fund –** this reflects the statutory requirement for the Council to maintain a separate account which records Council Tax and National Non-Domestic Rate (NNDR) transactions.

These accounts are supported by:-
- two glossaries which are given on pages 101-105;
- a Statement of Responsibilities (page 27); and
- an Annual Governance Statement (pages 15–26) signed off by the Leader and Chief Executive.

The Pension Figures

Kent Pension Fund

The Council is a contributor to the statutory pension fund, the 'Kent Pension Fund', which has designated Kent County Council as the statutory body responsible for administering the Kent Pension Fund on behalf of the member Scheduled and Admitted Bodies. Employees, up to 31 March 2010, made a statutory contribution to the Pension Fund of 5.5% to 7.5% of their pay depending on full time equivalent banded salary as at 1 April 2009. The Council's contribution to the Fund is based on an actuarial calculation of the amount required to meet future liabilities of the Fund. The Fund Actuary (Barnett Waddingham) calculates the position for each contributing body separately. The Actuary is required to value the Kent Pension Fund every three years. The results of the last actuarial review shows that the Pension Fund is in deficit. This means that the assets (mainly investments in shares, property and bonds) in the Pension Fund are not sufficient to meet liabilities (the pensions payable).

The latest valuation (as at 31 March 2007) compiled by the Actuary set the level of contributions for the three-year period commencing April 2008. The valuation disclosed the following features for Swale:

- a net deficit of £23 million;
- a funding level of 66% (an increase from the previous level of 61%). A significant reason for the increased funding level was the improved performance of assets; and
- an increasing employer's contribution for the next three years ending at 32% (previously 31%) of pensionable pay. This percentage has been agreed with the Actuary and is based on the aim of eliminating the deficit over the next 20 years.

The next scheduled triennial revaluation of the Council's pension arrangements will take place as at 31 March 2010, with any impact on budgets feeding through from 1 April 2011.

Accounting for Pensions under FRS 17

The increase in the pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. Accounting standard FRS 17 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. The yield in excess of expected inflation (which in turn is based on gilt yields) from corporate bonds reduced from 3.7% to 1.5% during the year in part due to the impact of quantitative easing and other technical factors on bond and gilt markets. However, the assets of Kent County Council Fund are invested for the longer term with only a small percentage invested in corporate bonds.

FRS 17 does not directly impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations, which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). Further information is shown in Note 30 of the notes to the core financial statements.

Events in 2009-10

The Council has embarked upon a re-structure of its Senior Management Team reducing the number of Directors from three to two, re-focusing upon Service Delivery, Regeneration and the Community, and Running the Business. As part of this, the previously identified area for improvement, Commissioning and Procurement, has been strengthened by a dedicated Head of Commissioning and Procurement.

The Council's Housing service was inspected and awarded a one star acknowledging progress in addressing declared areas of weakness and re-affirmed the promising prospects for the future.

Specific attention has been given to strengthening the capacity and resilience in progressing value for money, utilising changed statistical information to challenge service provision and bring together the intelligence available through a "Sharepoint" to access key documents by Heads of Service more readily. Work continued on shared service/partnership working. This has included the existing Building Control Partnership with Thames Gateway councils, the transfer of payroll to Maidstone Borough Council and CCTV to Medway. Significant building blocks have been put in place for further shared services in audit and legal through the Mid Kent Improvement Partnership.

The Council has greatly improved its performance and anticipates that 77% of performance indicators for 2009-10 will be on target, as compared to 62.5% in 2008-09.

There was a reduction in investments by £4.4 million to £0.7 million as at 31 March 2010. This is a cash flow issue with a higher level of benefits paid by the Council than was estimated (by £1.5 million) and less business rates collected (£2.6 million) than estimated. This has been reflected with an increase in the net cash outflow. These differences will be resolved once final claims are audited and refunded by the government by the autumn of this year.

Impact of Recession

The Economic Development Team has maintained monthly statistical updates against a range of local and external economic indicators as well as internal performance measures that may be affected by prevailing economic conditions.

The economic recession has particularly impacted on:

- an increase in the level of benefit claimants (but supported by increased administration grant funding from central government);
- significantly lower interest rates (0.5% throughout 2009-10) thus reducing investment income for the Council by £6,100 compared to budget;
- reduced car park income for the Council of £150,000 compared to budget;
- a continued shortfall on Market income in 2009-10 compared to budget; and
- Lower collection rates in business rates.

However, Local Land Charges and planning fees both exceeded their income target in 2009-10. (Please also see the section on the potential contingent liability for "charges levied"). The Treasury Management Policy was revised twice in the course of the year and the budget for car park income has been reduced by £75,000 for 2010-11.

The previous government provided grant funding through the Local Authority Business Growth Initiative (LABGI) in arrears. The funding was linked to increased rateable properties, although the basis for the funding changed from year to year. The level of funding received was not predictable and it was not felt to be a driver for economic development nationally. This scheme was not ring-fenced and could be used for any purpose decided by the local authority. Swale received £78,000 in 2009 and this was put into a Fund specifically designed to support economic development and tourism projects.

On 27 May 2010, the coalition government announced that emergency regulations were being introduced to put a halt on demands for retrospective business rate payments affecting ports. The new regulations suspended unexpected backdated business rate payments, including for port companies. The government pledged to continue to explore options up to and including primary legislation to offer port companies permanent relief from backdated bills.

Other Future Events

The Council has decided to hold all-Member elections in May 2011, which will provide a greater opportunity to take a longer-term view of issues. This is particularly important given the commitment of the new coalition government to address the country's public deficit with urgency including a reduction of £6 billion in 2010-11.

Fundamental reviews of the services it provides to the community will be required as external funding streams become reduced and it is likely that the emphasis will be for the Council to look at more cost effective service provision as well as considering options to transfer the delivery of the service from the district council to the community.

Providing more cost effective service provision will include further partnering work with other public and private bodies as well as empowering the Third (Voluntary/Community) Sector. In this regard, the Council has committed to shared working with the Mid-Kent Improvement Partnership (MKIP) (Ashford, Maidstone and Tunbridge Wells Councils) on Internal Audit, Legal, ICT, Revenue and Benefits and Waste Management. Other partnerships are being developed with Thames Gateway councils and with Kent County Council to improve resilience, improve service delivery and reduce costs. Third Sector and Asset Management strategies are being developed with the community in 2010, including implementing the Asset Transfer Strategy in which a pilot transfer of the Alexander Centre to a local shadow trust has been agreed.

Under "Total Place", the Council is exploring more creative ways of joint working with other public bodies to try to reduce duplication and improve access by the public to services. This will include a joint Gateway project at Sheerness with Kent County Council and a regeneration of Sittingbourne including the redevelopment of Swale House as a long-term aspiration.

Work is under way in the production of a Workforce Development Strategy by the end of 2010 to plan for possible reduced numbers of staff over time as resources are reduced and as partnerships are entered into. It is important that the Council has retention and recruitment policies to ensure that we have well trained and supported staff in facing up to the challenges ahead. The Council has completed a new Pay and Reward strategy to support this and ensure the Council meets its equal pay responsibilities, although discussions are still under way with Unison to enable this to be implemented. See Note 26(a) on page 75 for further details.

The Council's accounts are currently prepared using UK Generally Accepted Accounting Practice (UK GAAP). In the Budget 2007 government made a commitment that the UK public sector would move towards adoption of International Financial Reporting Standards (IFRS), the time scale is that the first full set of accounts based on IFRS will be in relation to 2010-11.

Medium Term Financial Strategy (MTFS)

In keeping with best practice, Swale Borough Council has had a Medium Term Financial Strategy (MTFS) for a number of years. It is revised annually to keep in step with the future aspirations of the Council and its priorities as set out in the Corporate Plan, and to ensure that realignment of resources occurs. Ahead of the difficult financial climate anticipated in future years to address a significant rise in the public deficit, Swale Borough Council has moved to a 5-year MTFS 2010-11 to 2014-15 to meet the Corporate Plan's four priorities.

The budget for 2010-11 takes a prudent view concerning the potential risks on reduced external funding and other external factors and budgets, by including a further £1.6 million on savings to the base budget. It also incorporates key investments to enable the Council to meet its aim to be *a performance-led organisation that delivers excellent public services, good value for money and effective community leadership.* This has built upon the delivery of an under-spend in the budget for 2009-10. In this way, the Council has tried to ensure that resources are aligned closely with the priorities of the Council as identified in its Corporate Plan and the MTFS.

The MTFS will be kept under review to respond to the challenges arising from the government taking action to reduce the public sector deficit through reductions in external funding. Whilst the Council will need to take difficult decisions in the face of anticipated reduced funding, the proactive stance taken by the Council to reduce its base budget and maintain strong balances and reserves, puts it in a better position to manage through the uncertain years ahead.

Investments

The Council's investment portfolio averaged £10.1 million during 2009-10 (£10.8 million for 2008-09) and closed at £724,000 at 31 March 2010. The 'in-house' team achieved a return of 0.71% for 2009-10 (4.21% for 2008-09) amounting to £68,000 (£457,000 in 2008-09). This resulted in an additional £32,000 of investment income when compared with the average 7-day London Inter Bank Bid Rate (LIBID) rate for the year of 0.39%. The reduction in the closing balance at the year-end compared to the previous year is down to cash flow and the significant movements in funds arising mainly from the Ports Revaluation and National Non-Domestic Rates, and an increase in the number of housing benefits payments, both of which will be reimbursed during 2010-11.

General Fund

The Council approved the contribution of £187,630 to Balances for 2009-10. The following Revenue Summary shows the major variations between the original budget and the outturn amounting to a £538,000 net under-spend. The closing balance on the General Fund as at 31 March 2010 is £2.559 million, an increase of £643,000 from the start of the year.

The table below shows the overall cost to the General Fund:

	Original Budget £'000	Actual £'000	Difference £'000
Net *service* expenditure for the year (excluding parish precepts)	19,165	18,627	(538)
Contribution to/(from) Balances	188	738	550
TOTAL	**19,353**	**19,365**	**12**
Funding Summary			
Revenue Support Grant	2,251	2,251	
National Non Domestic Rate	9,751	9,751	
Council Tax Deficit/(Surplus)	48	60	12
Council Tax	7,303	7,303	
TOTAL	**19,353**	**19,365**	**12**

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

	£'000
Contribution to the Partnership Reserve	150
Lower premises costs including utility charges partially offset by reduced rental income	(28)
A net reduction in Democratic Service costs has been achieved	(42)
Housing (Homelessness) - higher grant income and other receipts in respect of recession funding and homelessness and lower net costs in respect of bed and breakfast payments, homeless hostel, and rent deposit scheme. Partially offset by additional bad debt provisions including for the rent deposit scheme and contributions to reserves	(12)
Housing (Stay Put) - a net increase in fee income and Primary Care Trust grants partially offset by contribution to reserves	(129)
Additional government grant received from the Department of Communities and Local Government in respect of Housing Planning Delivery grant	(315)
Savings achieved following the deletion of the post of Operations Director	(92)
Higher than anticipated vacancy allowance in respect of Policy	(24)
The car park income target set for 2009/10 has not been achieved	150
A one off provision has been included for potential backdated car park rent payments anticipated	132
Reduced payments to bus operators in respect of concessionary fares due to lower usage	(76)
Higher Council Tax collection costs including supplies, bank charges, audit fees, and other variations, partially offset by a lower than budgeted bad debt provision	51
Increased bad debt provision in respect of Housing Benefit administration	181
Additional Housing Benefit Performance Reward Grant received in 2009/10, partially offset by a contribution to reserves	(101)
Higher Housing Benefit Administration subsidy achieved	(260)
Additional funding from the Primary Care Trust including to cover free swimming lessons -Leisure Centres, partially offset a contribution to reserves	(40)
Lower costs incurred in respect of Learning and Skills, partially offset by a contribution to reserves	(122)
Higher premises costs and reduced rent income in respect of Markets	65
Reduced grounds maintenance costs in respect of Church Marshes	(27)
Other net minor variations	1
TOTAL	**(538)**

A detailed report on the revenue outturn for 2009-10 was presented to the meeting of the Executive on 9 June 2010.

The Income and Expenditure Account (page 43) shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Council is required to take account of when setting the Council Tax. The main differences are that for Council Tax purposes:

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

General Fund Balance

As shown below, the General Fund balance increased by £738,000 from £1,821,000 at 1 April 2009 to £2,559,000 at 31 March 2010. This compares with the original estimate of an increase in the balance of £188,000 to £2,009,000 at the year-end and a policy to maintain a minimum of £1.5 million as the General Fund balance.

	GENERAL FUND	
	Original Budget	Actual
	£'000	£'000
Balance brought forward	1,821	1,821
Contribution to Balances	188	738
TOTAL	**2,009**	**2,559**

The above figures include the Housing Act Advances Revenue Account, which, for the purpose of the Council's accounts, is shown as part of the General Fund.

General Fund Policy

Based on historical experience and professional guidance, the minimum level of general reserves considered adequate to meet normal operational circumstances has been assumed to be around 3-5% of net operating expenditure. However, this figure needs to be modified by judgements regarding the level of financial risk and uncertainty. The current level of the General Fund of £2.6m represents 14% of the net expenditure budget for 2009-10 and is considered to be at an adequate level. In addition, the Council has created a number of earmarked reserves to provide for specific future spending requirements.

Capital Programme

From 1 April 2004, the Prudential Code for Capital Finance came into effect for local authorities imposing new requirements on them in the manner they consider and approve their spending plans.

The capital programme for 2009-10 totalled £5.351 million. Several schemes were completed during the year, the main ones being:-

Stonebridge Pond Allotments – Sluice Replacements:-
Replacement of two sluices to enable management of water levels. Total capital expenditure incurred £62,400.

CCTV Medway:-
Funding has enabled the relocation of the Swale CCTV service to Medway Control Centre. The funding has enabled a new monitor wall and control equipment and the transmission of the cameras to Strood. The relocation has enabled the Council to reduce the annual revenue costs for the CCTV service. Total capital expenditure incurred £150,000.

Lovell Road Play Improvements:-
Enhancement of play area provision working in partnership with Friends Group and funded from a variety of external funding. Total capital expenditure incurred £30,200.

Ceres Court Murston Play Improvements:-
Provision of outdoor fitness equipment alongside the existing ball court, funded by Big Lottery. Total capital expenditure incurred £30,000.

Swallows Leisure Centre:-
Enhancement of both pool and dry side facilities including changing rooms. Total capital expenditure incurred £487,000.

The Council also continued its mandatory Disabled Facility Grant programme, which attracted 63% funding from central government, the total spend in 2009-10 being £1,255,000.

The revised capital programme for 2009-10 forecast payments for the year of £6,788,500 with the actual outturn being £5,351,000. (This includes capital expenditure of £842,000, which has been treated as long-term housing loans.)

The schedule below highlights the main areas of capital spending and details of the funding of this expenditure are shown under Note 13 in the Notes to the Core Financial Statements. The main areas of capital spending during 2009-10 were:

	Revised Budget £'000	Actual £'000	Variance £'000	Level of Approved Rollover £'000
Revenue Expenditure Funded by Capital Under Statute				
Home Renovation Grants	1,473	1,292	(181)	178
Regional Housing Board Grant - Housing Repair Grants over 60	426	484	58	0
Queenborough Old School	379	220	(159)	0
Other	0	(4)	(4)	0
	2,278	1,992	(286)	178
Other Capital Expenditure				
Regional Housing Board Grant Scheme	1,405	933	(472)	387
Milton Creek Environmental Imp.	825	807	(18)	0
Rushenden Environmental Improvements	520	520	0	0
SERCO Leisure Centre	500	488	(12)	12
Swale House Refurbishment	317	191	(126)	126
Community Safety Initiatives	260	157	(103)	103
Wheelie Bins - Brown/Green	99	0	(99)	64
New Play Area - Iwade Schemes	92	0	(92)	92
New Play Area - Natural BP Coastal	87	11	(76)	76

	Revised Budget £'000	Actual £'000	Variance £'000	Level of Approved Rollover £'000
New Play Area - Hugh Price Close, Murston	80	0	(80)	80
Stonebridge Pond Allotments - Sluice Replacements	58	58	0	0
New Play Area - Wildish Road	50	51	1	0
Faversham District Office	48	5	(43)	43
Cemeteries - future burial space	44	13	(31)	34
Thistle Hill Community Woodland Trim Trail	35	0	(35)	35
ICT System Replacement - Environmental Services	31	1	(30)	20
Discovery Perry Woods	27	0	(27)	0
Other Schemes	33	124	91	21
TOTAL	**6,789**	**5,351**	**(1,438)**	**1,271**

	2009-10 Outturn
	£000
Total Capital Expenditure	5,351
Source:	
Capital Receipts	1,004
Capital Grants & Other Contributions	3,855
Repairs & Renewals Funding	79
General Reserves Funding	13
Total	**4,951**

During the next financial year, 2010-11, the Executive will be asked to approve the rollover of capital budgets, which accounts for £1.271m of the above under-spend.

The only sources of funding for capital expenditure for 2010-11 apart from partnership monies (£3.8 million) are the repairs and renewals reserve (£35,000), the building maintenance reserve (£110,000), the invest to save reserve (£27,000), the partnership reserve (£120,000), the general fund (£742,000) and the general reserve (£60,000).

Collection Fund

The Collection Fund is the statutory account, which records Council Tax, Community Charge and National Non-Domestic Rate transactions. At the year-end, this account had a surplus balance of £716,000 compared with the surplus estimated in January 2010 of £588,000, which was taken into account in setting the Council Tax for 2010-11. The difference of £128,000 is attributable mainly to additional new properties.

The Council Tax in-year collection rate has increased to 97.1% in 2009-10 from 96.9% in 2008-10. The Business Rate in-year collection rate increased from 89.6% in 2008-09 to 95.7% in 2009-10, mainly due to a new two-year deferral payment scheme introduced during 2009-10.

Further Information

Further information on the accounts is available from the Accountancy Section, Swale House, East Street, Sittingbourne. Interested members of the public have a statutory right to inspect the accounts for 20 working days before the audit is completed. For 2009-10, the inspection dates are between 8 July and 4 August 2010 inclusive. From 5 August 2010 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 of Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN and copied to the Interim 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.

My thanks go to all my staff and those in other Service Units who have helped to prepare these accounts and supported me during the last year. As this is the last set of accounts I shall approve at Swale Borough Council in my current assignment, I should like to wish everyone in the Finance Team, the Council's Senior Management Team, Members and our partner organisations well for the future.

Eric Fisher BA, MA, PhD, CPFA **21 June 2010**
Interim Head of Finance

ANNUAL GOVERNANCE STATEMENT

For the Year ended 31 March 2010

1. BACKGROUND AND SCOPE OF RESPONSIBILITY

1.1 Swale Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in services, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Swale Borough Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 To this end, in February 2008 Swale Borough Council approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the Council's website http://www.swale.gov.uk/assets/Strategies-plans-and-policies/CorporateGovernanceLocalCode1.pdf

1.4 This statement explains how Swale Borough Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of the Annual Governance Statement.

1.5 Swale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and management of risk.

1.6 This is a corporate document owned by all senior officers and Members of the Council. A shared approach has been taken in compiling this statement, as delegation to a single individual would lessen its significance.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values, by which the activities of the authority are directed and controlled to serve, engage with and lead the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims or objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the achievement of Swale Borough Council's policies aims and objectives, to evaluate the likelihood of those risks being materialised, and to manage them efficiently, effectively and economically.

2.3 The governance framework outlined has been in place at Swale Borough Council for the year ended 31 March 2010 and for the intervening period up to the date of approval of the Annual Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of the systems and processes that comprise Swale Borough Council's governance arrangements are summarised below:

3.1.1 During 2007-08, Swale Borough Council consulted upon and produced its first Corporate Plan “Shaping the Future of Swale” which achieved final Council approval on 21 November 2007. Individual service plans show how each service area is contributing to the corporate priorities. Progress against the Corporate Plan will be reported in our annual performance plan.

3.1.2 We are committed to conducting a regular review of our Corporate Plan to ensure our vision and priorities remain current and continue to respond to local need. In March 2009, the Executive agreed a refresh to the Corporate Plan that reaffirmed the four corporate priorities and reduced the number of priority actions from 37 to 27. A further refresh in March 2010 reviewed current activity areas and identified new priority actions and activities to ensure they link to the new Sustainable Community Strategy approved by the Local Strategic Partnership. This reflects the Council’s effort to focus activity on key priority areas in the current economic climate and is closely aligned to the Council’s medium term financial strategy and Budget.

3.1.3 During the latter part of 2009-10, we have reorganised our communications, printing and graphics teams to create a single creative services team, these changes are effective from 1 April 2010. This will include a refresh to our communications strategy, which was agreed in June 2008, and the consolidation of all communications related budgets.

3.1.4 During 2009-10, the Local Strategic Partnership (LSP) was reorganised to bring in a three tier model with effect from 1 January 2010 and to rationalise the number of thematic partnerships, including the creation of a safer and stronger thematic partnership which replaces the previous community cohesion subgroup. Also in 2009-10, Swale Borough Council (in partnership with the LSP) was one of only three local authorities to take part in a community empowerment review with the IDeA. An Action Plan is currently being finalised and will be considered by the LSP in April. This will be supported by a Third Sector Strategy that is also being finalised.

3.1.5 Swale Borough Council has an agreed Constitution, which details how the Council operates, how decisions are made, and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. Policy and decision making is facilitated through reports from officers to the Executive. Major decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget.

3.1.6 Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. A Scrutiny Committee and a Policy (Scrutiny) Overview Committee have been established. Councillors who are not members of the majority political group on the Executive, chair the committee. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

3.1.7 During 2008-09 the Council undertook a comprehensive review of the Constitution and scheme of delegation to ensure that its governance arrangements were fit for purpose and support an efficient decision making process. A further review is scheduled for 2010-11. The Council's Overview and Scrutiny arrangements make provision for the Councillor Call for Action (CCFA), which came into effect on 1 April 2009. The CCFA is intended to empower councillors to resolve issues in their local area, enabling them to bring together officers, executive members, and representatives from external partners to develop solutions to local problems. The Council is also preparing for its Petitions duty.

3.1.8 Standards of conduct and personal behaviour expected of Members and Officers of Swale Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols.

3.1.9 Processes ensure the Standards Committee refers all allegations of a breach of the Code of Conduct through the Monitoring Officer for consideration with all initial complaints being considered within a target of 20 working days.

3.1.10 Members of the Standards Committee undertook the Standards Board training on assessments. The Monitoring Officer produces an annual report to the Standards Committee and reviews areas of developing best practice.

3.1.11 The Council has a confidential reporting hotline to enable internal and external whistle blowing and an effective formal and informal complaints procedure. The total Local Government Ombudsman cases based on provisional figures for the year to 31 March 2010 and excluding premature complaints, was 12. There were no findings of maladministration, 3 cases were settled locally, there were 5 cases of no evidence of maladministration, 3 cases where the Ombudsman exercised his discretion not to continue to investigate and one was outside his jurisdiction.

3.1.12 In accordance with the Constitution, the Audit Committee is responsible for

a) Considering the effectiveness of the authority's risk management arrangements, the control environment and associated antifraud and anticorruption arrangements

b) Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors

c) Being satisfied that the authority's assurance statements, including the Statement on Internal Control [Annual Governance Statement], properly reflect the risk environment and any actions required to approve it

d) Approve (but not direct) Internal Audit's strategy and Annual Audit Plan and monitor performance against them

e) Review summary internal audit reports and the main issues arising, and seek assurances that action has been taken where necessary

f) Receive the annual report of the Head of Internal Audit

g) Consider the reports of external audit and inspection agencies

h) Ensure that there are effective relationships between internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted

i) Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to issues raised by external audit

j) Approve the Annual Statement of Accounts

k) Present an annual report to the Executive on exceptions and highlights throughout the year.

3.1.13 Following a comprehensive review by a cross party working group, the Council's Constitution, scheme of delegations, financial and contract standing orders were revised in July 2009. The Corporate Services Director keeps a register of Officer Delegations and authorisations.

3.1.14 During 2009, the Strategic Management Team reviewed their approach to supporting the overall governance framework. It has introduced a four weekly cycle to cover major projects, strategy, business and finance and performance meetings to ensure that all these areas are managed in accordance with the principles of good governance. A project management framework has been introduced which ensures all major projects are being governed properly and related financial and operational risks managed. There is also a revised procedure for the production of reports to the Executive, which links directly to the Forward Plan and enables early involvement of the Executive.

3.1.15 Following the Audit Commission's triennial review of Internal Audit in March 2010, the Internal Audit Charter will be amended for approval by Audit Committee to ensure it fully complies with the statutory standards prescribed by the Chartered Institute of Public Finance and Accountancy 2006 Code of Practice.

3.1.16 Swale Borough Council has a duty to ensure that it acts at all times in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its Officers to ensure that, as far as are possible, all Officers understand their responsibilities both to the Council and to the public. The Constitution sets out clearly the various policies and procedures through which the Council ensures compliance, in particular, two key documents are the Financial Regulations and Contract Procedure Rules, which are available to all Officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

3.1.17 Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of significant changes in policy or requirements following new legislation by means of a monthly staff briefing, and where appropriate arranging training for all or key members of staff. The Policy unit issues summaries of major new legislation impacting on the way the Council conducts its business.

3.1.18 Swale Borough Council’s Risk Management Strategy and Guidelines were updated in March 2010. This document shows the role both Members and Officers have in the management of risk.

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

3.1.20 The Head of Legal Services provided her professional opinion on the Council's compliance with its legal obligations during 2009-10. It is her duty to alert Members of any situation where there is likely to be a danger of their acting ultra vires. The new committee-reporting template implemented during 2009 requires legal and financial implications to be clearly stated and also draws out other key corporate implications. All decision making reports now have to be signed off by Legal and finance officers.

3.1.21 Swale Borough Council through its budgetary monitoring and control processes ensures that financial resources were being used to best advantage, via monthly management reporting to the Strategic Management Team and Executive Members. In addition, exception reporting on the Budget is reported monthly to Executive Members and Scrutiny Committee and quarterly to the Executive.

3.1.22 Financial planning is underpinned by service planning, with increased expenditure in any service area needing to be justified to the Strategic Management Team, and where necessary approved by the Executive. The Budget Task Force, chaired by the Executive Member for Performance & Finance in 2009-10, is an integral part of the budget planning process and meets on a regular basis throughout the year resulting in recommendations to the Executive on budget matters.

3.1.23 Through monthly Performance Monitoring Reports, the Strategic Management Team and the Executive to ensure that performance targets and indicators are being achieved and suitable action plans are put in place where they are not carefully monitor corporate and key service objectives. The Scrutiny Committee also reviews the same report.

3.1.24 Economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's Value for Money (VFM) tool, benchmarking and the use of comparative techniques with other service providers, and through independent external review.

3.1.25 Swale Borough Council joined the Mid Kent Improvement Partnership (MKIP) in September 2008 along with Ashford, Maidstone and Tunbridge Wells Borough Councils. The focus of the partnership is on developing shared services and service improvement. It was acknowledged that the Council had limited capacity to move this initiative forward. The Council secured support from Maidstone Borough Council, Business Transformation Team, which led to an internal VFM Group being established and a programme of work developed. The group included the Chief Executive and Senior Managers from across the Council. To continue this effort during 2009-10 and beyond, the Council employed a consultant to develop a VFM approach and strategy to support and enable Heads of Service to underpin the 5-year Medium Term Financial Strategy and to address the funding gap into future years.

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

3.1.27 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes is the responsibility of Service Unit Managers who may choose to delegate responsibility to other managers within the Council. Any significant changes to working practices involving financial matters should be referred to the Section 151 Officer for approval and be subject to Internal Audit advice.

3.1.28 During 2009-10, the Internal Audit Team reported to the Corporate Services Director, and operated under a Charter, which defined its relationship with the Council's Officers, and the Audit Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems and risk to the Strategic Management Team and Members. On 1 April 2010, Internal Audit teams from Swale, Ashford, Maidstone and Tunbridge Wells Borough Councils merged to form the Mid Kent Internal Audit Partnership.

3.1.29 As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. In February 2010, the Audit Commission conducted a triennial review of Internal Audit. The review concluded that Internal Audit was partially compliant with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. An action plan to address non-compliance and areas for improvement has been agreed.

3.1.30 The Council has a priority to be a High Performing Organisation that delivers excellent public services, good value for money and effective community leadership. A combined performance and risk management computer system (Covalent) is in place to integrate performance, risk management and service planning.

3.1.31 A Member Development Working Group oversees the development needs of Members and helps design the annual training programme to ensure that it is relevant to the Council's business and priorities. The Group has formulated an action plan to retain the Member Development Charter and has undertaken a council-wide training session to facilitate this.

3.1.32 Senior Management training this year has been focussed on identified areas for improvement set out in the Corporate Improvement Plan.

3.1.33 During 2009-10, the Local Strategic Partnership considered the effectiveness of its current arrangements and agreed to move towards a three-tier model with effect from January 2010, a governance handbook for the partnership support this change. A dedicated, jointly funded Partnership Officer took up post in January 2009.

4. REVIEW OF EFFECTIVENESS

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

4.1.1 The work of the Internal Auditors and the Head of Audit's Annual Report.

4.1.2 The work of Managers within Swale Borough Council who have responsibility for the development and maintenance of the governance environment.

4.1.3 Comments made by the external auditors in their Annual Audit and Inspection Letter and other reports, including the Comprehensive Performance Assessment, Use of Resources and Direction of Travel Statements.

4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

<u>Council</u>

4.2.1 The Council's Annual Report and Performance Plan reports on performance against key priorities and outlines priorities and targets for the forthcoming year.

4.2.2 The Council adopted the revised model code of conduct for Members in July 2007.

Executive and Scrutiny

4.2.3 The Executive receive monthly Performance Monitoring Reports, which report on performance against our key priorities and sets robust and challenging targets. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Council's reporting arrangements enable any Councillor to request that an overview and scrutiny panel considers an issue of local concern. The Scrutiny Committee has also been built into the Council's future performance escalation process.

Audit Committee

4.2.4 The Audit Committee receives regular updates from the Head of Audit 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 and outstanding priority 1 audit recommendations. In March 2010, the Audit Committee agreed to participate in peer review of the Audit Committee effectiveness across the Mid Kent Improvement Partnership to be conducted by the IDeA.

4.2.5 The Audit Committee has advised us of the result of the annual review of the effectiveness of the governance framework. A plan to address weaknesses and to ensure continuous improvement in systems of internal control is in place.

Standards Committee

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

4.3 Internal Audit

4.3.1 Based on internal audit work undertaken throughout the year, current risk assessments, and assurance statements provided by Heads of Service, the Head of Audit 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.

4.4 External Agencies

4.4.1 Swale Borough Council periodically has its services inspected by the Audit Commission who make recommendations for enhancing the quality of services provided for the community. In 2009-10, the Council was subject to external re-inspection from the Audit Commission in relation to Housing services and will respond positively to the report that followed.

5. IMPROVEMENTS DURING THE YEAR

5.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas:

5.1.1 The overall financial and performance reporting of the Council has been improved with more comprehensive reports and better information going to the Executive on a monthly basis.

5.1.2 The role of the Budget Task Force has been embedded in the process of budget review.

5.1.3 The LSP has developed a governance handbook setting out the strategic, decision-making and operational structure of the Swale Local Strategic Partnership, identifying the roles and responsibilities of partners and helping the LSP to focus on outcomes.

5.1.4 The Council's arrangements for overview and scrutiny were re-structured with effect from September 2009. The four thematic Scrutiny Panels, which had been operating for the past few years, were replaced with two new committees – 'Policy (Scrutiny) Overview' and 'Scrutiny'. The Policy Overview Committee's terms of reference focus on examining how the Council's and our partners' activities, policies, plans and strategies can be developed in order to improve the experience of the residents and communities within the Borough as a whole. The Scrutiny Committee's role is to hold the Executive and partner organisations to account on corporate issues such as the budget, expenditure, service performance and delivery of planned actions.

5.1.5 Since August 2009, the Council has introduced monthly monitoring reports for both finance and performance. This has improved our budget management, turning a predicted overspend to an under-spend and we are on target for 77% of performance indicators to meet their target by the end of the financial year, 2009-10.

5.1.6 A draft Commissioning and Procurement strategy has been approved for consultation throughout the business community. This strategy aims to set a clear framework for procurement, which reflects the Council's community and corporate plans and stands alongside Contract Standing Orders and the Constitution. It sets out an action plan for achieving an approach to commissioning and procurement that meets our corporate priorities of regenerating Swale, creating a cleaner and greener Swale, promoting a safer and stronger community, and becoming a high performing organisation.

5.2 Actions arising from 2008-9 issues have progressed as follows

Issue	Progress/ outcome(s)
Integration of performance and risk management and service planning.	More comprehensive use of Covalent, monthly performance management reporting now embedded.
Local Strategic Partnership governance review.	LSP has been restructured during 2009-10 to align with the Audit Commission's 3 tier model set out in the "Working Better Together" report. This is supported by a governance handbook that explains the key roles and responsibilities for partners. For 2010-11 to support the new structure, a greater emphasis on performance management will be a key feature of the partnership development.
Audit compliance testing during 2008-9 indicated that improvement in awareness of Financial Regulations and Standing Orders is required.	Briefing and training of all relevant staff on the Council's new financial regulations and standing orders.
Risk and opportunities arising from Mid Kent Improvement Partnership proposals for collaborative working.	Full consideration of business cases and S151 due diligence process.
New statutory requirement to empower and help Councillors to resolve issues in their local area.	New overview and scrutiny arrangements introduced in September 2009.
Areas of limited assurance found in recent 2008-9 Internal Audits.	Improvement in systems of internal control concerning Accounts Receivable, Council Tax Discount and Exemption Inspections and Housing Rent Deposit Loan Recovery in accordance with recent Internal Audit Report recommendations. Reports on progress on Accounts Receivable have been presented to subsequent meetings of the Audit Committee.

6. SIGNIFICANT GOVERNANCE ISSUES

6.1 On the basis of this Annual Governance Statement compiled and reviewed by the Council's Strategic Management Team, the Annual Internal Audit Report of the Head of Internal Audit and statements produced by the Heads of Service, we are satisfied that the Corporate Governance arrangements for Swale Borough Council are adequate and operating effectively.

6.2 Significant Governance issues and areas for improvement are set out in the table below:-

Issue	Action(s) required	Responsibility/ target date
Potential and actual significant reductions in external funding and uncertainties in future funding, particularly the impact on the Council's first priority on Regeneration.	£1.6m budget savings approved in 2010-11. VFM strategy to address a potential funding gap in excess of £1.0m into future years. Keep Medium Term Financial Strategy (MTFS) under review.	Monthly Management Reporting to Strategic Management Team, Scrutiny and Executive. First MTFS refresh planned for Executive July 2010.
Re-structure of senior management structure and fundamental review of staffing structures across the Council.	New processes and procedures underpin the change including organisation development support.	Strategic Management Team – on-going.
Mid Kent Improvement Programme (MKIP) and other partnership arrangements.	Strong Governance arrangements and due diligence of business case to ensure declared costs and benefits are delivered in accordance with adopted business case.	Quarterly MKIP Management Board.
The Triennial Review of Internal Audit has identified a failure to fully comply with the statutory Code of Practice.	An Action Plan has been completed and progress against the plan will be monitored.	Reports to Audit Committee by Head of Internal Audit Partnership.
'Accounts Payable' In the course of a short follow-up to a previous Internal Audit review, it became apparent that there was a lack of staff awareness and compliance with certain aspects of the Contract Procedure Rules and Financial Rules.	There is a need to raise awareness of Contract Procedure Rules and Financial Rules, ensure that they are being followed and in particular, to ensure that quotes are obtained where necessary and purchase orders are raised.	Compliance with Contract Procedure Rules and Financial Procedure Rules are matters for the Head of Legal Services/the Monitoring Officer/ and the Head of Finance. An Internal Audit review of compliance with Contract Procedure Rules will be finalised in June 2010.

Issue	Action(s) required	Responsibility/ target date
'IT Governance and Change Management Controls' The follow-up to a previous Internal Audit review on ICT identified a high number of outstanding control weaknesses. Additional work on 'change management controls' identified further weaknesses.	The IT manager will need to implement the remaining Internal Audit recommendations. A further (short) follow-up by Internal Audit later in the year will confirm whether the recommendations have been implemented.	The IT Manager is responsible for implementing the audit recommendations. It would be expected that this would be completed in the first half of 2010/11. Internal Audit will carry out a short follow-up in Oct/Nov.
Internal Audit There was a failure by Internal Audit to provide adequate coverage of key systems during 2009/10	The new audit partnership arrangements were put in place from 1 April 2010. The planned coverage for 2010/11 includes all key systems. Output will be substantially increased.	The Head of Internal Audit Partnership has responsibility for ensuring that the Audit Plan for 2010/11 is met. The outcomes will be reported to the Audit Committee.

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

Signatures .... Date ....
Leader of the Council

.... Date ....
Chief Executive

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs - in this authority, that officer is the Interim 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.

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2009-10 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2010 as approved by Swale Borough Council in accordance with the Accounts and Audit Regulations 2003 at the meeting of the Audit Committee on 29 June 2010.

Councillor Trevor Fentiman
Chairman of the Audit Committee **29 September 2010**

THE INTERIM HEAD OF FINANCE'S RESPONSIBILITIES

As the Interim 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 SORP).

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

I confirm that the accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Nick Vickers B.Sc(Econ), CPFA
Interim Head of Finance **29 September 2010**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWALE BOROUGH COUNCIL

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Swale Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Swale Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Interim Head of Finance and auditor

The Interim Head of Finance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Swale Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Andy Mack
District Auditor
Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN
30 September 2010

General

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice' (the SORP), together with associated guidance notes, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- Relevance - The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds;

- Reliability - The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and can be depended upon to represent faithfully what they purport to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques;

- Comparability - The accounts are prepared to enable comparison between financial periods. To aid comparability the Council has applied its accounting policies consistently both during the year and between years;

- Understandability - Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms; and

- Materiality - Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

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

- Accruals - with the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid. Exceptions to this are utility bills, insurance premiums and income from car parking, which are, in the main, charged to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year;

- Going Concern - the accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future; and,

- Primacy of Legislative Requirements - Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect will be included in the accounts.

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

Accounting Convention

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Estimation Techniques

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

Accruals

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

Provisions

The Council sets aside provisions as required under FRS 12, when the Council recognises that it has an obligation because of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions have been charged to the appropriate Income and Expenditure Account when the Council became aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they will be charged direct to the provision. Estimated settlements are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Income and Expenditure Account.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure. The majority of the reserves are earmarked for particular purposes, the exception being the General Reserve which is available to fund revenue expenditure, subject to Members' approval. Full details of these reserves are explained in note 24.

In addition, certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the notes to the core financial statements.

Government Grants and External Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue Grants and External Contributions

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

Grants to support revenue expenditure in general are called general revenue grants (e.g. revenue support grant, area based grant) and are credited to the Income and Expenditure account after net operating expenditure.

Capital Grants and External Contributions

Capital grants and external contributions received for the funding of future capital expenditure are credited to the Capital Grants and External Contributions Unapplied Account. When the capital grants or external contributions are to be used to fund a specific asset the amounts are moved to the Capital Grants and External Contributions Deferred Account.

Capital Grants and External Contributions Deferred represents grants that have been used to fund the acquisition of a fixed asset with a finite useful life. As the asset is depreciated or disposed of, so the value of this account is written down to match the depreciation charge and/or disposal. As these write offs are not an allowable set off against Council Tax, it is neutralised by an entry in the Statement of Movement in General Fund Balance, with the corresponding entry to the Capital Adjustment Account.

Where revenue expenditure funded by capital under statute is financed by capital grants and external contributions, they are recognised as revenue grants and contributions. This is because the grants and contributions are regarded as revenue grants and contributions despite their classification as capital grants and contributions for capital control purposes.

Capital Receipts

All income from the sale of capital assets are 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.

Retirement Benefits

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bond (the iBoxx AA rated over 15 year corporate bond index as at 31 March 2010).

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

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

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

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for whom the employees worked;
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non-Distributed Costs;
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
- Expected return on assets - the annual investment return on the Fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure;
- 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 debited to the Statement of Total Recognised Gains and Losses; and,
- Contributions paid to the Kent Pension Fund – cash paid as employers' contributions to the Pension Fund.

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

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

The Fund's Actuary determines employers' contributions to the pension scheme on a triennial basis. The last actuarial valuation took place on 31 March 2007 and the change in contribution rates as a result of that valuation took effect from 1 April 2008.

VAT

Income and expenditure accounts, whether of a capital or revenue nature, only include amounts related to VAT to the extent that it is not currently recoverable from HM Revenue and Customs.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 'Best Value Accounting Code of Practice 2008'. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised when they will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The accounting policies used will be the same for all fixed assets as stated below.

Tangible Fixed Assets

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

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

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

- Investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value;
- Land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use; and,
- Infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value;
- Specialised operational properties – depreciated replacement cost; and
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

Disposals - when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (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. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts from disposals are appropriated to the Usable Capital Receipts Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation - depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Deprecation is calculated on the following bases:

- 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;
- Buildings – straight-line allocation over the life of the property as estimated by the valuer;
- Plant and equipment – straight-line allocation over 5-10 years. For example, playground equipment is depreciated over 10 years; and,
- Infrastructure and community – straight-line allocation over 20-50 years.

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

For newly acquired assets, no depreciation is charged in the year of acquisition unless material. Where assets are revalued in the year the resultant impact on depreciation is not reflected until the following year. However, if there is a change in the depreciation because of impairment which is material full year depreciation is charged in the year of impairment.

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

Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. 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 and this is £480,000 in 2009-10). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation in England and Wales 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 fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

REFCUS is debited to the appropriate service revenue account rather than being initially taken to the Balance Sheet and then amortised. Similarly, when such expenditure is funded from capital grants and contributions, these grants and contributions are recognised as revenue grants and contributions and credited to the relevant service account rather than taken to the Capital Government Grants and Contributions account and then amortised to the revenue account. This is because the grants and contributions are regarded as revenue grants and contributions despite their classification as capital grants and contributions for capital control purposes.

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

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

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

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:

- 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 fixed asset – the liability is written down as the rent becomes payable); and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed 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 was in three phases and the total number of bins now held under this arrangement are 51,000 bins and 50,000 glass caddies which are being repaid over the life of the contract. As at 31 March 2010 the outstanding principal sum was £597,004.

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

Financial Instruments Policy

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Long-term investments (those held for greater than one year) are shown in the Balance Sheet at cost. These investments date pre-1974 and total £4,000.

Interest Payable and Similar Charges

Impairment losses arising on financial instruments falling within the Loans and Receivables category have been debited to revenue accounts as expenditure, and are therefore included in the Net Cost of Services total on the Income and Expenditure Account.

This treatment differs from the requirements of the Code which requires these types of impairment losses to be included under Interest Payable and Similar Charges and included in the Net Operating Expenditure total on the Income and Expenditure Account. The difference between these two treatments is immaterial to the Accounts.

Stocks and Work In Progress

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. Stocks on the franking machine are valued at the original cost price.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with Financial Reporting Standard (FRS) 18 ‘Accounting Policies’, i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle relate to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years, income from car parking which is dealt with on a cash basis and the outstanding sums are not included in debtors on the Balance Sheet, and insurance premiums, which are charged to the year in which billed, rather than be apportioned between years. These policies are consistently applied each year and therefore do not have a material effect on the year's accounts.

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 deducted as a provision for bad debts.

Bad debt provision is shown against services in the Income & Expenditure Account, which differs from the requirements of the Code which requires that impairment losses arising on financial instruments falling within the Loans and Receivables category are shown against “Interest Payable and Similar Charges”.

Interest payable has been accrued to 31 March 2010 on any loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March 2010, has also been accrued in the debtors’ accounts and not added to the short term investments balance.

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.

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.

Bad and Doubtful Debts

The provision for bad and doubtful debts is based on the age of the debt and the likelihood of recovery.

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 Balance Sheet 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’.

There was one event after the Balance Sheet date. Full details are explained in note 28.

Credit Sale Arrangement

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

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

Joint Arrangements

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

Contingent Assets

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

Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is a possible obligation, which may require a payment or a transfer of economic benefits. For each class of contingent liability, the authority will disclose the nature of the contingency, a brief description, an estimate of its financial effect (where possible), an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

Cash Flow

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

Changes to Accounting Policies:

The changes to accounting policies are set out in the Explanatory Foreword under the heading 'A Statement of Accounting Policies'. These relate to changes required by the SORP 2009 together with other additional policies to ensure completeness and accuracy.

As these changes represent a change to accounting policies to those employed for 2008-09, a Prior Period Adjustment to the accounts is necessary, and can be seen in note 1 to the accounts.

Council Tax Income

Up to 2008-09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority (i.e. Swale Borough Council), or, in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor. However, following detailed consideration of the role performed by authorities responsible for collecting council tax, the 2009 SORP contains definitive views as to whether these authorities act as principals or agents in the work they do and billing authorities, (such as Swale Borough Council), act as agents, collecting council tax on behalf of the major preceptors and itself. As a result, council tax transactions and balances need to be allocated between the billing authority and major preceptors. Therefore, from the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year for each of the preceptors (including the billing authority).

Council Tax Debtors are shown exclusive of the proportions attributable to the major preceptors.

Council Tax income for the financial year credited to the Income and Expenditure Account is the accrued income for the year together with the share of the surplus/deficit on the Collection Fund at the end of the previous financial year. The difference between this amount and the Council Tax income credited to the General Fund is a reconciling amount in the Statement of Movement on the General Fund Balance.

The impact of this change is detailed in the note on Prior Period Adjustments, but was minimal on the Income & Expenditure Account.

National Non Domestic Rate (NNDR) Income

Billing authorities in England collect National Non Domestic Rates (NNDR) under what is in substance an agency arrangement with the government. It therefore follows that:

- NNDR income is not the income of the billing authority and should not be included in its Income and Expenditure Account. The cost of collection allowance received by billing authorities in England is the billing authority's income and shall be included in the Income and Expenditure Account;

- NNDR debtor and creditor balances with ratepayers and the impairment allowance for doubtful debts are not assets and liabilities of the billing authority and should not be recognised in the billing authority's Balance Sheet;

- Cash collected from NNDR ratepayers by billing authorities (net of the cost of collection) belongs to the government and the balance owing to the government at the Balance Sheet date shall be included in the Balance Sheet as a creditor or debtor;

- Cash collected from NNDR ratepayers and the authority's payment to the national NNDR Pool are transactions carried out on behalf of the government and are therefore not a revenue activity of the billing authority and shall not be included in the billing authority's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection;

- Amounts are sometimes billed to NNDR ratepayers over and above the NNDR due, usually to recover the billing authority's costs of pursuing unpaid NNDR debts. Any amounts charged to NNDR ratepayers in respect of amounts that the authority is not required to account for to the government are income of the billing authority.

- A National Non-Domestic Rates Debtor represents the amount collected on behalf of the government but not yet paid over at the Balance Sheet date. A National Non-Domestic Rates Creditor represents the amount collected on behalf of the government but overpaid at the Balance Sheet date.

INCOME AND EXPENDITURE ACCOUNT

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Re-Stated Net Expenditure £'000
COST OF CONTINUING OPERATIONS				
Council Tax Collection	1,162	(538)	624	622
Council Tax Benefit	10,947	(10,766)	181	214
Other Central Services	848	(229)	619	813
Central Services to the Public	**12,957**	**(11,533)**	**1,424**	**1,649**
Culture & Heritage	118	(9)	109	117
Recreation & Sport	3,535	(602)	2,933	4,028
Open Spaces	1,592	(252)	1,340	1,760
Tourism	140	(47)	93	160
Cultural Services	**5,385**	**(910)**	**4,475**	**6,065**
Cemeteries	294	(383)	(89)	129
Coast Protection & Flood Defence	369	(24)	345	319
Environmental Health	2,210	(368)	1,842	2,110
Community Safety	1,051	(195)	856	749
Street Cleansing	1,861	(269)	1,592	1,583
Waste Collection	3,353	(774)	2,579	2,622
Environmental Services	**9,138**	**(2,013)**	**7,125**	**7,512**
Building Control	187	-	187	137
Development Control	1,323	(511)	812	826
Planning Policy	721	(16)	705	736
Economic Development	1,122	(983)	139	329
Community Development	1,284	(1,039)	245	243
Planning Services	**4,637**	**(2,549)**	**2,088**	**2,271**
Highways	57	(34)	23	68
Parking Services	1,463	(1,816)	(353)	(724)
Concessionary Fares	926	(316)	610	478
Highways, Roads & Transport Services	**2,446**	**(2,166)**	**280**	**(178)**
Homelessness	516	(178)	338	213
Housing Benefit	49,015	(48,847)	168	431
Other General Fund Housing	2,882	(1,678)	1,204	1,489
Housing Services	**52,413**	**(50,703)**	**1,710**	**2,133**
Democratic Representation & Management	1,025	-	1,025	1,185
Corporate Management	2,753	(1,135)	1,618	2,231
Corporate & Democratic Core	**3,778**	**(1,135)**	**2,643**	**3,416**
Non Distributed Costs	**897**	**(38)**	**859**	**1,244**
Net Cost of Services	**91,651**	**(71,047)**	**20,604**	**24,112**
Gain/Loss on disposal of fixed assets – Note 4	18	(493)	(475)	81
Parish Council Precepts	700	-	700	662
(Surplus) on Trading Undertakings not included in Net Cost of Services – Note 7	621	(1,035)	(414)	(96)
Other Income – Funding of Housing Repair Loans	-	-	-	305
Interest Payable and Similar Charges	101	-	101	107
Contribution of Housing Capital Receipts to Government Pool	10	-	10	9

INCOME AND EXPENDITURE ACCOUNT

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Re-Stated Net Expenditure £'000
Interest and Investment Income	13	(72)	(59)	(414)
Pensions Interest Cost - Note 30	4,524	-	4,524	4,720
Expected Return on Pensions Assets - Note 30	-	(2,098)	(2,098)	(2,930)
Net Operating Expenditure	**97,638**	**(74,745)**	**22,893**	**26,556**
Financed by				
Income from Council Tax			(8,063)	(7,618)
Non-Domestic Rates Redistribution			(9,751)	(10,403)
General Government Grants – Note 5			(3,173)	(2,087)
General External Contributions			(62)	(55)
Deficit for the Year			**1,844**	**6,393**

2008-09 has been restated to reflect the change in accounting for the Collection Fund (see prior period adjustments).

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The Income and Expenditure Account is fundamental to the understanding of a local authority's activities. It brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the authority, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.

The outturn on the Income and Expenditure Account is very different from the movement on the General Fund balance for the year and is best examined in connection with the Statement of the Movement on the General Fund Balance.

Any substantial surplus on the Account does not necessarily mean that the Council has resources available to increase spending or reduce Council Tax. Any substantial deficit on the Account does not necessarily mean that immediate action is needed to cut expenditure or raise Council Tax.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- the payment of a share of housing capital receipts to the government is a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax; and
- retirement benefits are charged as amounts become payable to the Pension Fund, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

	2009-10 £'000	Re-Stated 2008-09 £'000
Deficit for the year on the Income and Expenditure Account	1,844	6,393
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(2,582)	(5,958)
(Increase) / Reduction in General Fund Balance for the Year	(738)	435
General Fund Balance brought forward	(1,821)	(2,256)
General Fund Balance carried forward	(2,559)	(1,821)

There is a statement on page 46, which details the reconciling items on the above statement.

The significance of this statement for the year is that the balance on the General Fund has not fallen below the optimum level of £1.5 million as stated in the Medium Term Financial Strategy (MTFS). The level of the General Fund balance at £2.5 million continues to provide the Council with the ability to review its resources in the context of the competing demands from services. Therefore, the Council will use this opportunity as part of its progress towards ensuring that its resources are aligned more closely with the priorities of the Council as identified in its Corporate Plan and the MTFS.

Note to the Statement in Movement on the General Fund Balance 2009-10

Amounts included in the Income and Expenditure Account but required by statue to be excluded when determining the movement on the General Fund Balance for the year			
2009-10 £'000	**2009-10 £'000**		**2008-09 £'000**
(19)		Amortisation of Intangible Fixed Assets	(18)
(3,029)		Depreciation and Impairment of Fixed Assets	(4,879)
217		Government Grant Deferred Amortisation	301
(1,993)		Write down of revenue expenditure funded from Capital under Statute (REFCUS)	(1,190)
1,497		Write down of government grants - funding REFCUS	785
-		Write down of government grants - funding of Housing Repair Loans	(305)
475		Net loss on sales of fixed assets - Note 4	(81)
(4)		Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(73)
(3,583)		Net charges made for retirement benefits in accordance with FRS17	(4,005)
	(6,439)		(9,465)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
2009-10 £'000	**2009-10 £'000**		**2008-09 £'000**
481		Minimum Revenue Provision Capital Financing	462
92		Capital Expenditure charge in-year to the General Fund Balance	88
(10)		Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(9)
3,278		Employer's contributions payable to the KCC Pension Fund and retirement benefits payable direct to pensioners	2,500
	3,841		3,041
Transfers to and from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year			
2009-10 £'000	**2009-10 £'000**		**2008-09 £'000**
	12	Transfer to/ from Collection Fund Adjustment Account	(18)
	4	Net transfer to/from earmarked reserves	484
	16		466
	(2,582)	**Net additional amount required to be credited to the General Fund Balance for the year**	**(5,958)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

Statement of Total Recognised Gains and Losses	2009-10 £'000	Re-Stated 2008-09 £'000
Deficit for the year on the Income and Expenditure Account	1,844	6,393
(Surplus) arising on revaluation of fixed assets (Note 24a)	(4,337)	370
Actuarial losses /(gains) on pension fund assets and liabilities (Note 30)	21,380	5,400
Other adjustments	(5)	2
Total recognised losses / (gains) for the year	**18,882**	**12,165**

This Statement reflects all the gains and losses experienced by the Council during the year. The loss of £18.9 million in 2009-10 is largely due to an increase in the value of pension fund liabilities due to the economic downturn. The decline in the value of pension fund assets will be addressed by the Council in light of recommendations by the Actuary, as part of the next triennial valuation as at 31 March 2010. The increase in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. Accounting standard FRS 17 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. This effect is more fully explained on page 6 in the Explanatory Foreword.

BALANCE SHEET

		31 March 2010		Restated 31 March 2009	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible Fixed Assets	- Note 21		75		93
Tangible Fixed Assets	- Note 12				
Operational Assets:					
Land and Buildings		33,553		30,709	
Plant and Equipment		2,434		2,735	
Infrastructure Assets		2,960		1,863	
Community Assets		3,373		3,709	
Non-Operational Assets:					
Investment Properties		4,985		6,347	
Assets under Construction		-		-	
Surplus Assets Held for Disposal		2,467		801	
			49,772		46,164
Total Fixed Assets			49,847		46,257
Long-term Investments	- Note 35	4		4	
Long-term Debtors -					
Mortgagors		84		101	
Other	- Note 36	2,031		1,429	
			2,119		1,534
Total Long-Term Assets			51,966		47,791
Current Assets					
Stocks and Work in Progress	- Note 37	2		2	
Gross Debtors and Payments in Advance	- Note 38	13,726		8,729	
Provision for Bad Debts	- Note 39	(1,568)		(1,353)	
Short - Term Investments	- Note 40	724		5,110	
Cash at Bank and in Hand	- Note 32	-		321	
			12,884		12,809
Total Assets			64,850		60,600
Current Liabilities					
Creditors and Receipts in Advance	- Note 41	(3,467)		(4,414)	
Deferred Revenue S106 Receipts	- Note 42	(1,111)		(1,246)	
Cash Overdrawn	- Note 32	(997)		-	
			(5,575)		(5,660)
Total Assets less Current Liabilities			59,275		54,940

BALANCE SHEET

		31 March 2010		Restated 31 March 2009	
		£'000	£'000	£'000	£'000
Long-term Liabilities					
Deferred Liabilities	- Note 43	(1,825)		(1,878)	
Liability Related to Defined Benefit Pension Scheme	- Note 30	(55,800)		(34,115)	
Capital Grant and External contributions Unapplied	- Note 45	(2,636)		(2,865)	
Capital Grants and External Contributions Deferred	- Note 46	(7,600)		(5,866)	
Provisions	- Note 23	(240)		(160)	
			(68,101)		(44,884)
Total Assets less Liabilities			**(8,826)**		**10,056**
Financed By:					
Revaluation Reserve	- Note 24(a)		6,049		1,755
Capital Adjustment Account	- Note 24(b)		30,934		32,533
Usable Capital Receipts Reserve	- Note 24(d)		775		1,399
Pensions Reserve	- Note 30		(55,800)		(34,115)
Financial Instruments Adjustment Account	- Note 24(c)		(142)		(138)
Deferred Capital Receipts	- Note 44		69		87
Insurance Reserve	- Note 24(e)		9		4
Other Reserves	- Note 24(f) & Note 24(g)		6,633		6,635
Collection Fund Adjustment Account		88			75
Revenue Balances - General Fund		2,559		1,821	
			2,647		1,821
Total Net Worth			**(8,826)**		**10,056**

Nick Vickers CPFA
Interim Head of Finance

17 September 2010

CASH FLOW STATEMENT

	2009-10 £'000	2009-10 £'000	Re-Stated 2008-09 £'000	Re-Stated 2008-09 £'000
Net Cash (Inflow)/ Outflow from Revenue Activities (Note 31)		**1,793**		**644**
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Cash Outflow - Interest Paid	105		107	
Cash Inflow - Interest Received	(67)		(466)	
Net Cash Inflow from Returns on Investments and Servicing of Finance		**38**		**(359)**
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of Fixed Assets	2,134		1,012	
Payment to Government Housing Capital Receipts Pool	10		9	
Other Capital Cash Payments	903		533	
		3,047		**1,554**
Cash Inflows				
Sale of Fixed Assets	(390)		(882)	
Capital Grants Received	(1,333)		(808)	
Other Capital Cash Receipts - Capital Contributions	(433)		(516)	
Other Capital Cash Receipts	(112)		(45)	
		(2,268)		**(2,251)**
Net Cash (Inflow)/ Outflow from Capital Activities		**779**		**(697)**
Net Cash (Inflow)/Outflow Before Financing		**2,610**		**(412)**
Management of Liquid Resources				
Net Increase/ (Decrease) in Short Term Deposits (Note 40)	(4,386)		139	
Net Increase/ (Decrease) in Other Liquid Resources	2,804		(124)	
Net Cash Inflow/ (Outflow) from Management of Liquid Resources (Note 33)		**(1,582)**		**15**
Financing				
Repayments of Amounts Borrowed		**290**		**230**
Net (Increase)/Decrease in Cash (Note 32)		**1,318**		**(167)**

1. Prior Period Adjustment

Collection Fund

Prior period adjustments have been made to reflect the changes in the accounting treatment for the Collection Fund. Adjustments made to the comparative 2008/09 Accounts affect figures within the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow, and the appropriate notes supporting the amended figures. There is no effect on the Council's net worth or General Fund Balance. This is a new accounting policy, which has been included in the Statement of Accounting Policies (see pages 41 and 42).

	Shown in 2008-09 Accounts £'000	**Adjustment £'000**	**Restated 2008-09 £'000**
(i) Balance Sheet			
Long Term Debtors	7,417	(5,887)	1,530
Debtors, net of Provision for Bad Debts	11,508	(4,132)	7,376
Creditors	(8,545)	4,131	(4,414)
LT Liabilities – Business Rates National Pool	(5,887)	5,887	0
Reserves – Collection Fund Adjustment Account	0	(75)	(75)
Note 38: Debtors – Taxpayers' Accounts	8,656	(7,148)	1,508
Note 39: Provision for Doubtful Debts – Taxpayers' Accounts	(2,828)	2,739	(89)
Note 40: Creditors – Taxpayers' Accounts & Business Rates Pooling Arrangements	3,752	(3,655)	97
Note 40: Creditors - Preceptors	551	(551)	0
(ii) Income and Expenditure Account			
Adjustment to Collection Fund Income	(7,636)	18	(7,618)
(iii) Cash-Flow Statement			
Net Cash Outflow from Revenue Activities	520	124	644
Net Incr. / (Decr.) in Other Liquid Resources	0	(124)	(124)
(iv) Statement of Movement in General Fund Balances			
Adjustment to "Net additional amount …."	(5,940)	(18)	(5,958)
(v) Statement of Movement in General Fund Balances			
Transfer from Collection Fund Adjustment Account	0	(18)	(18)
(vi) Statement of Total Recognised Gains and Losses			
Attributable Movement on Collection Fund	20	(18)	2
(vii) Reconciliation of Net Surplus/ Deficit on I & E Account to the Revenue Activities Net Cash-Flow in the Statement			
Increase/ (Decrease) in Debtors	4,548	124	4,672

2. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2009-10.

3. Exceptional Items

There were no exceptional items in 2009-10.

4. Gains and Losses on Disposal of Fixed Assets

Gains or losses on the disposal of fixed assets are now reported on the face of the Income and Expenditure Account.

Certain capital receipts do not represent sales of existing assets, and the net receipts from these sales are recognised in the Income and Expenditure Account.

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

	2009-10 £'000	2008-09 £'000
Capital receipts in year from sale of asset (Note 24d)	(370)	(926)
Capital receipts in year from repayment of grant (Note 24d)	-	(4)
Disposal of assets - write out of carrying value (Note 24b)	219	1,011
Disposal of assets - write out of unamortised Government Grant Deferred	(324)	-
Net (gain)/loss on sales of fixed assets	**(475)**	**81**

5. General Revenue Government Grants

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

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

- Revenue Support Grant – This is a government grant in aid of Local Authority services generally. It is based on the government's assessment of how much an authority needs to spend in order to provide a standard level of service.
- Area Based Grant (ABG) – is a non-ringed fenced general grant. The Department of Communities and Local Government allocated £91,000 to Community Cohesion, £22,000 to Climate Change Policy, and Environmental Damage regulations £1,000.
- Local Authority Business Growth Initiative Grant – The aim is to encourage increased local business growth.

- Performance Reward Grant – This is a revenue grant element (50%) for the successful completion of performance for the Kent Local Area Agreement (KA1). KA1 ended on 31 March 2010.
- Housing and Planning Delivery Grant - this Department of Communities and Local Government grant is an incentive scheme to enable the Council area to develop and grow by responding to local housing pressures and to implement more efficient and effective planning procedures. This grant has been reclassified as a non ring fenced general grant; in previous years it was treated as specific to a service. Accordingly, for comparative purposes this grant has been restated in 2008-09.
- Supporting People Programme – This is a one off grant providing housing related support to vulnerable people to enable them to live independently, and is treated as a non-ring fenced grant as part of Area Based grant.

6. Long Term Contracts

In 2009-10, the authority is committed to making payments under the following contracts:

- £3,917,000 for the provision of cleansing services (refuse & recycling, street cleansing and public conveniences); the remaining value of the contracts are estimated at £14.5m (excluding future indexation and contract variations). The original contract period for all these contracts expires in 2013. Subsequent to the original contract, wheelie bins have been procured from the contractor under a finance lease (for further details see note 17);
- £620,000 for the provision of Leisure Centre Management (including utilities recharges); the remaining value of the contract is estimated at £5.3m (excluding future indexation, and contract variations). The original contract period expires in 2019; and
- £1,214,000 for the Grounds Maintenance contract. This contract was re-let in January 2007 at a base price of £1,075,000 for 10 years and is subject to annual indexation. The original contract period expires in 2017. The remaining value of the contract is £8.2 million (excluding future indexation and contract variations).

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

7. Trading Undertakings

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

	2009-10 Gross Expenditure £'000	2009-10 Income £'000	2009-10 Net Expenditure £'000	2008-09 Net Expenditure £'000
Property Portfolio	305	(718)	(413)	(236)
Markets	44	(57)	(13)	45
Building Control (chargeable activities only)	272	(260)	12	95
TOTAL	**621**	**(1,035)**	**(414)**	**(96)**

Property Portfolio: The Council's property portfolio is held to: generate income, provide support for community facilities and for regeneration purposes.

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

The notional cost of capital is not a permitted charge to service costs, including trading activities. However, if it was included for the Property Portfolio then it would reduce the surplus of £414,000 (£236,000 in 2008-09) to £355,000 (£54,000 in 2008-09).

Further details of the operations of Building Control are available on request to the Finance Department.

8. Members' Allowances

The total of Members' Allowances paid in 2009-10 amounted to £271,359 (£274,076 in 2008-09), in accordance with the Council's Members' Allowance Scheme. The Members' Allowance Scheme can be inspected during normal office hours at the Council offices, Swale House, East Street, Sittingbourne. In accordance with the Local Authority Members Allowance (England) Regulations 2003, details of payments to individual Members are published annually.

9. Senior Officer Remuneration

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

Remuneration band	2009-10 Number of employees	2008-09 (Restated) Number of employees
£50,000 - £54,999	6	6
£55,000 - £59,999	3	4
£60,000 - £64,999	8	4
£65,000 - £69,999	3	5
£70,000 - £74,999	3	2
£75,000 - £79,999		1
£80,000 - £84,999		
£85,000 - £89,999	1	
£90,000 - £94,999	1	
£95,000 - £99,999	2	
£100,000 - £104,999		1
£105,000 - £109,999	1	3
£110,000 - £114,999		1
	28	**27**

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

Remuneration comprises:

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

9. Senior Officer Remuneration (continued)

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

Items covered by a Confidentiality Agreement have been excluded.
No disclosure of remuneration for senior employees whose salary is £150,000 or more per year may be made this year.

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

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

Note 1: Includes Elections/Acting Returning Officer fees in 2009-10.
Note 2: The Chief Executive of Swale Borough Council started with the Council in July 2009. The annualised salary was £130,000.
Note 3: The Director of Regeneration left in October 2009. The annualised salary was £99,721.
Note 4: The Head of Housing Services started with the Council in October 2009. The annualised salary was £61,989.
Note 5: The Head of Finance left at the end of June 2009. The annualised salary was £65,205.
(cont.)

Other Notes:

Items covered by a Confidentiality Agreement have been excluded.

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

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

(b) (ii) 2008-09 Post holder Information (Post title)	Notes	2008-09 Salary (Including fees & Allowances) £	2008-09 Bonuses £	2008-09 Expenses / Allowances £	2008-09 Compensation for loss of office £	2008-09 Benefits in Kind (e.g. Car Allowances) £	2008-09 Total Remuneration excluding pension contributions £	2008-09 Pension contributions £	2008-09 Total Remuneration including pension contributions £
Director of Corporate Services	Note 6	107,336	-	-	-	6,014	113,350	24,507	137,857
Director of Regeneration		107,165	3,000	(4,850)	-	-	105,315	28,311	133,626
Director of Operations	Note 7	66,018	13,297	-	21,881	5,372	106,568	18,485	125,053
Head of Finance		71,725	-	-	-	4,065	75,790	20,083	95,873
Head of Legal Services		65,436	2,987	-	-	4,461	72,884	18,322	91,206
Head of Development Services		69,905	-	-	-	-	69,905	18,257	88,162
Head of Environmental Services		65,205	-	-	-	4,134	69,339	18,257	87,596
Head of ICT & Customer Services		65,205	-	-	-	3,778	68,983	18,257	87,240
Head of Housing Services		59,487	2,735	-	-	2,922	65,144	16,656	81,800
Head of Policy		64,187	-	-	-	-	64,187	16,656	80,843
Chief Executive Thames Gateway Kent Partnership		63,242	-	79	-	-	63,321	17,401	80,722
Head of Internal Audit		57,204	-	-	-	2,402	59,606	16,017	75,623
Swale Forward Programme Manager	Note 8	51,812	-	-	-	302	52,114	14,008	66,122
Chief Executive Swale Borough Council	Note 9	11,336	16,230	-	35,166	-	62,732	2,380	65,112
Sure Start Programme Director		51,103	-	-	-	-	51,103	13,483	64,586
		976,366	**38,249**	**(4,771)**	**57,047**	**33,450**	**1,100,341**	**261,080**	**1,361,421**

Note 6: Includes Elections/Acting Returning Officer fees in 2008-09.
Note 7: The Director of Operations retired during 2008-09. The annualised salary was £87,525.
Note 8: The Swale Forward Programme Manager left during 2008-09. The annualised salary was £56,360.
Note 9: The Chief Executive of Swale Borough Council left during 2008-09. The annualised salary was £110,922.

10. 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. The Statement of Accounts already includes appropriate references to related parties such as central government, the Pension Fund, other local and precepting authorities.

For 2009-10 details of transactions with all such other parties are included within the body of the Statement of Accounts and so do not need to be disclosed in this note. However, they do not include anything in relation to elected Members and senior management – for this purpose, members of the close family or the same household are also regarded as related parties. This has been supplemented by 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.

For the 2009-10 financial year, there were no relevant disclosures.

11. 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 2009-10, the Authority incurred the following fees relating to external audit and inspection:

	2009-10 £'000	2008-09 Restated £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	137	133
Fees payable to the Audit Commission in respect of statutory inspection	30	15
Fees payable to the Audit Commission for the certification of grant claims and returns	29	32
Fees payable in respect of other services provided by the appointed auditor.	0	9
Total	**196**	**189**

The 2008-09 comparatives have been restated to reflect the actual costs incurred.
The fees payable to the Audit Commission in respect of statutory inspection in 2009-10 were substantially higher than in 2008–09 due to the re-inspection of Strategic Housing Services.

12. Movement of Tangible Fixed Assets

Tangible fixed assets are assets that yield benefits to the Council and the services it provides for a period of more than one year.

	Operational Assets				Non-Operational Assets			
	Land & Buildings	Plant & Equipment	Infrastruc-ture	Community	Under Contruction	Investment Property	Surplus Held for Disposal	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2009	30,910	6,136	2,181	4,014		6,347	801	50,389
Additions	747	281	1,385	13			90	2,516
Disposals	(29)	(485)		(4)			(179)	(697)
Reclassifications	216		(245)	(435)		(1,266)	1,730	0
Revaluation - Reversal prior impairment	359						6	365
Revaluation Gain	3,674					125	528	4,327
Revaluation - Reversal prior RRA gain	(79)					(81)	(58)	(218)
Revaluation Loss	(1,534)					(140)	(449)	(2,123)
Other (incl. ledger reconciliation)				3				3
At 31 March 2010	34,264	5,932	3,321	3,591	0	4,985	2,469	54,562
Depreciation and impairments								
At 1 April 2009	(201)	(3,401)	(318)	(304)				(4,224)
Charge for 2009/10	(767)	(569)	(43)	(33)			(4)	(1,416)
Disposals	4	472					2	478
Reclassifications	(117)			119			(2)	0
Revaluation - Reversal prior impairment								
Revaluation Gain	236						2	238
Revaluation Loss	134							134
At 31 March 2010	(711)	(3,498)	(361)	(218)	0	0	(2)	(4,790)
Balance Sheet amount at 31 March 2010	**33,553**	**2,434**	**2,960**	**3,373**	**0**	**4,985**	**2,467**	**49,772**
Balance Sheet amount at 1 April 2009	**30,709**	**2,735**	**1,863**	**3,710**	**0**	**6,347**	**801**	**46,165**
Nature of asset holding								
Owned	33,553	1,756	2,960	3,373		4,985	2,467	49,094
Finance lease		678						678
BALANCE SHEET AMOUNT AT 31 MARCH 2010	**33,553**	**2,434**	**2,960**	**3,373**	**0**	**4,985**	**2,467**	**49,772**

13. Financing of Capital Expenditure

	2009-10 £'000	2008-09 £'000
Opening Capital Financing Requirement	**7,611**	**8,051**
Capital Investment:		
Intangible Fixed Assets (see note 21)	-	6
Operational Assets (see note 12)	2,426	673
Non–Operational Assets (see note 12)	90	141
Revenue Expenditure funded by Capital under Statute (see note 15)	1,993	1,190
Total Capital Investment	**4,509**	**2,010**
Add Long Term Debtors - Housing Loans (see below)	842	518
Sources of Finance:		
Capital Receipts (see note 24 d)		
Financing revenue expenditure funded by Capital under Statute	(496)	(405)
Financing fixed assets	(509)	(355)
Government Grants & External Contributions		
Financing revenue expenditure funded by Capital under Statute	(1,497)	(785)
Financing fixed assets (note 45)	(1,516)	(355)
Regional Housing Board Monies - Funding of private fixed assets	(842)	(518)
Sums set aside from revenue -		
Minimum Revenue Provision	(480)	(462)
Direct Revenue	(92)	(88)
Total Sources of Finance	**(5,432)**	**(2,968)**
Closing Capital Financing Requirement	**7,530**	**7,611**

Explanation of movements in Capital Financing Requirement in year:

(Reduction)/ Increase in underlying need to borrow (unsupported by governmental financial assistance)	(81)	(440)
(Decrease)/Increase in Capital Financing Requirement	**(81)**	**(440)**

Long Term Debtors – Housing Loans £842,000 - These are included as part of the total capital expenditure because they are similar to Revenue Expenditure Funded from Capital under Statute, in that they do not come within the definition of fixed assets but nevertheless constitute expenditure for capital purposes under the capital controls regime. Therefore, the expenditure has to be included in the Council's calculation of its capital financing requirement. These amounts paid out take the form of advances for which repayment is expected.

The decrease in the underlying need to borrow (unsupported by government financial assistance) in 2009-10 represents the Minimum Revenue Provision £480,000 offset by the following capital expenditure: CCTV Medway £149,000 – this is to be funded internally over three years at £50,000 per annum starting in 2010-11 – 2012-13; and capital expenditure of £250,000 incurred at the Swallows Leisure Centre by SERCO on behalf of the Council. This expenditure is to be funded via a credit sale agreement.

14. Commitments under Capital Contracts

As at 31 March 2010, there was £1.4m work of commitments under capital contracts as follows:

- Milton Creek Landscaping - £1.1m
- Sheerness Gateway - £0.3m

15. Revenue Expenditure Funded by Capital Under Statute

Revenue Expenditure Funded by Capital under Statute (REFCUS) relates to capital spend for which there will be no fixed asset (for example grants paid to external organisations) held by the Council. As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the Income and Expenditure Account in the same year that it was incurred.

	Expenditure 2009-10 £'000	Expenditure 2008-09 £'000
Home Renovation Grants	1,681	1,175
Queenborough Old School	220	-
Other	92	15
Total	**1,993**	**1,190**

16. Information on Assets Held

An analysis of fixed assets is:

	31 March 10 (No's)	31 March 09 (No's)
Council Dwellings (cemetery lodges etc)	1	1
Offices	3	3
Depots	2	3
Off Street Car Parks (paying)	18	18
Off Street Car Parks (free)	29	29
Leisure Centres and Pools	4	4
Parks and Recreation Grounds	391.45 Ha	359.9 Ha
Harbours	1	1
Quays and Wharfs	3	3
Cemeteries	4	4
Public Halls	4	4
Museums	4	4
Pavilions	6	6
Shops	16	16
Commercial Property Leased Out	55 Units	55 Units
Allotments	14	14
Public Conveniences	11	11

Changes in the year included:

Parks and Recreation Grounds: the increase was due to the Section 106 development.
Depots: Neptune Terrace is no longer used as a seafront store.

17. Leases

Disclosures in Relation to Finance Leases – Council as Lessee

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

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

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

The Council took out a new finance lease in 2007-08 for blue recycling bins and glass caddies. This finance lease arrangement was in three phases and the total number of bins now held under this arrangement are 51,000 bins and 50,000 glass caddies which are being repaid over the life of the contract. The rentals paid in 2009-10 were £171,367 charged to the Income and Expenditure Account as £20,787 finance costs (debited to interest payable) and £150,580 relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Statement of Movement on the General Fund Balance). As at 31 March 2010 the outstanding principal sum was £597,004.

The following values of assets are held under finance leases by the authority, accounted for as part of tangible fixed assets:

	2009/10 £'000	**2008/09 £'000**
Gross Value	949	965
Accumulated Depreciation	(271)	(135)

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as part of deferred liabilities, are as follows:

	Vehicles, Plant and Equipment £'000
Obligations payable in 2010-11	155
Obligations payable between 2011-12 and 2015-16	442
Total Liabilities at 31 March 2010	**597**

Disclosures in Relation to Operating Leases – Council as Lessee

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

Plant and equipment – as at 31 March 2010 the Council had eleven service vehicles on a contract hire / operating lease basis (excluding staff lease vehicles). The Council is committed to making payments of £34,600 in 2010-11 as detailed below. This commitment is expected to expire within three years of the Balance Sheet date.
The amount paid under these arrangements in 2009-10 was £23,454.

Type of Asset	Payments due in 10-11 on leases due to expire 2010-11 £	Payments due in 10-11 on leases due to expire between 2011-12 and 2014-15 £	Payments due in 10-11 on leases due to expire after 2015-16 £	TOTAL £
Vehicles	8,220	26,380	0	34,600

Disclosures in Relation to the Council Acting as Lessor

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

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

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

Property	Term *	Rent per annum in £'000
Shops	Various	65
Offices	Various	12
Miscellaneous Properties	Various	43
Investment Properties	Various	256
Central Park	Various	95
Land Held Pending Development/Disposal	Various	26
New Road Industrial Estate (Phase 1)	Various	34
New Road Industrial Estate (Phase 2)	Various	58
Depots	Various	138
Central House Offices	Various	22
Sheerness District Office	Various	8
Faversham District Office	Various	14
Markets	Various	118
Leisure Properties	Various	39
Community Properties	Various	2
TOTAL		**930**

* For the above properties, the length of the lease varies according to the agreement with individual clients.

18. <u>Fixed Asset Valuation</u>

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 on the under-mentioned basis in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. An impairment review was carried out by Wilks, Head and Eve as part of the valuation contract. Mr K Parker MRICS, an employee of the Council, reviewed both tasks. The results of the impairment review were no change to the values.

Wilks Head & Eve is a long established independent partnership of Chartered Surveyors and Town Planners providing a full range of property services to clients in both the public and private sectors. The Valuation Office Agency is an executive agency of HM Revenue & Customs (HMR&C), the Agency's main functions being: to compile and maintain the business rating and council tax valuation lists for England and Wales; to value property in England, Wales and Scotland for the purposes of taxes administered by HMR&C; to provide statutory and non-statutory property valuation services in England, Wales and Scotland; and, to give policy advice to Ministers on property valuation matters.

In 2009-10 a valuation of all of the Council's property assets was carried out by Wilks, Head and Eve and the Valuation Office Agency. This will be followed in future years by a rolling programme of revaluations. Assets to a gross value of £40,849,000 were revalued in the year by Wilks, Head and Eve and the Valuation Office Agency.

Basis of Valuation: properties regarded by the authority as operational were valued on the basis of Existing Use Value, or, where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. Properties regarded by the authority as non-operational (mainly land and buildings for commercial lettings) have been valued on the basis of Open Market Value.

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

Date Valued (or acquired)	Land & Buildings £'000	* Plant & Equipment £'000	Infrastructure £'000	Community £'000	Investment Property £'000	Surplus Held for Disposal £'000	Total £'000
Valued at historical cost			2,960	3,373			6,333
01/04/1962	2						2
01/04/2000		21					21
31/03/2002		39					39
31/03/2003		86					86
31/03/2004		52					52
31/03/2005		211					211
30/03/2006		174					174
31/03/2006		132					132
01/03/2007	8	398					406
01/04/2007		919			1		920
01/04/2008	34	122					156
17/07/2008	2						2
01/04/2009	31,146				4,984	2,467	38,597
01/10/2009	665	280					945
30/03/2010	1,696						1,696
	33,553	**2,434**	**2,960**	**3,373**	**4,985**	**2,467**	**49,772**

* Note: Capital Expenditure acquisition date is estimated as 01/10/09 in 2009/10.

19. Depreciation Methodologies

Depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Buildings	Straight Line Depreciation	Over the life of property Up to 40 years
Plant and equipment	Straight Line Depreciation	5 to 10 years
Infrastructure and community	Straight Line Depreciation	20 to 50 years
Intangible assets	Straight Line Depreciation	8 years

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;

Newly acquired assets and re-valued assets are depreciated in the year following acquisition or revaluation.

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

20. Impairment of Fixed Assets

The SORP requires that authorities should undertake a review of the Balance Sheet value of each category of assets at the end of each reporting period. Where there is reason to believe that an asset's value has changed materially in the period, its valuation should be adjusted accordingly. Examples of circumstances where valuations are likely to have changed materially are:

- a significant decline in a fixed asset's market value during the period; and
- evidence of obsolescence of physical damage to the fixed asset.

In accordance with the SORP and FRS 11, any decrease in value has been charged to the Income and Expenditure Account, as the Revaluation Reserve does not have a balance for these assets recognising any accumulated gains for these assets to absorb.

21. Movement of Intangible Fixed Assets

Intangible fixed 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 fixed assets:

	Purchased Software Licence 2009-10 £'000	Purchased Software Licence 2008-09 Restated £'000
Original Cost	**132**	**126**
Accumulated Amortisation to 1 April	(38)	(20)
Balance as at 1 April	**94**	**106**
Expenditure in year	0	6
Written off to revenue in year	(19)	(18)
Balance as at 31 March	**75**	**94**

Software licences are mainly for the Customer Relationship Management System, used in the Customer Service Centre. The cost being written off over the eight-year life of the licences.

22. Analysis of Net Assets Employed

	31 March 2010 £'m	Restated 31 March 2009 £'m
General Fund	(17)	2
Trading Undertakings	8	8
Net Assets / (Liabilities)	(9)	10

23. Provisions

Provisions	Balance 1 April 2009 £'000	Sum Used £'000	Sum Provided For £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000
Rent Deposit Scheme Bond	(60)	27	(75)	(48)	(108)
Swale Community Leisure Trust (Deficit Funding)	(100)	100	-	100	-
Backdated rent review	-	-	(132)	(132)	(132)
Total	**(160)**	**127**	**(207)**	**(80)**	**(240)**

(a) This Rent Deposit Scheme provision is included to cover the potential cost of damage whether accidental or malicious to dwellings let by landlords as one of the Council's preventative measures to prevent homelessness arising. In the event of damage being caused by a tenant the Council has contractually agreed to reimburse the landlord for the cost of repair. The timing of any reimbursements in accordance with this provision is uncertain and is likely to fluctuate. The scheme is a new initiative and the amount provided will be reviewed annually and adjusted based on the claims experience.

(b) At the Executive meeting January 2009, a one off sum was approved to offset the Trust's revenue deficit. The signing took place in 2009-10 and so the provision was paid over in full.

(c) A new provision was set up during the year to cover the potential cost of a back dated rent review. It is anticipated this outstanding liability will be settled in 2010-11 but is subject to ongoing negotiations.

24. Reserves

Summary Introduction to Detail of Movements on Reserves

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

Reserve	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	1,755	4,294	6,049	Store of gains on revaluation of fixed assets not yet realised through sales	See (a) below
Capital Adjustment Account	32,533	(1,599)	30,934	Store of capital resources set aside to meet past expenditure	See (b) below

Reserve	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose of Reserve	Further Detail of Movements
Financial Instruments Adjustments Account	(138)	(4)	(142)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See (c) below
Usable Capital Receipts	1,418	(643)	775	Proceeds of fixed asset sales available to meet future capital investment	See (d) below
Pensions Reserve	(34,115)	(21,685)	(55,800)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 30 to the Core Financial Statements
General Fund	1,821	738	2,559	Resources available to meet future running costs for services	Statement of Movement on the General Fund Balance
Insurance Reserve	4	5	9	To cover the cost of risks not insured	See note (e) below
General Reserve	2,902	(200)	2,702	See note (g) below	See note (g) below
Other Reserves	3,733	199	3,932	See note (f) below	See note (f) below
Total	**9,913**	**(18,895)**	**(8,982)**		

24(a) <u>Revaluation Reserve</u>

The Revaluation Reserve shows the value of fixed assets that has arisen out of having a policy of fixed asset revaluation. Therefore, it records the accumulated gains on the fixed assets by the authority arising from increases in value, because of inflation or other factors (to the extent that subsequent downward movements in value have not consumed these gains). These revaluation gains are recognised in the Statement of Total Recognised Gains and Losses.

Downward revaluations (impairments) are debited to the Reserve up to the value of the accumulated gains for the relevant assets. Where the impairment is due to the clear consumption of economic benefits, the loss is recognised in the Income and Expenditure Account and a transfer of any previous revaluation gains is made from the Capital Adjustment Account. In other circumstances, the loss is recognised in the Statement of Total Recognised Gains and Losses.

The Reserve is also debited with amounts equal to the part of depreciation charges and impairment losses on assets that has been incurred only because the asset has been re-valued. The amount is written out of the Capital Adjustment Account.

On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account.

The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at re-valued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluation increases the net worth of the Council, they would only result in an increased spending power if the relevant assets were sold and capital receipts generated.

	2009-10		Restated 2008-09
	£'000	£'000	£'000
Balance as at 1 April		(1,756)	(2,435)
Prior year adjustment	10		
Revaluation Gains in year	(4,565)		
Revaluation Loss/Prices Impairment in year	218		
Prior Revaluation Gains Depreciation	44		
		(4,293)	369
Sale of Assets - write out of revaluation gain		0	310
Balance as at 31 March		**(6,049)**	**(1,756)**

24(b) Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Funded from Capital under Statute (REFCUS)). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2009-10 £'000	2008-09 £'000
Balance as at April 1	**(32,533)**	**(37,229)**
Minimum Revenue Provision	(480)	(462)
Government Grants Deferred	(217)	(301)
Capital Financing - Revenue (note 13)	(92)	(88)
Capital Financing - Capital Receipts (see note 24d)		
Revenue Expenditure funded by Capital under Statute (REFCUS)	(496)	(405)
Financing fixed assets	(509)	(355)
Write down of revenue expenditure funded from Capital under Statute (REFCUS)	1,992	1,190
Write down of government grants and external contributions that funded REFCUS	(1,497)	(785)

	2009-10 £'000	2008-09 £'000
Write down of government grants funding of housing repair loans	0	304
Amortisation of Intangible fixed assets (see note 21)	19	18
Depreciation of Tangible fixed assets (see note 12)	1,416	2,000
Write down of RRA depreciation gains (see note 24a)	(44)	0
Disposal of assets - write out of Carrying Value (Note 4)	218	1,011
Disposal of assets - write out of government grant deferred	(324)	(310)
Revaluation Losses - impairment to I/E account (see note 12)	1,989	2,879
Revaluation - Reversal of prior impairments (see note 12)	(365)	0
Revaluation - adjustment prior year impairment/RRA a/c (see note 24a)	(10)	0
Adjustment to prior year	(1)	0
Balance as at March 31	**(30,934)**	**(32,533)**

24(c) Financial Instruments Adjustment Account

	2009-10 £'000	2008-09 £'000
Balance at 1 April	**138**	**65**
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	4	73
Balance at 31 March	**142**	**138**

24(d) Usable Capital Receipts Reserve

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

		2009-10 £'000	2008-09 £'000
	Balance at 1 April	**(1,399)**	**(1,225)**
Add:	Capital receipts in year from sale of assets (Note 4)	(370)	(926)
Add:	Capital receipts in year from deferred capital receipts (Note 44)	(17)	(13)
Add:	Capital receipts in year from Private Street Works	(3)	-
Add:	Capital receipts in year from repayment of grant	-	(4)
Less:	Capital receipts applied during the year - financing revenue expenditure funded by Capital under Statute	496	405
Less:	Capital receipts applied during the year - financing fixed assets	508	355
Less:	Housing Pooled Capital Receipts	10	9
	Balance at 31 March	**(775)**	**(1,399)**

24(e) Insurance Reserve

The Council's insurance policies require that for damage valued at £1,000 or less to Council occupied property, where such damage arises in respect of accidental and malicious damage, flood or theft and other associated risks, then an excess of £1,000 will apply to such cover. In addition, neither the costs of temporary replacement hire cars or compensation costs payable in respect of Public Health Act powers or in respect of loss of early terminated leased cars are insured.

The total funds held in respect of the above liabilities as at 31 March 2010 are £9,319 (£4,420 as at 31 March 2009). There are separate funds for different risks, with annual contributions made from services to each fund as required.

As at 31 March 2008 the total funds held, was £100,146. In 2008-09 and 2009-10, payments totalling £101,000 were made further to a claim concerning Employers Liability and exposure to asbestos (wherein the Council and its predecessor authority attributed the claimant's development of mesothelioma to his employment). The Insurance Reserve was used to fund these payments as confirmation of insurance policies held at the time of the claimant's employment was unavailable when settlement of the court awarded compensation and costs was required. The Council's claim to the insurers concerned, Norwich Union and Municipal Mutual Insurance, is outstanding. Due to the historical nature of the insurance policies involved, full reimbursement of the claim may not be received (note 25).

24(f) Other Reserves

These are reserves set aside for specific purposes and are detailed below:

	Balance as at April 1 2009 £'000	Approp'ns from reserve in year £'000	Approp'ns to reserve in year £'000	Balance as at March 31 2010 £'000
Performance Improvement Fund	(167)	41	0	(126)
Repairs and Renewals Fund	(265)	43	(99)	(321)
Partnership Reserve	(439)	139	(150)	(450)
Sewer Requisition Reserve	(88)	93	(5)	0
Building Maintenance Reserve	(699)	-	(75)	(774)
Other Miscellaneous Reserves	(169)	-	(140)	(309)
Risk Management Reserve	(33)	4	(15)	(44)
Superannuation	(511)	536	(59)	(34)
Transformation Reserve	-	-	(113)	(113)
Stay Put Grants Reserve	-	-	(173)	(173)
IT Development	(2)	-	-	(2)
Housing Benefit Admin - Performance Standards	-	-	(53)	(53)
Rushenden Retrofit Programme	-	-	(10)	(10)

	Balance as at April 1 2009 £'000	Approp'ns from reserve in year £'000	Approp'ns to reserve in year £'000	Balance as at March 31 2010 £'000
Arts Council Funding	-	-	(50)	(50)
Primary Care Trust Grant	-	-	(40)	(40)
Climate Change	(22)	-	(6)	(28)
Homes and Communities Agency	-	-	(25)	(25)
Connecting Communities	-	-	(20)	(20)
Carbon Management	-	79	(100)	(21)
Air Quality	-	-	(10)	(10)
English Partnership	-	-	(91)	(91)
Economic Dev & Tourism	-	-	(78)	(78)
Council Tax Rate Incentive	-	-	(54)	(54)
Local Development Framework	(216)	-	(76)	(292)
Housing Reserves	(169)	-	(75)	(244)
Community Cohesion	(22)	-	(11)	(33)
Invest to Save	(250)	43	-	(207)
Empty Property Initiative	(75)	-	(53)	(128)
Learning & Skills	(137)	137	(44)	(44)
VAT reserve	-	265	(265)	-
Local Strategic Partnership	(135)	-	(23)	(158)
Parish Council Grant Scheme Reserve	(334)	334	-	0
Total	**(3,733)**	**1,714**	**(1,913)**	**(3,932)**

- Performance Improvement Fund - Established in 2007-08 to improve overall performance. Officers were invited to submit a bidding list of proposals;
- Repairs and Renewals Fund - Regular contributions are made to this fund from the Statement of Movement on the General Fund Balance. Large items of expenditure are then charged to the service;
- Partnership Reserve - The purpose of this reserve is to attract additional resources from third parties for joint funded projects. A major condition of its use is that, for each project, expenditure from the fund must be at least matched by external sources. The Reserve was topped up by £300,000 in 2008-09 from the General Fund plus £150,000 in 2009-10;
- Sewer Requisition Reserve - This reserve is for payments to Southern Water for the annual deficits on sewerage schemes at Selling and South Street, which the Council has requisitioned. The Reserve was closed on 31 March 2010;
- Building Maintenance Reserve - The current purpose of this fund is to meet items of backlog building maintenance as identified in the Council's medium term maintenance plan as well as urgent or unexpected items, with repayment to the fund being made over a period of time, which reflects the estimated life for the repair work. It is recommended that any under-spend or overspend on building maintenance on the General Fund will be transferred to this fund;
- Other Miscellaneous Reserves:

  - Graves in Perpetuity - Interest on this reserve is used to contribute to the costs of grave maintenance;
  - Building Control Surplus – This surplus was accumulated from the Council's fee earning building control service. From 1 October 2007, the Partnership of Gravesham, Swale and Medway councils have provided this service and as part of the implementation the Council's balance on this reserve was transferred to the partnership. Any balance on this Reserve represents the Council's share of the Partnership's balance;
  - Anti Social Behaviour Reserve – This is to be used to fund the Anti Social Behaviour Unit;
  - Electors Data Standard - Ministry of Justice Grant. Used to ensure the Electoral Register meets the required Data Standards;
  - Fixed Penalty Notice – This reserve consists of income generated from fixed penalty notices, which are spent on the areas in which the income was generated.

- Risk Management Fund – This fund was established to finance risk management activities which will maximise the ability of the Council to gain higher rebates of premiums from the Council's Insurance Company;
- Superannuation – This fund was established to meet the cost of releasing the Pension Fund benefits to staff who have taken early retirement. Advances from the fund to meet this expenditure are repaid over a number of years. The fund was established in 1999-2000 with a contribution from the General Fund of £0.5 million;
- IT Development – This fund is for financing various initiatives to enhance the services provided by the Council such as server virtualisation and email archival;
- Economic Development & Tourism – Local Authority Business Growth Incentives Scheme – ring fenced government grant for economic development and tourism.
- PCT Grant – this grant is for free swimming in 2010-11;
- Empty Property Initiative – This reserve is for ring fenced government grant;
- Stay Put Schemes – This is for ring fenced external funding for health grants and supporting people grants;
- Climate Change – This is funded by an Area Based Grant which is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae;
- Local Development Framework Reserve – Under the Planning and Compulsory Purchase Act 2004, district Local Plans were abolished and replaced with Local Development Documents (LDDs). Together, the LDDs will comprise a Local Development Framework (LDF) for the district authority area. Any under-spend or overspend on this service on the General Fund will be transferred to this fund and used solely to fund LDF associated work;
- Housing Reserves:

    Private Sector Lease Scheme Reserve - This has been established from surpluses achieved in 2008-09 as result of this lettings scheme. The reserve is to be used to fund the Council's homelessness service in future years;

    Rent Deposit Scheme Bond Reserve - The reserve was set up from monies accumulated from the rent deposit scheme, and are to be applied to support new bonds being issued and to fund new homelessness initiatives;

- Community Cohesion – This is funded from the Area Based Grant and is being used to fund staff posts;
- Council Tax Rate Initiative – to fund two temporary Council Tax Recovery Officers appointed in October for a two year period;
- Housing Benefit Performance Reward Grant – this grant is ringfenced and is to be spent on a single person discount review and the cost of training and mentoring support;
- Invest to Save – An Invest to Save Scheme will support the increased emphasis on efficiency and new forms of service delivery in the public sector. Where there is a business case it is a pool of funding to support short to medium term financing for initiatives to enable step changes in service delivery/performance to be achieved. The fund will work in the same way as a bank loan, whereby the Corporate Management Team and approval by the Executive Member for Performance & Finance put business cases forward for approval. Once approved, a funding advance will be made, which will then be repayable from the resultant savings;
- Learning and Skills – this reserve is intended to support projects which contribute to the priorities set out in the Council's Strategy, and to which the Council can make a limited contribution together with resources from other partners. Any under-spend or overspend on this service on the General Fund is transferred to this fund and used solely to fund activity under the Swale Learning and Skills Strategy 2008-11;
- Carbon Management – This reserve was established in 2009-10 as a result of the meeting of the Performance Board where it was agreed to establish an invest to save fund for climate change related initiatives only.
- Transformation – this is to replenish the Superannuation fund and allows more provision for facilitating change. The reserve will be topped up in 2010/11.
- Local Strategic Partnership – This is funded from the Local Area Agreement Grant; and
- Parish Council Grant Scheme – This reserve is used to ring-fence any unspent budget from the Parish Grant Scheme (established as part of the Subsidiarity initiative) for use in future years' financing of the Scheme's commitments. This reserve was closed on 31 March 2010.

24(g) General Reserve

	Balance as at April 1 2009 £'000	Approp'ns from reserve in year £'000	Approp'ns to reserve in year £'000	Balance as at March 31 2010 £'000
General Reserve	(2,902)	360	(160)	(2,702)

This reserve is available to fund revenue expenditure and its use is subject to the approval of Members.

25. Contingent Assets

a) *VAT Reimbursement – Cultural and Sporting Activities*

Following advice from independent tax consultants a reimbursement claim has been lodged with Her Majesty's Customs and Excise. The value of the potential refund is up to £400,000.

b) *Mesothelioma Insurance Claim <Asbestos> - Reimbursement sought under Insurance Policies*

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

c) Contribution to the Local Area Agreement

The Council contributes to the Local Area Agreement – an arrangement with other public bodies work towards jointly agreed objectives for local public services involving the pooling of government grants to finance. The agreement commenced on 1 April 2008 and ends on 31 March 2011. The payment of any grant will be made in the two years 2011-2012 and 2012-2013 but is subject to the achievement of targets, which will be assessed by the Government Office of the South East between March 2011 and March 2012.

26. Contingent Liabilities

(a) Equal Pay – Single Status Pay Agreement

The Council is working closely with Unison the trade union to move forward on implementation of a new Pay and Reward scheme. This project follows the Equal Pay review and should result in the minimisation of future Equal Pay risks. As part of the overall negotiation the Council has recognised that there is an Equal Pay risk with one group of employees and have calculated the cost of settling this potential claim to be £45,000. This would be a one off cost.

(b) Charges levied

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

(c) Planning appeals

Following recent appeals decisions costs have been awarded against the Council. These have yet to be submitted by the appellants but they are estimated to be in the order of £127,000. The Council is considering challenging these estimated costs.

27. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by N. Vickers, the Interim Head of Finance on 17 September 2010.

28. Events after the Balance Sheet Date

Since the 31 March 2010, the Valuation Office has agreed that with regard to various properties at the Sheerness Port, the Port Authority is liable for business rates and not the firm previously identified. In addition, the business rates for the property concerned have been revised. This will be reflected in the 2010-11 accounts. The value of the debt for these properties as at 31 March 2010 was £2.7m and the bad debt provision was £1.3m. There have been no other material events between the Balance Sheet date and the date that the Interim Head of Finance authorised the accounts to be submitted for publication (17 September 2010). On 24 June, the CLG issued a press release which stated: "Port businesses all across the country have welcomed the good news delivered in the Budget that £175 million of backdated business rates demands will now be cancelled following last month's initial freeze." The Council will take the appropriate action as guided by the CLG.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Prices Index (CPI) rather than the Retail Prices Index will be the basis for future public sector pension increases from April 2011. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the Balance Sheet date), this change is deemed to be a non-adjusting post balance sheet event. This change will reduce the value of the net liability (or deficit) in the Kent County Council Pension Fund by £4,792,000.

29. Trust Funds

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

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

	2009-10 Queenborough Fishery Trust £'000	2008-09 Queenborough Fishery Trust £'000	2009-10 Swale Recreation Trust £'000	2008-09 Swale Recreation Trust £'000
Fund balance brought forward 1 April	33	66	50	51
Income for the year	27	7	3	4
Expenditure for the year	(36)	(40)	(4)	(5)
Fund balance carried forward 31 March	**24**	**33**	**49**	**50**
Value of Assets	30	35	49	50
Value of Liabilities	(6)	(2)	-	-

30. <u>Pension Costs</u>

(a) Participation in pensions schemes

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

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

(b) Change of accounting policy

None

(c) Revenue transactions relating to retirement benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits 07-08 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2009-10 £'000	2008-09 £'000
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	871	1,080
Past Service Costs	(212)	1,135
Settlements/Curtailments	498	-
Net Operating Expenditure		
Interest Cost	4,524	4,720
Expected Return on Assets in the Scheme	(2,098)	(2,930)
Net Charge to the Income and Expenditure Account	3,583	4,005
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(3,583)	(4,005)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	3,278	2,500

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £21,380,000 (£5,400,000 loss in 2008-09) is included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £34,817,000.

(d) Assets and liabilities in relation to retirement benefits

i) Reconciliation of present value of the scheme liabilities:

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

ii) Reconciliation of fair value of the scheme assets:

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

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 £11.5m (2008-09: loss of £8.2m).

The tables above shows a total movement in actuarial gains and losses in 2009-10 of £21.4m loss (£30.8m - £9.4m) which is the actuarial loss on the Pension Fund assets and liabilities shown on the Statement of Total Recognised Gains and Losses.

(e) Pension scheme history

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

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Present value of Liabilites in the scheme	(100,520)	(67,485)	(68,940)	(78,600)	(79,820)	(68,052)
Fair value of assets in the scheme	44,720	33,370	41,730	48,020	45,350	36,020
Surplus/(deficit) in the scheme	**(55,800)**	**(34,115)**	**(27,210)**	**(30,580)**	**(34,470)**	**(32,032)**

The liabilities show the underlying commitments that the authority has in the end to pay retirement benefits. The total liability of £56m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £2.676 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 Kent County Council Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest formal valuation of the scheme at 31 March 2007.

The principal assumptions used by the actuary have been:

	2009-10	2008-09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.0%
Gilts	4.5%	n/a
Bonds	5.5%	5.4%
Property	5.5%	4.9%
Cash	3.0%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.5
Women	24.4	24.4
Longevity at 65 for future pensioners:		
Men	22.6	22.6
Women	25.5	25.5
Rate of inflation	3.9%	3.1%
Rate of increase in salaries	5.4%	4.6%
Rate of increase in pensions	3.9%	3.1%
Rate of discounting scheme liablities	5.5%	6.9%
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 2010		31 March 2009	
	£'000	%	£'000	%
Equity investments	33,114	74	22,030	66
Gilts	447	1	-	-
Bonds	6,265	14	5,670	17
Property	3,132	7	3,000	9
Cash	1,762	4	2,670	8
Total	**44,720**	**100**	**33,370**	**100**

(g) History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2009-10	2008-09	2007-08	2006-07	2005-06
	%	%	%	%	%
Differences between the expected and actual return on assets	21.1	(33.1)	(21.9)	(0.6)	15.8
Experience gains and losses on liabilities	0.6	0.1	2.7	0.2	(0.4)

(h) Further information on the Kent Pension Fund

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

31. Reconciliation of Net Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Statement

	2009-10 £'000	2008-09 £'000
(Surplus)/Deficit per Income/Expenditure Account	1,844	6,393
Interest Receivable	67	414
Interest Payable	(105)	(107)
Depreciation, amortisation and impairment less General Government Deficit (GGD) amortisation	(2,356)	(4,596)
Retirement Benefits	(305)	(1,505)
Increase/(Decrease) in Stock	-	(1)
(Increase)/Decrease in Creditors	1,032	(4,695)
Increase/(Decrease) in Debtors	1,532	4,672
Other non cash items	84	69
Net Cash Outflow/(Inflow) from Revenue Activities	**1,793**	**644**

32. Movement in Cash

	As at 31 March 10 £'000	As at 31 March 09 £'000	Movement £'000
Cash Overdrawn	(997)	-	(997)
Cash at bank and in Hand	-	321	(321)
Movement in Cash	**(997)**	**321**	**(1,318)**

33. Reconciliation of Items under Financing and Management of Liquid Resources

The Council makes cash investments in line with the annual Treasury Management Strategy and Policy. Liquid resources are short-term investments held for less than one year.

The Council is the billing authority for the Kent County Council, Kent Police Authority and Kent and Medway Fire and Rescue Authority and acts as the agent for billing and collection. The Balances held are the assets/ liabilities due to/ from the precepting bodies for Council Tax.

The Council is the billing authority for the collection of National Non Domestic Rates and acts as the agent for government. The balances held are the assets/ liabilities due to/ from the government for Business Rates.

Description	Balance 31 March 2009 £'000	Cash-Flow Movement £'000	Balance 31 March 2010 £'000
Short Term Investments	5,110	(4,386)	724
Other Liquid Resources			
- Council Tax	1,094	(77)	1,017
- Business Rates	275	2,881	3,156
Balance	**6,479**	**(1,582)**	**4,897**

34. Cash flow Statement - Government Grants Analysis

	2009-10 £'000	Re-Stated 2008-09 £'000
REVENUE		
Revenue Support Grant	(2,251)	(1,448)
Non - Domestic Rates Re-Distribution	(9,751)	(10,403)
Housing Benefits/ Council Tax Subsidy	(54,452)	(47,563)
Area Based Grants	(114)	(72)
Performance Reward Grant	(224)	-
Contaminated Land	-	(43)
Homes and Community Agency - Thames Gateway	(555)	(563)
Empty Shop Support	(53)	-
Air Quality	(38)	(31)
Disabled Facilities Grant	(795)	(601)
Housing and Planning Delivery Grant	(640)	(309)
Community Development	(286)	(80)
Homelessness	(114)	(149)
Connecting Communities Grant	(20)	-
Sure Start	(553)	(645)
Housing Supporting People - Stay Put	(225)	(78)
Concessionary Fares Grants	(314)	(298)

	2009-10 £'000	Re-Stated 2008-09 £'000
REVENUE		
Regional Housing Board	(36)	(145)
Business Initiatives (LABGI)	(78)	(65)
Other	(20)	(12)
Revenue Grants Sub-Total	(70,519)	(62,505)
CAPITAL		
Regional Housing Board	(773)	(717)
Performance Reward Grant	(225)	-
Homes and Community Agency - Thames Gateway	-	(64)
Milton Creek Regeneration	(255)	-
Other Capital Grants	(80)	(27)
Capital Grants Sub-Total	(1,333)	(808)
Total Government Grants	(71,852)	(63,313)

35. Long-term Investments

	31 March 10 £'000	Restated 31 March 09 £'000
British Government Stocks	4	4
TOTAL	4	4

British Government Stocks have been restated due to a rounding adjustment.

36. Long-term Debtors - Other

Long-term debtors are those that fall due after a period of at least one year.
Long-term debtors include Housing Repair Loans and Homelessness Prevention Loans. These loans are interest free loans, and are classed as ‘soft loans’. The SORP 2009 sets out specific accounting requirements for soft loans and as such, these loans are shown at their impaired value. More detail on soft loans, are contained in the Accounting Policies under Loans and Receivables on page 38.

	31 March 10 £'000	31 March 09 £'000
Assisted Car Purchase Loans	73	46
Housing Repair Loans	1,439	665
Homelessness Prevention Loans	154	-
Private Street Works	9	12
Payments in advance under leisure contract	356	706
TOTAL	**2,031**	**1,429**

37. Stocks

This relates to the print department's paper stock.

	31 March 10 £'000	31 March 09 £'000
Stocks	2	2
TOTAL	2	2

38. Gross Debtors and Payments in Advance

	31 March 10 £'000	Restated 31 March 09 £'000
Taxpayers Accounts		
Collection Fund Precepting Authorities	1,017	1,094
Council Taxpayers	452	414
Sub Total	1,469	1,508
Sums Due from Central Government		
Business Ratepayers	3,156	276
Government Grants	3,763	1,813
Sub Total	6,919	2,089
Other Debtors and Payments in Advance		
Government Departments	557	224
Other Public Bodies	69	21
Sundry Debtors Accounts Receivable	813	1,321
Other Sundry Debtors	1,720	1,746
Housing Benefits	1,648	1,438
Payments in Advance	531	382
Sub Total	5,338	5,132
TOTAL	**13,726**	**8,729**

Please see note 1 for 2008-09 restatement.

39. Provision for Doubtful Debts on Gross Debts

	31 March 10 £'000	Restated 31 March 09 £'000
Taxpayers Accounts		
Council Taxpayers	(103)	(89)
Sub Total	(103)	(89)
Other Debtor Accounts		
Housing Benefit Overpayments	(909)	(707)
Council Tax - Debt Recovery Costs	(182)	(163)
Other General Debtors	(374)	(394)
Sub Total	(1,465)	(1,264)
TOTAL	**(1,568)**	**(1,353)**

Please see note 1 for 2008-09 restatement.

40. Short-term Investments

Due to the continuing volatility in the financial markets, and following the collapse of several financial institutions, the Treasury Management Investment Policy was reviewed and amended twice within 2009-10, to further safeguard the Council's investments.

The Treasury Management Policy in place at 31 March 2010 was as follows:

Investment criteria

- Maximum loan period 364 days
- All investments must be specified and must be at least short term F1/ long term A+ or triple A rated counterparties, using the lowest common denominator approach, as recommended in CIPFA's Treasury Management Code of Practice (revised November 2009).
- It must be noted, that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments, have been made in line with the Council's Treasury Management Strategy Statement and Investment Strategy for 2009-10.

Specified Investments

- UK Government - no limit
- Other Local Authorities - £2m limit
- UK based banks including those participating in the UK Government's Recapitalisation scheme - £2m limit
- No direct dealing with foreign banks
- Money Market Funds are recognised as separate counterparties - £2m limit

The short-term Investments placed on the money markets at 31 March 2010 were as follows:

	31 March 10 £'000	31 March 09 £'000	Movement £'000
Loans and Receivables:			
Royal Bank of Scotland	724	810	(86)
Abbey National Plc	-	1,000	(1,000)
Lloyds Bank TSB	-	1,000	(1,000)
Skipton Building Society	-	1,000	(1,000)
Available for Sale Financial Assets:			
Royal Bank of Scotland Sterling Fund	-	1,000	(1,000)
Scottish Widows Investment Partnership Global Liquidity Fund	-	300	(300)
TOTAL	**724**	**5,110**	**(4,386)**

All investments as at 31 March 2010 were on call with UK organisations.

The reduction in the closing balance at the year-end compared to the previous year is down to cash flow and the significant movements in funds arising mainly from the Ports Revaluation and National Non-Domestic Rates, and an increase in the number of housing benefits payments, both of which, will be reimbursed during 2010-11.

41. Creditors and Receipts in Advance

	31 March 10 £'000	Restated 31 March 09 £'000
Sums Payable to Central Government		
Government Grants	(60)	(60)
Sub Total	(60)	(60)
Other Creditors and Receipts in Advance		
Collection Fund	(118)	(97)
Government Departments	(239)	(144)
Other Public Bodies	(126)	(102)
Sundry Creditors	(2,642)	(3,742)
Deferred Liabilities Due Within One Year (Note 43)	(282)	(269)
Sub Total	(3,407)	(4,354)
TOTAL	**(3,467)**	**(4,414)**

Please see note 1 for 2008-09 restatement.

42. Deferred Revenue Receipts

These sums are released to the Income and Expenditure Account to match the relevant liability or period of maintenance.

Description of Commuted Sum	Balance as at 1 April 2009 £'000	in Year £'000	Credited to Revenue £'000	Balance as at 31 March 2010 £'000
Balance Brought Forward	**(1,246)**			**(1,246)**
Interest		(9)	0	(9)
Whiting Crescent		(1)	0	(1)
Credited To Revenue		0	145	145
TOTAL	**(1,246)**	**(10)**	**145**	**(1,111)**

43. Deferred Liabilities

Deferred liabilities relate to three items:

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

respect of capital expenditure both provided and yet to be provided under the contract. Where capital expenditure is due to be provided in future years, payments in advance has been recognised in the Balance Sheet as appropriate.
Secondly, a finance lease was entered into in 2007-08 with the Council's contractor for refuse collection for capital expenditure of £0.98 million on new-wheeled bins. The Council is committed to make regular monthly payments until 2013-14 to cover repayment of this sum together with associated financing costs. The sum shown in the Balance Sheet is the outstanding principal element in respect of capital expenditure.

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

	As at 31 March 10 £'000	**As at 31 March 09 £'000**	**Movement £'000**
Deferred liabilities			
- due within one year (Note 41)	(282)	(269)	(13)
- due after more than one year	(1,825)	(1,878)	53
Movement in deferred liabilities	**(2,107)**	**(2,147)**	**40**

44. Deferred Capital Receipts

Deferred capital credits are amounts, which are derived from sales of assets due to be received in instalments over agreed periods. They arise principally from mortgages on sales of Council houses which, with mortgages granted for the purchase and improvement of private housing, combine to yield the figure given for 'mortgagors' under 'long-term debtors' in the Balance Sheet.

45. Capital Grants & External Contributions Unapplied

	Balance Unapplied 1 April 2009 £'000	**Grants & Contributions Received 2009-10 £'000**	**Applied to Fund Housing Repairs Loans 2009-10 £'000**	**Applied to Finance Capital Expenditure 2009-10 £'000**	**Balance Unapplied 31 March 2010 £'000**
Government Grants	(1,877)	(1,614)	842	1,482	(1,167)
External Contributions	(72)	(225)	-	29	(268)
Section 106 Receipts	(916)	(290)	-	5	(1,201)
Total	**(2,865)**	**(2,129)**	**842**	**1,516**	**(2,636)**

Capital Grants & External Contributions Unapplied represents sums received for the funding of future capital expenditure. When the capital grant or external contribution is to be used to fund a specific asset the amounts are moved to the Capital Grants and External Contributions Deferred Account.

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

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

Revenue sums not yet applied are held as a deferred revenue receipt (Note 41) where the purpose set out in the planning permission is a revenue activity, and in capital grants and contributions unapplied for those to be spent on capital purposes.

46. Capital Grants and External Contributions Deferred Account

Capital Grants and External Contributions Deferred represents grants that have been used to fund the acquisition of a fixed asset with a finite useful life. The capital grant and external contributions are firstly recorded in the Capital Grants and External Contributions Unapplied Account. When the capital grants or external contribution is to be used to fund a specific asset, the amounts are moved to the Capital Grants and External Contributions Deferred Account. As the asset is depreciated or disposed of, so the value of this account is written down to match the depreciation charge and/or disposal. As these write offs are not an allowable set off against Council Tax, it is neutralised by an entry in the Statement of Movement in General Fund Balance, with the corresponding entry to the Capital Adjustment Account.

	Balance 1 April 2009 £'000	Grants & Contributions Applied £'000	Written off to Revenue £'000	Balance 31 March 2010 £'000
Government Grants	(5,013)	(2,148)	382	(6,779)
External Contributions	(214)	(12)	74	(152)
Section 106 Agreements	(638)	(117)	86	(669)
Total	**(5,865)**	**(2,277)**	**542**	**(7,600)**

47. Group Accounts

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

With regard to the Faversham Swimming Pool Management Committee (FSPMC), as the Council appoints the majority of the governing body it falls within the definition of a subsidiary. However, as the grant from the Council to FSPMC amounted to £80,000 in

2009-10, it is considered that this exposure to risk is not material. Accordingly, group accounts have not been prepared. The FSPMC is a charitable trust, which operates a swimming pool complex for the benefit of local residents.

It is our opinion that the Council's exposure to risk because of the above grant of £80,000 is not material in comparison to the Council's net cost of services of £22.6 million.

The draft FSPMC accounts for 2009-10 show revenue income of £657,000 and expenditure of £645,000, giving an operating surplus of £12,000; net assets as at 31 March 2010 amounted to £213,000. At the year-end, no amounts were due to or from the Council.

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

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

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

48. Involvement in Local Area Agreement

The Council contributes to the Local Area Agreement (LAA) – an arrangement with other public bodies working towards jointly agreed objectives for local public services involving the pooling of government grants to finance.

To date Swale Borough Council has received £229,800 (in 2008-09 and 2009-10), this represents a 50% payment for successful completion of the performance targets for the empty homes initiative (£75,000) and a range of other indicators on behalf of the Local Strategic Partnership (LSP) (£154,800). There is the potential of a balance of grant of £8,900 subject to completion of performance targets.

The Kent Agreement 2 (KA2), commenced 1 April 2008 and ends 31 March 2011. It brings Kent Partners together to work for the people of the county with the aim of increasing independence and raising personal fulfilment, and acts as a vehicle for taking forward the ambitions contained in the Vision for Kent. It includes key targets agreed jointly between the Kent Partners and government.

The Kent Agreement 2 (KA2) involves many different partners including: Kent County Council, District Councils, Kent Police, Kent Fire and Rescue Service, Learning and Skills Council Kent and Medway, Job Centre Plus, Kent and Medway Strategic Health Authority, Higher Education Kent and Medway, PCT Collaborative, South East England Development Agency and the Government Office of the South East. Kent County Council is the accountable body. A Performance Reward Grant is attached to KA2. The total amount available to the Kent Partnership on successful conclusion of all targets is in the region of £8.8m for the whole of the county. To date no KA2 performance grant has been received by Swale Borough Council for this agreement and receipt is subject to the satisfactory achievement of targets.

The government expects a range of performance information and reporting and verification work to support the claims. Between March 2011 and March 2012 the Government Office of the South East, will review the delivery of the initiatives and pay over performance grant based on the performance levels for each initiative. Any reward grants due will be paid in two instalments, one in each of the two financial years following the end of the Agreement. Therefore, payments will be made in 2011-12 and 2012-13 financial years.

49. Financial Instruments

(a) Financial Instruments – Classifications

The definition of 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. These range from straightforward trade receivables and trade payables, to more complex transactions such as financial guarantees and derivatives. The Council’s investment transactions are classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation arising from a past transaction or event. All financial liabilities held by the Council are initially measured at fair value and carried at their amortised cost.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Financial assets are classified into three types as per CIPFA’s SORP:

- 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;

- Available for Sale – this category includes Money Market Funds and are initially measured and carried at fair value. Money Market Funds have a constant net asset value and are pre-priced back to their nominal value at the end of each day, the nominal value is therefore the fair value; and,

- Fair value through Profit and Loss (however, this category does not apply to any financial assets held by the Council).

(b) Financial Instruments – Balances

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

Financial Liabilities measured at amortised cost	Long-Term		Current	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	Restated 2008-09 £'000
Trade Creditors	-	-	3,007	3,988
Deferred Liabilities	1,825	1,878	282	269
Deferred Revenue Credits (S106 Receipts)	-	-	1,111	1,246
Cash overdrawn	-	-	997	-
Total Financial Liabilities	**1,825**	**1,878**	**5,397**	**5,503**

Financial Assets	Long-Term		Current	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	Restated 2008-09 £'000
Loans and Receivables				
Short term investments	-	-	724	3,810
Trade Debtors	365	718	3,146	3,452
Soft Loans	1,593	665	6	20
Car Loans	73	46	-	-
Mortgages	84	101	-	-
Cash in hand	-	-	-	321
Available for Sale				
Short term investments	-	-	-	1,300
Bond investment at cost	4	4	-	-
Total Financial Assets	**2,119**	**1,534**	**3,876**	**8,903**

Council Tax, National Non-Domestic Rates and general rates are outside the scope of the accounting provisions as they are statutory debts, and so have not been included in the debtors and bad debts provision figures.

Current trade creditors and current trade debtors have been restated for 2008-09. VAT and Housing Benefit Overpayments are outside the scope of the accounting provisions as they are statutory debts, and have therefore been removed. Figures have also been restated for prior period adjustments, please refer to note 1 for further details.

A definition of the accounting policies for 'Loans and Receivables' and 'Available for Sale Assets' can be found under the Statement of Accounting Policies (pages 29-42).

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The SORP 2009 sets out specific accounting requirements for soft loans.

Long-term bond investments have been restated for 2008-09, please refer to note 35.

For further details on deferred liabilities, please refer to note 43.

The Council does not pledge collateral for liabilities nor hold collateral that is permitted to sell or re-pledge.

There has been no allowance for credit losses excepting for trade debtors etc. and there has been no defaults or breaches of any financial instruments.

(c) Gains & Losses on Financial Instruments

The gains and losses recognised in the Income & Expenditure Account in 2009-10 (and Statement of Total Recognised Gains and Losses (STRGL) if appropriate) in relation to financial instruments are made up as follows:

	Financial Liabilities £'000 (measured at amortised cost)	**Financial Assets £'000**	**Total £'000**
Interest Costs	(101)	-	(101)
Interest Payable and Similar Charges	**(101)**	**-**	**(101)**
Interest Income:			
Loans and Receivables	-	40	40
Available for Sale	-	19	19
Interest & Investment	**-**	**59**	**59**
Net Gain/(Loss) for year	**(101)**	**59**	**(42)**

Comparative information for financial year 2008-09 is as follows:

	Restated 2008-09 Financial Liabilities £'000 (measured at amortised cost)	**Restated 2008-09 Financial Assets £'000**	**Restated 2008-09 Total £'000**
Interest Costs	(107)	-	(107)
Interest Payable and Similar Charges	**(107)**	**-**	**(107)**
Interest Income:			
Loans and Receivables	-	362	362
Available for Sale	-	52	52
Interest & Investment	**-**	**414**	**414**
Net Gain/(Loss) for year	**(107)**	**245**	**307**

The figures for 2008-09 have been restated, to show the full value of Interest Costs as shown in the Income and Expenditure Account.

(d) Fair Value of Assets & Liabilities carried at Amortised Cost

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The SORP does not require the disclosure of Fair Values when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables.

Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

In the case of the Council's investments, these consisted of call accounts for 2009-10. None of the investments was impaired (i.e. at risk of default). Fair values for short term investments, i.e.) those with maturity dates falling within twelve months of the Balance Sheet date, have therefore been assessed as being the same as the carrying amount on the Balance Sheet:

- The Council currently has no long-term borrowings by way of loans;
- Where an instrument matures within 12 months, the carrying value is assumed to be an approximation of fair value; and,
- The fair value of trade creditors and trade debtors is taken to be the invoiced or billed amount.

Therefore, the fair value for all financial assets and financial liabilities at 31 March 2010 are the same as the carrying amount on the Balance Sheet.

(e) Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

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

The Council's annual treasury management strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and provides written principles for overall risk management as well as written policies within its treasury management strategy covering interest rate risk, credit risk and the investment of surplus cash balances. The Council's Treasury Management Strategy for 2009-10, can be found at
http://www2.swale.gov.uk/dso/download/FEDE83AF78C64B0E9F808409FD9BD8C9.pdf

(i) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with banks and financial institutions unless they meet the minimum investment criteria set by The Council as detailed in note 40.

Customers are assessed taking into account their financial position, past experience and other factors with individual credit limits being set in accordance with parameters set by the Council.

As at 31 March 2010, all investments were in UK financial institutions only.

The table below summarises the nominal value of the Council's investment portfolio as at the end of 31 March 2010 into the relative credit ratings.

Counterparty/ Country	Short Term Rating (Fitch)	Long Term Rating (Fitch)	Balance Invested as at 31 March 2010	Total £'000s
			Up to 1 month £'000	
Banks-UK Royal Bank of Scotland	F1+	AA-	724	724
Total Banks			**724**	**724**
Total			**724**	**724**

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

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

	Value at 31 March 2010 £'000 A	% default based on previous experience B	% default adjusted for current market conditions C	Estimated maximum exposure to default £'000 (A x C)	Estimate maximum exposure at 31 March 2009
Deposits with banks and financial institutions:					
Royal Bank of Scotland	724	0%	0%	0	0
TOTAL	**724**	**0%**	**0%**	**0**	**0**

The Council does not expect any losses in respect of non-performance by counter-parties 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.

	Debtors £'000	Average % Bad Debt Provision (BDP) 5 years to 2008-09	% BDP for 2009-10	BDP for 2009-10 £'000
Sundry Debtors	985	26.28%	37.92%	374
TOTAL	**985**			**374**

The figure for Sundry Debtors above includes both current and long-term debtors.

The authority allows 30 days credit for sundry debt customers, such that £359,000 of the £985,000 total debtor balance is past its due date for payment (£446,000 of the £1,321,000 at 31 March 2009).

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

	31 March 2010 £'000	Restated 31 March 2009 £'000
Less than 3 months	73	88
3 to 6 months	20	64
6 months to 1 year	56	59
More than 1 year	210	235
TOTAL	**359**	**446**

The figures for 2008-09 have been restated to remove Housing Benefit Overpayments, as these are statutory debts and as such are outside the scope of the accounting provision.

(ii) Liquidity Risk

As the Council can access borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There are no other identified borrowing requirements in place at 31 March 2010.

The Council has no outstanding short or long-term borrowing at 31 March 2010.

All current liabilities are due to be repaid within one year.

The maturity analysis of loans and borrowings, current creditors and deferred liabilities within financial liabilities is as follows:

	31 March 2010 £'000	Restated 31 March 2009 £'000
Less than 1 year	5,368	5,503
1 – 2 years	288	258
2 – 5 years	738	790
Over 5 years	799	830
Total	**7,193**	**7,381**

2008-09 has been restated for current trade creditors. Please refer to note 1.

(iii) Market Risk

The Council is exposed to risk due to its exposure to interest rate movements on its investments. For example, a rise in interest rates would have the following effect:

- Investments at variable rates – the interest income credited to the Income and Expenditure account would increase;

- Investments at fixed rates – the fair value of the assets will fall.

If interest rates had increased or decreased by 1% during the year, this would have resulted in an increase or decrease of £101,000 in investment income.

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated within the Quarterly Treasury Monitoring report, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury Management Strategy also advises on the limits for new variable, fixed–rate borrowing for the year, although in 2009-10 there were no proposals to take out any new borrowing, and investments are all short term.

(iv) 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. See note 35 for details.

(v) Foreign Exchange Risk

The Council does not hold any financial assets or liabilities held in foreign currency and therefore is not exposed to any gains or losses arising from movements in exchange rates. The Council is due to receive a grant claim (INTERREG) in euros in 2010-11 relating to activity in 2009-10. Therefore, there is a risk that the value of the final payment will not match the value of the original claim.

(f) Financial Instruments – Interest on Long Term Debt

The Council does not have any long term debt.

COLLECTION FUND

	Note	2009-10 £'000	2009-10 £'000	2008-09 £'000	2008-09 £'000
INCOME					
Council Tax	2	(55,637)		(54,198)	
Transfers from General Fund -					
Council Tax Benefits		(10,652)		(9,399)	
			(66,289)		(63,597)
Business rates	3		(34,176)		(38,915)
Previous year's NNDR Relief Fund			(168)		(136)
TOTAL			**(100,633)**		**(102,648)**
EXPENDITURE					
Precepts and demands -					
Kent County Council		48,028		46,462	
Swale Borough Council		8,003		7,562	
Kent Police Authority		6,301		5,948	
Kent & Medway Towns Fire Authority		3,092		2,960	
			65,424		62,932
NNDR Relief Fund			204		175
Business Rate -					
Payment to national pool		34,005		38,744	
Costs of collection		171		171	
			34,176		38,915
Bad and doubtful debts -	6				
Write offs - Council Tax		229		117	
Provision for non payment - Council Tax		114		45	
			343		162
Contribution towards previous year's Collection Fund surplus -					
Kent County Council		292		462	
Kent Police Authority		37		58	
Kent & Medway Towns Fire Authority		19		30	
Swale Borough Council		48		74	
			396		624
TOTAL			**100,543**		**102,808**
Deficit/(Surplus) for the year			**(90)**		**160**
Balance at the beginning of the year			**(626)**		**(786)**
Balance at the end of the year (Surplus)/Deficit	5		**(716)**		**(626)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. General

These accounts, which have been prepared on the accruals basis, show the transactions of the Collection Fund. The Fund balance, together with its debtors and creditors are included in the Balance Sheet.

2. Council Tax

The figure shown is net of Council Tax benefits, which are paid for by the Council's General Fund.

The Council Tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of Kent County Council, Kent Police Authority, Kent & Medway Towns Fire Authority and Swale Borough Council by the Tax Base for Swale which is 46,798.58. This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The Basic Council Tax payable for each band in 2009-10 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	922.03	6/9	4,858.01
B	1,075.70	7/9	9,798.79
C	1,229.37	8/9	12,739.62
D	1,383.04	9/9	8,740.02
E	1,690.38	11/9	5,616.59
F	1,997.72	13/9	3,068.03
G	2,305.07	15/9	1,786.26
H	2,766.08	18/9	191.26
TOTAL			**46,798.58**

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

The level of non-payment provided for in 2009-10 was 0.8% (0.6% in 2008-09).

The original anticipated income = 46,798.58 x £1,398.00 (Band D plus average Parish Precept) = £65,424,415.
The actual income = £66,289,000.
The variation was due mainly to new house building in the Borough resulting in an increase in the Council Tax base.

3. 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 2009-10 was 48.5p (2008-09 was 46.2p). A new rating list came into force on 1 April 2005, and the rate poundage was adjusted so that the total raised nationally was not increased. Small businesses with a rateable value below £15,000 had a lower rate poundage of 48.1p (2008-09 was 45.8p).

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

The Business Rate income, after reliefs and provisions, was £34.2 million for 2009-10 (£38.9 million for 2008-09). The rateable value for the Council's area at the end of the financial year 2009-10 was £89.5 million (£84.7 million in 2008-09). A national re-valuation led to a new Local Rating List (Valuation List), which was effective from 1 April 2005.

4. Previous Year's Surplus/Deficit

In accordance with regulations, the estimated balance on the Collection Fund at the year-end has to be determined on 15 January each year. This estimated amount is collected from or distributed to the precepting and charging authorities in the following financial year.

5. Collection Fund Surplus

The Collection Fund balance at 31 March 2010 of £716,000 only relates to Council Tax.

Under the SORP 2009, Swale's element of the surplus shown in the Balance Sheet is included in the Collection Fund Adjustment Account. An amount of £12,000 being transferred being the difference between the actual surplus and the Declared 15th January 2009 surplus which is further explained in the Accounting Policies section above.

6. Provision for Bad Debts

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

	2009-10 Council Tax £'000	2008-09 Council Tax £'000	2009-10 NNDR £'000	2008-09 NNDR £'000
Balance brought forward 1 April	(724)	(679)	(2,104)	(977)
Less Amounts written off	229	117	870	48
Add Increase in Provision	(343)	(162)	(1,185)	(1,175)
Balance at 31 March	**(838)**	**(724)**	**(2,419)**	**(2,104)**

Council Tax bad debt provision was calculated by analysing the debts by the year in which they were raised and then by their recovery stage, against which a judgement was made on the proportion of the debt that was non-collectable. In addition, a percentage of non-payment (0.8%) was applied to the total tax due less the write-offs in year.

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

In previous years NNDR arrears, pre-payments and bad debt provision has been included in the authority's Balance Sheet. However, under the SORP 2009, NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the billing authority and are not recognised in the Balance Sheet.

In October 2008 the Valuation Office Agency made significant changes to the Sheerness Port Cumulative Rating Assessment and brought into the 2005 rating a list a number of new hereditaments backdated to April 2005. This has warranted our Non-Domestic Rates team raising backdated liabilities to businesses in the port of Sheerness. On 27 May 2010, the government announced that emergency regulations were being introduced to put a halt on demands for retrospective business rate payments affecting ports. The new regulations suspended unexpected backdated business rate payments, including for port companies. The government pledged to continue to explore options up to and including primary legislation to offer port companies permanent relief from backdated bills.

As at 31 March 2010, the total outstanding debt for Council Tax was £3.6 million of which debt one year old was £1.7 million, debt 2 to 5 years old was £1.6 million, and debt over 5 years old was £0.3 million.

ACCOUNTING GLOSSARY

ACCOUNTING STANDARDS:	These are issued by the Consultative Committee of Accountancy Bodies (CCAB) and comprise Financial Reporting Standards (FRS's), developed by the Accounting Standards Board (ASB).
ACCRUALS:	The inclusion of outstanding debtors and creditors in the year's income, gross expenditure and capital expenditure.
AMORTISE:	The deduction of capital expenses over a specific period of time. Similar to depreciation, it is a method of measuring the consumption of the value of long-term assets like equipment or buildings.
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 Income and Expenditure Account over the term of the instrument. Amortisation reflects such things as the fact that an authority might have incurred transaction costs, bought an investment other than at par or been able to defer interest payments and is required to spread the effect over the life of the instrument.
BALANCE SHEET:	A summary of all the assets, liabilities, funds, reserves, etc. of the 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.
BUSINESS RATE GRANT:	The Council's share of the total amount of local business rates collected for the whole of England and Wales.
CAPITAL EXPENDITURE:	Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS:	The proceeds of the sale of capital assets.
COMMUNITY ASSETS:	Fixed assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
CONTINGENT ASSETS:	A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control.
CONTINGENT LIABILITY:	A contingent liability is either: a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or, b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
DEPRECIATION:	The measure of the cost or re-valued amount of the benefits of the fixed assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
EMPLOYEE COSTS:	Pay and associated costs such as National Insurance, superannuation and car allowances.
ESTIMATES:	See BUDGET
EXCEPTIONAL ITEMS:	These relate to events or transactions that are material in terms of the Authority's overall expenditure but are not expected.
FINANCIAL REPORTING STANDARDS (FRS):	See ACCOUNTING STANDARDS

ACCOUNTING GLOSSARY

GOVERNMENT GRANTS:	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
GROSS EXPENDITURE:	The total cost of providing services before deducting any income.
IMPAIRMENT:	A reduction in the value of a fixed 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:	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
INVESTMENT PROPERTIES:	Interest in Land and/or buildings: (a) in respect of which construction work and development have been completed; and, (b) which is held for its investment potential, with any rental income being negotiated at arm's length.
LIQUID RESOURCES:	Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
LONG-TERM INVESTMENTS:	A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.
MATERIALITY:	A threshold quality ensuring that information is of such significance as to justify its inclusion in the financial statements. Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.
NET BOOK VALUE:	The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
NET CURRENT REPLACEMENT COST:	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
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-OPERATIONAL ASSETS:	Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objective of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purpose and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.
OPERATIONAL ASSETS:	Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the authority.

ACCOUNTING GLOSSARY

PRECEPT:	The levy made by those authorities which do not run the local taxation system, e.g. county councils, police authorities, and parishes etc., on those authorities which do so, e.g. district and boroughs, requiring them to collect the required income from local taxpayers on their behalf.
PRIOR PERIOD ADJUSTMENTS:	Those material adjustments applicable to prior years which arise from changes in accounting policies or from the correction of fundamental errors.
PRUDENTIAL CODE:	The code, developed by CIPFA, came into force from 1 April 2004, and sets out a framework for self-regulation of capital spending; in effect, allowing authorities to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable.
RECHARGE:	An internal charge made by one Service in respect of services provided for another.
REMUNERATION:	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Legislation in England and Wales 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 fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part of the Local Government Act 2003. Such expenditure should be charged to the Income and Expenditure Account.
REVENUE EXPENDITURE/ INCOME:	The cost or income related to the day-to-day running of services.
REVENUE SUPPORT GRANT:	A grant paid by central government to local authorities to help pay for the cost of their services.
RING FENCING:	The statutory restriction of payments from one fund to another.
RUNNING COSTS:	Regular revenue expenditure other than employee costs and capital charges.
SHORT-TERM INVESTMENTS:	Short-term investments are those with less than 364 days until maturity.
SORP:	Statement of Recommended Practice.
SPECIAL ITEMS:	Irregular revenue items, such as large repairs, occurring in one year.
TANGIBLE FIXED ASSETS:	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
TRUST FUNDS:	Money that does not belong to us but is managed by us for the owners of the money.
USEFUL ECONOMIC LIFE:	The period over which the local authority will derive benefits from the use of a fixed asset.

PENSIONS GLOSSARY

ACTUARIAL GAINS AND LOSSES:	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or, the actuarial assumptions have changed.
CURRENT SERVICE (PENSIONS) COST:	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT:	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and, termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
DEFINED BENEFIT SCHEME:	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DISCRETIONARY BENEFITS:	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.
EXPECTED RATE OF RETURN ON PENSION ASSETS:	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
INTEREST COST (PENSIONS):	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
INVESTMENTS (PENSIONS FUND):	The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, authorities (other than district councils in Northern Ireland) are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
PAST SERVICE COSTS:	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
PROJECTED UNIT METHOD:	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and, the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS:	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either: (i) an employer's decision to terminate an employee's employment before the normal retirement date; or, (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
SCHEME LIABILITIES:	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
SETTLEMENT:	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and, the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
VESTED RIGHTS:	In relation to a defined benefit scheme, these are: for active members, benefits to which they would unconditionally be entitled on leaving the scheme; for deferred pensioners, their preserved benefits; and, for pensioners, pensions to which they are entitled. Vested rights include where appropriate the related benefits for spouses or other dependants.

2009-2010

Statement of Accounts

For year ended 31 March 2010

Contacting Swale Borough Council

The Customer Service Centre deals with all enquiries across the Council; it should be your first stop when contacting us.

Copies of this Statement of Accounts for the year ended 31 March 2010 are available on the council website www.swale.gov.uk.

If you would like further hard copies or alternative versions (i.e. large print, audio, different language) we will do our best to accommodate your request. Please contact the council at:

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Produced by the Communications and Marketing Team

Front cover pictures, clockwise:

Sheerness Docks (natural deep water, access at all states of the tide);

Hei People – a temporary public art installation of 400 dressed scarecrow-esque figures made from wood, straw and dirt by Finnish artist Reijo Kela;

Leysdown Beach, Isle of Sheppey;

Faversham Creek.