SEVENOAKS DISTRICT COUNCIL

FINANCE ADVISORY GROUP

25 July 2012 at 9.30 am in the
Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

Chairman: Cllr. Ramsay

Cllrs. Firth, Fittock, Grint, McGarvey and Scholey

1.	Apologies for absence		
2.	Minutes Notes of the meeting held on 13 June 2012.	(Pages 1 - 6)	
3.	Declarations of Interest		
4.	Matters Arising including actions from last meeting	(Pages 7 - 8)	Adrian Rowbotham Ext. 7153
5.	Referrals from Performance & Governance Committee: None		
6.	Argyle Road Offices, Accommodation for Outside Organisations	(Pages 9 - 16)	Jim Latheron Ext. 7209
7.	Investment Strategy Update	(Pages 17 - 44)	Roy Parsons Ext. 7204
8.	Draft Statement of Accounts 2011/12	(Pages 45 - 124)	Helen Martin Ext. 7483
9.	Financial Prospects Verbal Update		Adrian Rowbotham Ext. 7153
10.	Update on Localisation of Council Tax Support Verbal Update		Adrian Rowbotham Ext. 7153

11.	Financial Results 2012/13 - to the end of June 2012 To follow.		Helen Martin Ext. 7483
12.	Financial Performance Indicators 2012/13 - to the end of June 2012	(Pages 125 - 128)	Helen Martin Ext. 7483
13.	Forward Programme	(Pages 129 - 130)	

Please note: The date of the next meeting is 24 October 2012

Members wishing to obtain factual information on above items are asked to enquire of the appropriate Director or Contact Officer before the meeting

FINANCE ADVISORY GROUP

Minutes of the meeting held on 13 June 2012 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman)

Cllrs. Firth, Fittock, Grint, McGarvey and Scholey

1. Minutes

The notes of the meeting of 28 March 2012 were agreed as a correct record.

2. Declarations of Interest

There were no declarations of interest.

3. Council Tax Collection Fund and Taxbase Setting Process

Following a request at the last meeting, the Principal Accountant gave a presentation to the Group on the Council Tax collection fund and the calculation of the Council Tax base. He also circulated to Members a copy of the taxbase figures for the district as a whole and for each parish council within their ward.

The Principal Accountant considered each step of the calculation process and highlighted the differences between it and the calculation done for the purposes of the Revenue Support Grant.

In the calculations the Group was surprised at the number of chargeable dwellings entitled to the single person discount. A Member was concerned at the discount given to second homes, as they still benefited from local services. Officers clarified that there was a minimum discount of 10% with a discretion to offer up to 50% discount but the Council only granted the minimum discount and this was similar to most Councils. Those whose second home was related to and required by their job would, however, qualify for a discount of 50%.

The total of Band D equivalent properties in the district was 51,115.60 and the Council had presumed a 99.5% collection rate, which resulted in a taxbase of 50,860.03. The collection rate was higher than the national average. It was explained that the final figure was higher than the total number of dwellings in the Sevenoaks District as there were more properties in the area which were above band D level than there were below.

In response to a question, the Officer advised that revaluation of the Council Tax bands was due to take place every 5 years, however calculations were still based on 1991 bandings. He did not expect this to change soon.

The Group commended the Principal Accountant for a very informative presentation.

4. Financial Control of Planning Agreements

Having considered the funds received and balances held the Service Accountant considered that there were appropriate methods in place to control funds received under a Section 106 agreement.

Officers advised that in the past most monies received were to be passed to Kent County Council for the provision of infrastructure, such as education or highways. In 2011/12 the Council had received almost £300,000 and approximately £200,000 of it was for contributions to affordable housing provision. This reflected a growing trend. The Chairman emphasised that Officers needed to ensure there was an adequate audit trail to show the sums had been dealt with appropriately.

The Group Manager – Planning directed Members to the report which showed how the new Obligation Tracker software traced the funds received and then whether those funds have been spent or forwarded, as appropriate, within the expected timeframe. Each sum sent to the Council is given a planning reference and will be allocated accordingly.

Some Members asked what the consequence would be should a third party, having received monies from the agreement, not deliver the infrastructure. They were concerned about whom the developer would contact to reclaim the money and whether the Council would have a legal obligation to ensure the infrastructure was adequately provided. It was agreed that either the Planning or Legal Services Teams should provide a response as to the Council's obligations in such cases.

Action: The Planning or Legal Services Team to provide Members with clarification on the Council's obligations under Section 106 agreements, in the event on non-performance by a third party.

The Chairman considered that the software would assist in tracking monies but agreed further general oversight of monies may be required, possibly by the Performance and Governance Committee or the Finance Advisory Group. Oversight of the performance of agreements may need to be considered by individual, relevant Committees. A Member, not on the Group, was concerned that oversight would be lost if divided between too many Committees. The Chairman believed this could be considered further at a later point.

The Group thanked the Officers for their work on the report.

Resolved: That the report be noted.

5. <u>Localisation of Council Tax Support</u>

The Group Manager – Financial Services advised the meeting that by 1 April 2013 all Council Tax billing authorities would require a local Council Tax Support Scheme. The scheme would replace the existing provisions for Council Tax Benefit in which the Council pays a sum to the claimant and the Council is then reimbursed by the government. In future the support would be provided by way of discount from the Council Tax bill. The Government would pay a grant to district and upper tier councils to contribute to the costs.

The Council faced considerable challenges as the Government was committed to reducing the grant by 10% on current levels and had stated that pensioners should be protected and receive their existing levels of support. 52% of the current claimants within Sevenoaks District were pensioners. Secondly, as the support now acted as a discount on Council Tax, rather than a payment, the Council's taxbase would be detrimentally affected so the amount of Council Tax collected would reduce. It was also not realistic for over 300 billing authorities to have individual local schemes as there are very few specialist software suppliers who will not be able to write unique systems for that number of customers within the available timescale.

On 25 May 2012 Members of the Kent Forum agreed to recommend a single Council Tax Support Scheme which provided for an 18.5% reduction to all non-pensioner claimants. In return the 3 major precepting authorities (Kent County Council, Kent Police Authority and Kent & Medway Fire & Rescue Authority) had agreed that they would both pay £125,000 to each district as a contribution to the increased administrative costs and also reimburse a district council should the new discounts exceed the cost of the grant receivable from the Government. This agreement would run for 3 years. The joint agreement with a single scheme would have the added benefit of creating consistency when creating new software. This proposal had been approved in principle by the Kent Forum but discussions were continuing and some details may still be changed.

Recently the Government had announced that it may provide some support to parish and town councils to ameliorate the effect of the change in their taxbase. District Councils would be provided a grant which would be distributed to the local councils.

A Member stressed the importance of notifying residents in writing of the 18.5% reduction in Council Tax support for unprotected groups. The Group Manager – Financial Services clarified that there will be consultation on the Scheme over the Summer and it would not be finalised until December. Claimants could be notified between December 2012 and March 2013.

The Chairman suggested that the Council's taxbase could reduce between 2.5 and 5% because of the reforms.

6. Matters Arising including actions from last meeting

It was considered that presentation from the Secretary of the Superannuation Fund created a good debate but Members hoped that, as the number of pensioners in the scheme rose when compared to the number of contributors, that the scheme would move towards more long term investments, such as bonds and away from equities.

The other completed actions were noted.

A Member, who was also the acting clerk for Shoreham Parish Council, apologised to the Group regarding the item on local housing needs in Shoreham, which was considered at the last meeting of the Group. It was only at the Parish Council's meeting on the Thursday prior to the Performance and Governance Committee meeting on 12 June 2012 that he learned of the Parish Council's objections to the scheme. The Parish Council now believed that the consultation from 2005 was out of date. Since the consultation the local needs would have changed and the development in Dunton Green had since begun. Members were informed that the Performance and Governance Committee had therefore deferred the item.

7. Referrals from Performance & Governance Committee

There were no referrals.

8. Provisional Outturn 2011/12 and Carry Forward Requests

The Finance Manager reminded Members that at the end of February the forecast outturn was for a favourable variance of £50,000. The provisional variance was now

£632,000 which included a VAT refund the Council had achieved of £552,000. Disregarding the refund the variance was £30,000 better than the February forecast. If approved, the carry forward requests would reduce the outturn to approximately £8,000.

The Group considered the carry forward requests and had comments on the following items:

Direct Services Training

A Member was concerned that there was no clear commitment that the carry forward request would be spent in the financial year 2012/13. The Finance Manager confirmed that the training budgeted for had started in the last month and was therefore an ongoing expense.

Asset maintenance

The reason for the request stated that the funds carried forward possibly may not be used on the same projects as those which were underspent in 2011/12. Officers were advised that the request should not be used to recreate the asset maintenance fund which had been abolished by the Council. The Chairman agreed that the projects the money would be spent on should be enumerated before the report was taken to the Cabinet meeting on 14 June 2012 for consideration. Officers agreed to report to Cabinet those items which had been underspent to show the sums were authentic carry forward requests.

Action: Officers to clarify, when the report is considered by Cabinet, which asset maintenance items had been underspent.

Disabled Facility Grants 2011/12

The Chairman noted that there was little leeway for the Council on this request as the Occupational Therapist service was one run by Kent County Council. He was also unsettled by the sums involved in children's Disabled Facility grants but was content to approve the request.

A Member noted that Direct Services Trading Account had continued to struggle, facing a £21,000 loss as opposed to the originally budgeted £71,000 gain. In February the expectation had been to break even. The Chairman noted that the Head of Environmental and Operational Services had reported to the Group on 28 March 2012 explaining the increased costs they had faced. The Chairman hoped for improvement but had confidence in the Officers.

Resolved that:

(a) the Revenue 'carry forward' requests totalling £72,010 as set out in paragraph 13 of the report be approved, subject to the clarification suggested by the Finance Advisory Group; and

(b) the capital carry forward requests totalling £490,107 as set out in paragraph 15 of the report also be approved.

9. Financial Performance Indicators 2011/12 - to the end of March 2012

A Member enquired why the Council Tax collected for 2011/12 was at 98.6% when the taxbase was calculated on a presumption of a collection rate of 99.5%. It was clarified that the figure of 98.6% was the amount collected within the year and some would only be collected later.

Members were encouraged that the numbers paying for Council Tax through Direct Debit had risen. Residents had recently been given the opportunity to arrange this online and it had proven very popular.

It was noted that the number of full-time equivalent employees in March was above target. The Finance Manager stated that the Benefits Team had recently needed the use of agency staff. The Chairman noted from the report in minute item 10 that the figure in April 2012 had improved to 372, which was 7 ahead of target.

10. Financial Performance Indicators 2012/13 - to the end of April 2012

Officers were asked why the reason for sundry debts was high. This was a result of 2 large invoices for one of the other Councils in the Licensing Partnership. The Chairman noted that there were some considerable National Non-Domestic Rates outstanding.

Action: Officers to shift the scales on the graphs when the reports is next presented, so that the lines are closer to the centre.

11. Forward Programme

It was requested that a report be made on the costs for the Council of the Paralympic Games. Although set out in the costs for Community Development, the Chairman suggested that the figures be brought forward.

The Group Manager – Financial Services agreed to include updates on the localisation of Council Tax support before a proposal was sent to the Council in the Summer.

Members invited the Head of Environmental and Operational Services to return to the Group in October 2012, principally to focus on an update regarding Direct Services.

THE MEETING WAS CONCLUDED AT 12.07 pm

Chairman

6

Action Sheet - Actions from the previous meeting

ACTIONS FROM 13.06.12			
Action	**Description**	**Status**	**Contact Officer**
1	The Planning or Legal Services Team to provide Members with clarification on the Council's obligations under Section 106 agreements, in the event on non-performance by a third party.	The Group Manager – Planning to provide an update for the meeting on 25 July 2012.	Alan Dyer Ext. 7196
2	Officers to clarify, when the Provisional Outturn 2011/12 and Carry Forward Requests report is considered by Cabinet, which asset maintenance items had been underspent.	Action completed.	Adrian Rowbotham Ext. 7153
3	Officers to shift the scales on the graphs when the Financial Performance Indicators reports is next presented, so that the lines are closer to the centre.	Action completed.	Helen Martin Ext. 7483

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ARGYLE ROAD OFFICES, ACCOMMODATION FOR OUTSIDE ORGANISATIONS

Finance Advisory Group 25 July 2012

Report of the:	Corporate Resources Director
Status:	For Consideration
Also considered by:	Performance & Governance Committee - 18 September 2012
	Cabinet - 11 October 2012

This report supports the Key Aim of

Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Legal & Democratic Services – Mrs Christine Nuttall

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Recommendation to the Performance & Governance Committee that capital reserves are used to provide office accommodation for Moat Housing on the terms and conditions detailed in the report and to such other conditions as the Council's legal advisors consider necessary to protect the Council's interests.

Introduction

1. Following the relocation of Environmental Health to Dartford uses of the vacated accommodation have been considered.

2. The District Council has been approached by Moat Housing which currently rents 12 desk spaces located on the second floor between the Election section and the Property section. Due to an internal reorganisation they would like to have 15 desks which cannot be accommodated on the second floor.

3. It is possible to fit 15 desks into the area vacated by Environmental Health on the first floor as shown on the attached plan (Option 2). This layout provides:

   - Environmental Health 8 hot desks as existing with no changes proposed.
   - The 15 desks for Moat which have been accommodated in reduced space following a meeting with Moat where they agreed to reduce the amount of storage required
   - Three dedicated hot desks for Community Development and the Police.

4. Moat currently pays £8,500p.a. rent and £14,400p.a service charge and if the proposed changes precede these payments will increase to £9,200 and £18,000 respectively

5. Officers are also in discussion with Kent County Council Social Services who are looking for accommodation for 6 staff; these staff could be accommodated with the current Moat second floor area with the remaining 6 desks being used as corporate hot desks until an alternative occupier is identified. (Option 2b)

6. To achieve this capital expenditure in the sum of £7,000 is needed to be invested by the District Council in respect of furniture and alterations to the power supply (each proposed tenant will be responsible for providing their own IT and telephony systems at no cost to the District Council

7. KCC will pay £4,700p.a. rent and £7,200p.a. service charge.

8. The total income from Moat and KCC will increase from £22,900p.a. to £39,100 p.a.

9. All these figures are subject to the final agreement of all parties and the draft Heads of Terms are appended to this report for information.

10. The rental indicated above reflects a rental of £15 per square foot per annum which reflects favourably with commercial office rents in central Sevenoaks given that the accommodation in Argyle Road is not self contained, does not have air conditioning, has no allocated parking and is only available for use 5 days/week during normal office hours. Central Sevenoaks purpose built self contained air conditioned offices with parking tend to attract a rent of between £16 and £21 per square foot per annum with high specification offices reaching £23 per square foot.

11. The service charge is based on actual costs incurred in the preceding year in respect of building repairs, plant maintenance, power and water, fire safety, business rates, insurance, cleaning etc. and photocopying usage. The cost for 1011/12 has ben calculated at £1,200 per desk per year.

Key Implications

Financial

12. This project will enable some of the Council capital to be converted into a revenue steam and will also go some way to mitigating the cost of operating the Argyle Road offices

Community Impact and Outcomes

13. Moat will retain a local presence in Sevenoaks for the convenience of their tenants and this proposal will enable closer joint working with the Housing team

Legal, Human Rights etc.

14. No legal or human rights issues have been identified.

Value For Money and Asset Management

15. The proposal provides an acceptable return on the capital invested and reduces the cost of operating the offices on the public purse.

Equality Impacts

16. No legal or human rights issues have been identified.

Risk Assessment Statement

Risk 1

17. That Moat Housing or Kent County Council vacate the accommodation early thereby reducing the Council's income. The likelihood is low and the mitigation is that the updated accommodation will remain available for use by other parties/sections of the Council.

Risk 2

18. That generally investment rates increase to a level that renders the return ion the capital invested poor. The likelihood of this happening during the first 5 year period is extremely low and mitigation is not considered necessary.

Appendices:	Appendix A – Plans of proposed accommodation
	Appendix B – Draft Heads of Terms
Background Papers:	Property file- Argyle Road Office Moves (Current)
Contact Officer(s):	Jim Latheron Extn. 7209

Dr. Pav Ramewal
Corporate Resources Director

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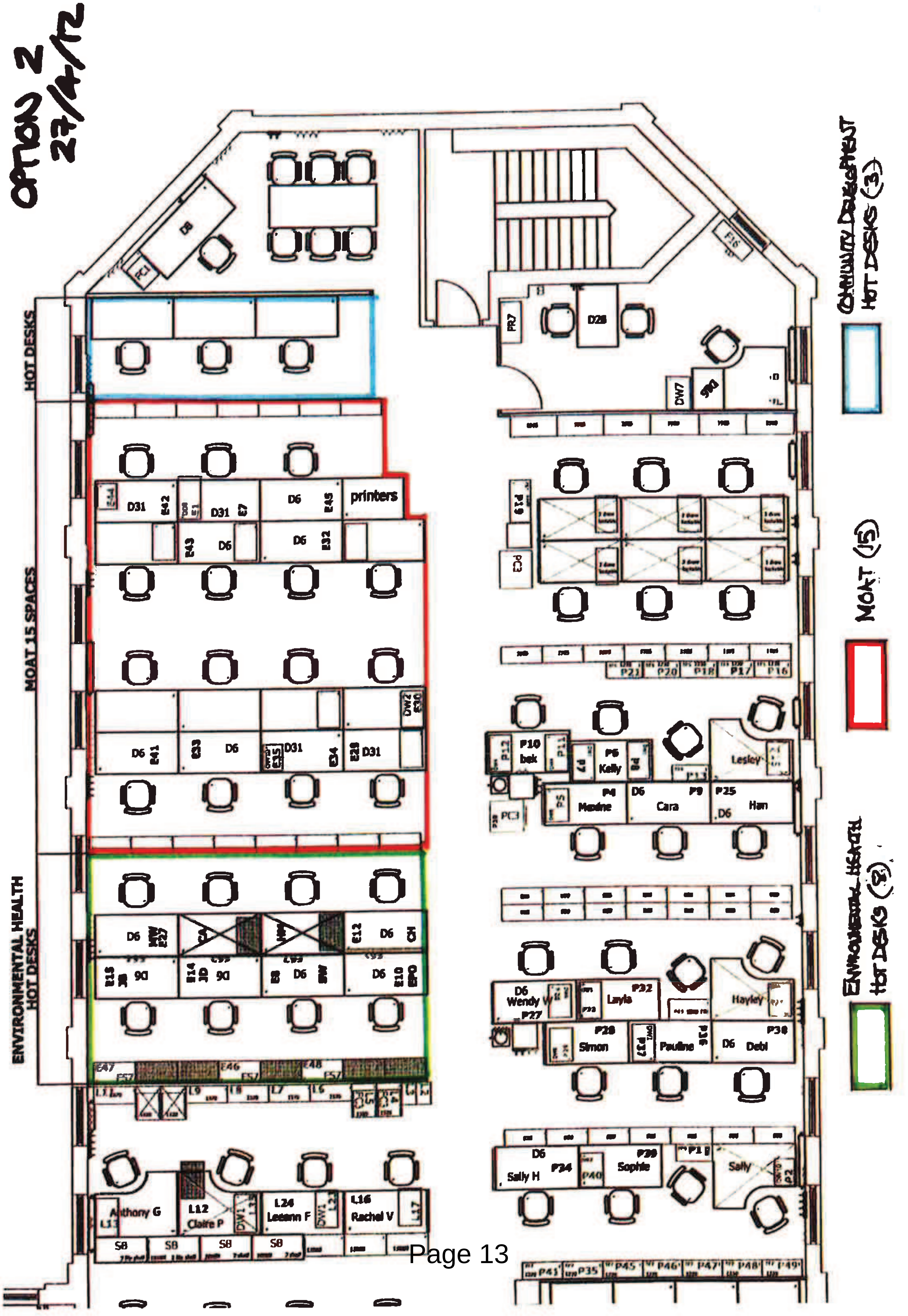
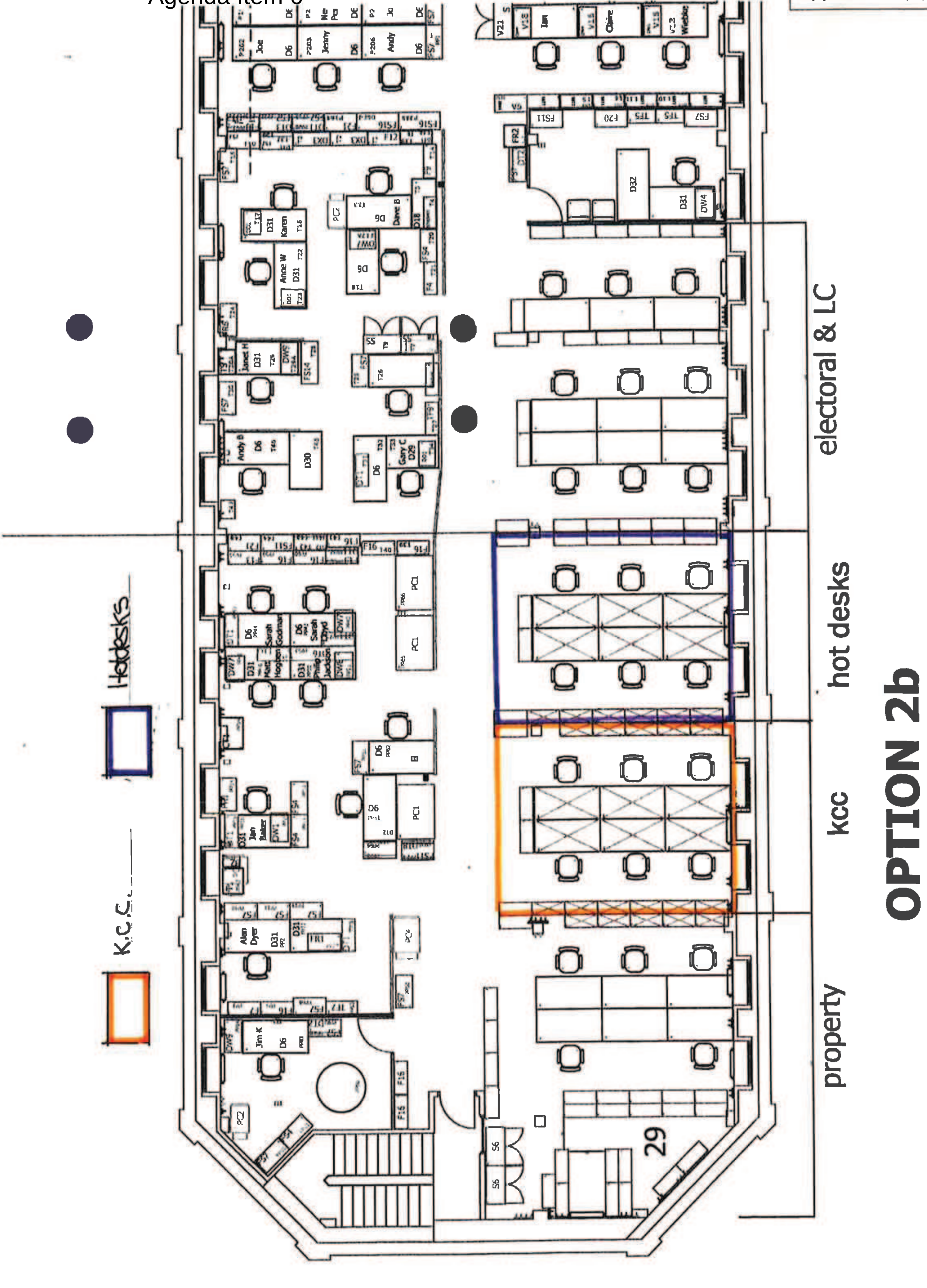

OPTION 2
27/11/12
HOT DESKS
MOAT 15 SPACES
ENVIRONMENTAL HEALTH HOT DESKS
COMMUNITY DEVELOPMENT HOT DESKS (3)
MOAT (15)
ENVIRONMENTAL HEALTH HOT DESKS (2)
printers
Lesley
Kelly
Cara
Han
Wendy
Layla
Hayley
Simon
Pauline
Debi
Sally H
Sophie
Sally
Anthony G
Claire P
Leeann F
Rachel V

Appendix A (2)


Hotdesks
K.C.C.
electoral & LC
hot desks
kcc
property
OPTION 2b
29

OFFICE ACCOMMODATION FOR OUTSIDE AGENCIES AT COUNCIL OFFICES, ARGYLE ROAD, SEVENOAKS, TN13 1HG

PROPOSED HEADS OF TERMS

Proposal: To grant a licence to occupy office accommodation within the Argyle Road offices.

Term: 5 years with break clause to be exercised upon 6 months notice by either party after the end of the 3rd year

Rent: £****.a. with no reviews for the first 5 years

Service Charge: Based on current expenditure £****p.a. to cover rates, insurance, energy, security, office support including use of the photocopying equipment and post room and all related building running costs payable annually in arrears. Subsequent years service charge based on actual costs per square metre calculated on the square meterage of the accommodation occupied by the tenant .

Accommodation: The District Council will provide sufficient accommodation for ** work stations, each workstation comprising a desk, chair and storage cabinet. The location of the accommodation is shown edged red on the attached plan.

Cost of works: Sevenoaks District Council will meet the cost of providing the accommodation and workstations including power supply and furniture. The tenant will be responsible for providing their own office equipment, PCs, printers, telephones etc.

Car Parking: No on site car parking will be allowed.

Operating hours: The offices are open for staff from 7am to 7pm Monday to Friday, public access is from 8.45am to 5.15pm. Out of hours working will only be available if security staff are available and any addition cost met by the requesting party.

Indemnity: If the tenant withdraws from the proposal it is to reimburse the District Council any costs expended in providing the accommodation. (This is with immediate effect as the District Council will be committing to expenditure prior to the tenant taking up the accommodation.

Early surrender: If the tenant vacates the accommodation provided within the first 3 years of the agreement it will reimburse the District Council a proportion of the capital cost expended in providing the accommodation on the following scale vacation in year 1 100% reimbursement, year 2 66% reimbursement, year 3 33% reimbursement and after year 3 reimbursement nil.

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INVESTMENT STRATEGY UPDATE

FINANCE ADVISORY GROUP – 25 JULY 2012

Report of the:	Deputy Chief Executive and Director of Corporate Resources
Status:	For consideration
Also considered by:	Performance and Governance Committee – 18 September 2012
Key Decision:	No

Executive Summary: Members approved the Investment Strategy in January/February 2012 as part of the budget setting process. In considering that strategy Members were advised that, given the prevailing economic climate, the strategy would need to be kept under review during the ensuing financial year and amended where necessary. It is also a requirement of the CIPFA Code of Practice on Treasury Management that regular updates are presented to Members to enable them to have an informed view of the treasury management function and its activities.

This report follows up on recent developments in the markets and changes to credit ratings. It also gives an update on treasury activity in the first quarter of the current financial year and the latest position with regard to the Council's investment with Landsbanki Islands hf.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder	Cllr. Ramsay
Head of Service	Group Manager - Financial Services – Mr. Adrian Rowbotham

Recommendations:

(a) That the update on treasury management activity in the first quarter of 2012/13 be noted; and

(b) that the upper investment limits for the Ignis and Insight Money Market Funds be increased to £3m each.

General Background and Introduction

1. The Council aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The Council approved the current Investment Strategy for 2012/13 at the Council meeting on 21 February 2012.

2. Credit ratings form the basis of investment decisions and the matrix supplied by the Council's treasury advisers, Sector Treasury Services Ltd (Sector), encapsulates credit rating data to provide suggested counterparties and maturity limits.

3. Changes to the treasury management reporting regime brought about by the revised CIPFA Code of Practice on Treasury Management in the Public Services mean that regular reports should be presented to Members to enable them to have an informed view of the Council's treasury operation.

4. The annual report of performance in the previous financial year will be presented to the meeting of the Performance and Governance Committee on 18 September 2012.

Economic Background

5. Sector have produced a report on the recent economic background and it includes their summary outlook and forward view. This appears at Appendix A.

Interest Rate Forecast

6. Sector have provided the following forecast:

	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%
5yr PWLB rate	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.60%	2.80%	3.00%	3.20%	3.40%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%
25yr PWLB rate	4.20%	4.30%	4.30%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
50yr PWLB rate	4.30%	4.40%	4.40%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%

7. The Sector central forecast is for the first increase in Bank Rate to be in the first quarter of 2014 but there is downside risk to this projection. With growth predictions for the UK continuing to be reduced on an almost monthly basis by both the Office for Budget Responsibility and economic commentators generally, and financial markets unconvinced that politicians have resolved the Eurozone sovereign debt crisis in the medium-term, Sector's view is that we are likely to continue to experience high levels of volatility.

Review of Annual Investment Strategy

Investment Performance

8. Part of the service offered by Sector is to produce a monthly analysis of the Council's investment portfolio together with the latest amendments to credit ratings. These are emailed to Members of the Group each month and the one for June 2012 is reproduced at Appendix B for information. A graphical representation of investment returns , which is used in the monthly financial results submitted to Members of the Group appears at Appendix C.

9. Sector have also expanded their reporting service to include a Benchmarking Group of neighbouring authorities, for those wishing to participate. We are part of a group of five Kent authorities whose investment returns have been compared individually with the group as a whole, with 59 Non-Metropolitan Districts and with 157 authorities of all types. The results are presented quarterly and the March 2012 outcome appears at Appendix D. At the time of writing this report the June 2012 results were awaited. If available in time, they will be circulated at the meeting.

10. Members will note that investment returns currently exceed target and that the benchmark LIBID (London Interbank Bid Rate) comparisons are also being exceeded. This has been achieved against a background of a highly cautious investment policy which has been developed to address concerns about the credit quality of financial institutions.

11. It is interesting to note that when compared with the five Kent authorities as a whole, our rate of return for March was in line with the average. However, it appears that as a group we are far more risk averse than Non-Metropolitan authorities as a whole. This appears to be due to a greater appetite for structured products (such as range accruals), certificates of deposit and longer dated investments amongst the wider group.

<u>Counterparty Issues</u>

12. In a continuing theme, the availability of suitable counterparties has been a concern over recent months. Despite relaxing the minimum long term credit rating requirement from AA- to A in the current Investment Strategy, further worsening of conditions in the Eurozone and its consequent effect on UK institutions has resulted in more credit rating downgrades. At the time the strategy was agreed, institutions such as Santander and Clydesdale Bank met the criteria for lending but have since fallen below the lower limits. These two particular banks are active in the money markets and offer superior rates, but this opportunity has now been lost. The result has been to revert to options such as lending to other local authorities and to the UK Governement's Debt Management Office at inferior rates.

13. More recently, the widely publicised issues surrounding the Council's own bankers, Barclays, has resulted in their financial strength rating being placed on negative outlook. If this were to turn into a rating downgrade, then this could have serious implications for our investment options both in terms of fixed deposits and as a home for cashflow surpluses.

<u>Money Market Funds</u>

14. At the meeting of the Group on 28 March 2012, it was agreed to commence investment in Money Market Funds (MMFs). The Investment Strategy already allowed for such investments up to a maximum of £5m per Fund. Consequently, two accounts were opened with £1m in each. The account opening procedure was relatively straightforward, although Members did have reservations about the domicile of the Funds being in Dublin. I hope that the email I sent shortly after the March meeting gave some reassurance on this point.

15. MMFs are liquid instruments meaning that redemptions (i.e. withdrawals) can be made up to early afternoon on the required day. As yet, our cashflow requirements have not necessitated any redemptions, so the balances remained at £1m each as at the end of June 2012. The return on the two funds after deduction of management fees were:-

	Ignis Liquidity Fund	Insight Liquidity Fund
May 2012 (Part)	0.75%	0.63%
June 2012	0.74%	0.63%

16. Members will note that we have several investments with other local authorities, none of which are approaching the MMF rates of return. In my opinion, a better option would be to increase deposits in the MMFs instead of reinvesting in the local authority market. Members views are sought on the suggestion that deposits are increased up to a maximum of £3m per MMF.

17. I have recently been approached by both HSBC and the CCLA Public Sector Deposit Fund with their MMF offerings. The HSBC MMF yielded 0.66% gross in May 2012, or 0.46% after management fees. The CCLA MMF has the advantage of being geared towards the public sector and comes with an endorsement from the Local Government Association and local authority leaders. However, it is a very small fund with just over £100m in assets and its gross yield in June 2012 was 0.75%, or 0.55% after management fees. I will keep these two options under review.

Icelandic Investment

18. A second distribution was received from the Winding Up Board of Landsbanki Islands hf on 29 May 2012. The first and second distributions together constitute approximately 40% of our claim.

19. At present, the Council expects to recover 100% of its deposit in Landsbanki but the precise amount will vary owing to foreign exchange fluctuations. The current repayment schedule is expected to extend until 2018 or 2019.

20. A small amount (approximately 2%) of the first distribution was made in Icelandic Krona (ISK). Under Icelandic currency controls, consent from the Icelandic Central Bank is required in order pay priority creditors the ISK element of the distribution. Accordingly, the entire ISK part of the distribution was paid into an escrow account denominated in ISK pending clearance from the Icelandic Central Bank. It is currently attracting interest at just over 3%.

Key Implications

Financial

21. The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.

22. There are financial implications arising from the restriction of the Council's lending list following recent credit rating downgrades in that a large part of the portfolio has had to be placed with the Government or other local authorities at an inferior rate of interest.

Community Impact and Outcomes

23. There are no community impacts arising from this report.

Legal, Human Rights etc.

24. None.

Conclusions

25. The overall return on the Council's investments continues to exceed budget, but this will be eroded if the current trend towards lending to other local authorities and to the Government continues. This could be addressed by increasing the amount deposited in Money Market Funds and Members' views on this option would be welcome.

26. The economic situation both globally and within the Eurozone in particular remains volatile with inevitable consequences for the UK economy. Further deterioration in the credit quality of banks and other financial institutions could have serious implications for the Council's investment decisions and this will be monitored closely over the coming months.

27. Recovery of the Icelandic deposit is ongoing and further updates will be provided as and when monies are received.

Risk Assessment Statement

28. Treasury Management has two main risks :

    - Fluctuations in interest rates can result in a reduction in income from investments; and
    - A counterparty to which the Council has lent money fails to repay the loan at the required time.

29. The movement towards having a restricted lending list of better quality institutions but higher individual limits with those institutions reduces the chances of a default. But if a default did occur, the potential loss would be greater. Previously, the preference was to have smaller investments with a greater range of institutions.

30. These risks are mitigated by the annual investment strategy which has been prepared on the basis of achieving the optimum return on investments commensurate with proper levels of security and liquidity. However, Members should recognise that in the current economic climate, these remain significant risks and that the strategy needs to be constantly monitored.

Appendices:	Appendix A – Economic background report from Sector Treasury Services Ltd Appendix B – June 2012 investment report from Sector Treasury Services Ltd Appendix C – Investment returns for 2012/13 Appendix D - March 2012 report from Sector Benchmarking Group
Background Papers:	Treasury Management Strategy for 2012/13 - Council 21 February 2012 Sector Treasury Services Ltd – economic updates, monthly investment reports, benchmarking reports and credit rating lists
Contact Officer(s):	Roy Parsons ext.7204

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources

SECTOR

Treasury Management Update

Quarter Ended 30th June 2012

ECONOMIC BACKGROUND

- The economic outlook has generally weakened;
- Demand on the high street was volatile, as a result of temporary distortions;
- Employment rose and unemployment fell, but earnings growth remained weak;
- Inflation continued to fall;
- The Bank and the HM Treasury announced measures to help the UK banking sector;
- The MPC indicated another tranche of quantitative easing (QE);
- Gilt yields fell on the back of deteriorating economic data and safe-haven flows from the euro-zone;
- Sentiment towards the Eurozone alternately rose on the announcement of measures to address the crisis, but then fell back as measures disappointed.

The weakening business surveys since the start of Q1 suggests that the economy will be lucky to escape a third successive quarterly contraction (output shrunk by 0.4% in Q3 FY 11/12 and 0.3% in Q4 FY 11/12). Admittedly, the weighted output balance of the CIPS/Markit surveys in April and May was at a level consistent with quarterly expansion, albeit of only 0.2%. However it is not clear that the CIPS surveys have improved on the detrimental impact on output of the extra bank holiday for the Queen's Jubilee at the start of June.

The CIPS surveys does exclude the retail sector and high street spending, which performed strongly in May on the official measure, following a weak, poor-weather driven performance in April. Evidence for early June from the CBI's Distributive Trades Survey suggests that the Jubilee holiday may have boosted spending. Nevertheless, consumer confidence showed no signs of breaking out of its long-depressed state.

The labour market continued to perform relatively better. The Labour Force Survey measure of employment rose by 166,000 in the three months to April, whilst unemployment fell by 51,000 in the period February-April. The scale of the decline was more modest than the rise in employment, with the number of people looking for work outpacing jobs growth. The narrower claimant count measure of unemployment did rise by 8,000 in May, the largest increase since September 2011.

Pay growth remained weak. Annual growth of overall average earnings rose from 0.8% to 1.9% in April as the poor bonus season ended. Excluding bonuses, growth was only 1.8%. Given the rate of inflation over this period, real pay continued to fall on an annual basis, an underlying drag on the consumer and therefore growth.

House prices trended downwards. The Nationwide measure fell in two of the three months from April to June, with the annual rate of house price inflation declining from -0.7% in May to -1.5% in June. The less timely Halifax measure also saw an overall decline in prices over April and May.

Banks' funding costs eased over the quarter, reflecting actions by the Bank of England and Treasury to boost liquidity. Two initiatives were announced in June - a 'funding for lending' scheme which would allow banks to temporarily "swap" their assets with the Bank of England in return for money they could lend to customers, and an emergency scheme that offered six-month low-cost liquidity to banks in tranches of £5bn a month.

Costs, however, remained elevated and banks began to pass higher costs onto borrowers. Borrowing rates on most types of new mortgages picked up in April and May.

Trade data showed a sharp deterioration in April. The UK posted its second largest monthly trade deficit on record, driven in large part by a widening of the gap between exports and imports with countries outside the EU. Exports to the Eurozone also fell, with weakness extending from the peripheral countries to what had previously been perceived as strong economies like Germany.

The latest public finance figures also disappointed. While April's budget surplus was the largest on record, this was flattered to the tune of £28bn by the transfer of a share of the assets of the Royal Mail's pension fund to the public sector. Once allowance was made for this, net borrowing for the first two months of the financial year was almost £4bn higher than the equivalent period in 2011/12.

Inflation fell further in the second quarter. CPI inflation fell from 3.5% in March to 2.8% in May, driven by declines in fuel and food prices. Core inflation fell from 2.5% to 2.2%.

The most striking development in inflationary pressures was in the price of oil, which fell from $125 at the beginning of April to around $96 at the end of June, its lowest level since early 2011.

Consistent with the decline in inflation, medium-term indicators of inflation suggested that underlying price pressures remained weak. Household respondents to June's YouGov/Citigroup inflation expectations survey predicted the annual rate of inflation in a year's time would be 2.4%, the lowest year-ahead expectation since April 2010.

The MPC voted narrowly against pursuing more quantitative easing (QE) at its June meeting. The consensus view was that the MPC would decide on further purchases in July. The Governor of the Bank of England said in June that, as a consequence of the Eurozone crisis, he was already more pessimistic than suggested by the forecasts published in the Bank's Inflation Report only six weeks earlier.

As a result of, safe-haven flows from the Eurozone and the impact of QE, government bond yields fell during the quarter, with ten year yields at one point dropping below 1.5%, their lowest level ever.

After signs of acceleration in Q4 FY 11/12, the US economy's recovery lost momentum. Total non-farm payroll employment was up only 69,000 in May, following a similarly weak rise in April of 77,000. US retail sales values fell in April and May.

Market sentiment towards the Eurozone remained volatile as successive 'rescue packages' first raised, and then disappointed, expectations. The economic news suggested that the Eurozone economy contracted sharply in the second quarter, while Eurozone unemployment rose to 11.1% in May, the highest rate since the creation of the euro in 1999.

SUMMARY OUTLOOK

The outlook for the global economy remains clouded with uncertainty. The UK economy has struggled to generate a sustained recovery so this offers little hope for a strong recovery in 2012, and possibly even into 2013. Consumer and business confidence levels are generally low and it is not easy to see potential for a significant increase in the growth rate in the short term.

Eurozone

- Regular Eurozone summits have yet to put in place the building blocks for a long-term recovery;
- The outcome of the French and Greek elections have emphasised the desire of the southern nations states and France to see more of a growth agenda than has been prevalent of late and also a potential move towards fiscal union;
- Cash outflows from banks have generally been from the southern nation states to Germany, Holland, Denmark and Finland.
- The Germans remain reticent about fiscal union of any sort;
- In the first week of July, the ECB cut the base lending rate to 0.75% from 1% whilst the deposit rate was reduced to zero.

US

- Economic prospects have disappointed in recent weeks with the key non-farm payroll monthly figures tending to dip below 100,000 new jobs. For a proper, robust recovery, something in the order of 200,000 new jobs needs to be created each month.
- Operation Twist remains in place, ensuring that long term funding costs are forced down as well as the loose monetary policy at the short end of the curve;
- However, in a typically fraught election year, the US still has to address reducing the huge total of public debt and annual deficits but that will have to wait until 2013 at the earliest;
- Presidential elections are due in November 2012.

China

- Falling inflation has opened the way for relaxing credit restrictions to boost growth, which has been flagging;
- Current expectations are that it will maintain a reasonable rate of growth, though less than in previous years.

UK

- Austerity measures, aimed at getting the public sector deficit into order over the next four years, may start losing support unless the economy starts to revive soon;
- Some £80bn is going to be made available by the Government to the banks to parcel through to business but it is not clear that all of this will be taken up;
- The housing market, a gauge of consumer confidence, remains subdued although house prices are being supported by the weak £ relative to some of the other main currencies;
- Economic forecasts for 2012 and beyond have been revised lower on a near quarterly basis;
- The Bank of England embarked on a £50bn third round of Quantitative Easing (QE) at the start of July to stimulate economic activity. It is unlikely to be the last tranche of QE and the total now stands at £375bn;
- Inflation has eased from its peak of 5.2% (CPI) in September 2011, now standing at 2.8% with the outlook brighter given commodity and oil prices seem to be in decline, at least for the moment
- “Safe haven” status has underpinned demand for gilts and kept yields at historic lows. Unlikely to see material change in near term.

SECTOR'S FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

- The impact of the Eurozone crisis on financial markets and the banking sector;
- The impact of the UK Government's austerity plan on confidence and growth;
- Monetary policy action failing to stimulate growth in western economies;
- The potential for weak growth or recession in the UK's main trading partners - the EU and US;

The overall balance of risks remains weighted to the downside. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However, near-term, QE is likely to depress yields and further QE thereafter may lead to a reassessment of Sector's central forecast

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before early 2014 as very limited indeed. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

SECTOR

Sevenoaks District Council

Monthly Investment Analysis Review

June 2012

Sevenoaks District Council

Monthly Economic Summary

General Economy

The Bank of England (BoE) looks set to flood the market with another £50bn of cash, as early as next week, as Britain's economic growth outlook deteriorates and falling inflation gives the central bank room to offer further support. The economy shrank by 0.3% during the first three months of this year, leaving the nation in its second recession in four years. The dreadful figure was largely down to a 4.9% drop in construction output, its sharpest fall since the first quarter of 2009. This weak picture of the economy was further underlined by figures also released, showing government spending grew at its fastest rate in nearly seven years between January and March. Public sector net borrowing (excluding public sector interventions) came in at £17.9bn for May, compared with £15.2bn a year ago, after income tax receipts fell and spending rose, in a sign the government may face a struggle to meet its debt reduction target as the economy weakens. The central bank forecast in May that inflation was likely to remain above its 2% target until the second half of next year. However, with CPI unexpectedly falling to 2.8%, due to slower price rises for food and fuel, it is an indication that inflation may be easing more quickly, as the bank had first hoped. The drop in growth and a fall in CPI have given the BoE more leeway to inject additional cash into the economy. According to the Office for National Statistics (ONS), Britain's goods trade deficit unexpectedly widened to £10.10bn in April, the second-largest gap since records began in January 1998, as exports to countries outside of the European Union fell sharply, while imports dipped less. In a further sign of the darkening economic outlook, we witnessed the headline PMI manufacturing activity shrink at its fastest pace in three years, in May, plunging to 45.9 from a downwardly revised 50.2 in April, reflecting a broad-based global economic slowdown in demand for British goods. Moving in to more positive territory, in May, Britain's services sector continued to grow at a steady pace, the PMI remaining at 53.3 and confounding expectations for a slowdown. The number of people without a job on the wider ILO measure fell by 51,000 in the three months to April to 2.62 million, moreover, the jobless rate held steady at 8.2% providing evidence of showing some signs of improvement. British retail sales also carried positive news, bouncing back in May and rising 1.4% on the month as shoppers splashed out on clothes and shoes. This followed a slump in the wettest month of April on record, while low fuel sales, following panic-buying in March due to a looming truck driver strike, compounded the fall. Despite a weaker growth outlook in the near term, the BoE opted to halt its £325bn quantitative easing programme in May, after its latest forecasts showed inflation would take longer to fall back to its 2% target. However, with an escalation of the Eurozone debt crisis in recent weeks and falling CPI, it is likely some policymakers have had to rethink their stance.

Housing Market

Mortgage lender Halifax reported house prices rose by 0.5%, on a monthly basis in May, rebounding from a 2.3% decline in April. According to Nationwide, house prices fell 0.6% in June after a 0.2% rise the month before. They blamed the weakness of the UK economy and the end of the stamp duty holiday in March, which provided a boost for the market early in the year. The number of mortgages granted to homebuyers rose to 32,438 in April, up from 31,931 in March, according to the British Bankers' Association group.

Forecast

Sector has kept its interest rate forecast unchanged, expecting a first increase in the bank rate of 0.25% in Q1 of 2014, followed by incremental increases of 0.25% in Q2 and Q3 of the same year before rising to 1.50% in Q1 2015. UBS and Capital Economics are not expecting any change in the bank rate for the foreseeable future.

Bank Rate	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Sector	0.50%	0.50%	0.50%	0.50%	0.50%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%

Sevenoaks District Council

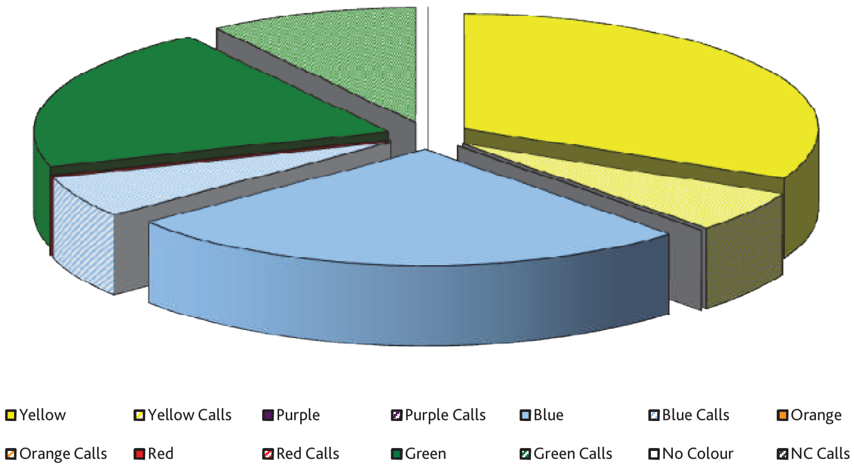
Current Investment List

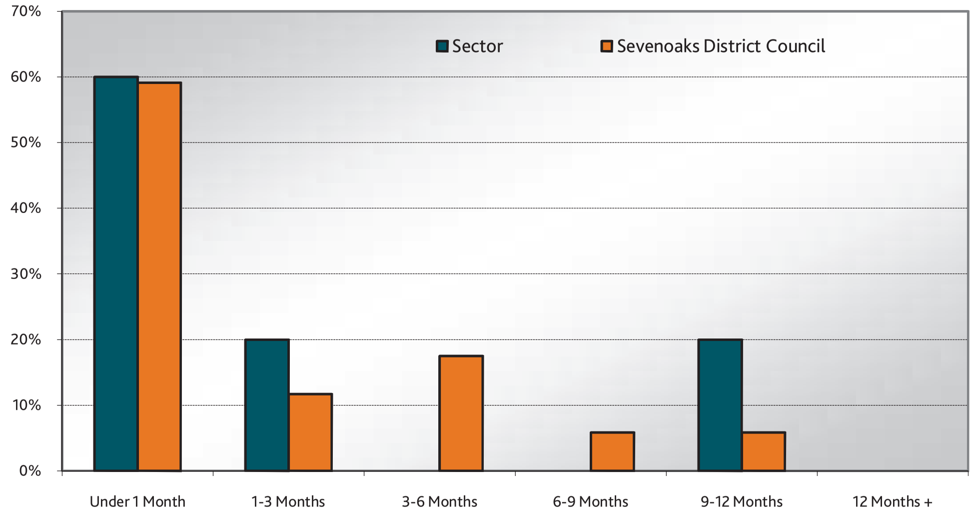
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Barclays Bank plc	3,258,000	0.45%		Call
National Westminster Bank Plc	2,000,000	0.80%		Call
Ignis MMF	1,000,000	0.74%		MMF
Insight MMF	1,000,000	0.69%		MMF
UK Debt Management Office	5,000,000	0.25%	25/06/2012	03/07/2012
Nationwide BS	1,000,000	1.00%	02/04/2012	09/07/2012
Eastleigh Borough Council	1,000,000	0.42%	16/01/2012	16/07/2012
National Westminster Bank Plc	1,000,000	1.80%	19/12/2011	18/07/2012
Nationwide BS	2,000,000	1.00%	18/04/2012	23/07/2012
Salford City Council	1,000,000	0.38%	11/01/2012	23/07/2012
Lloyds TSB Bank Plc	1,000,000	1.75%	25/01/2012	25/07/2012
Ulster Bank Ltd	1,000,000	1.12%	27/04/2012	27/07/2012
Nationwide BS	1,000,000	0.95%	01/05/2012	01/08/2012
Barclays Bank plc	1,000,000	0.91%	02/05/2012	02/08/2012
Barclays Bank plc	1,000,000	0.95%	15/05/2012	15/08/2012
Nationwide BS	1,000,000	0.93%	25/05/2012	28/08/2012
Greater London Authority	3,000,000	0.34%	11/06/2012	02/10/2012
Lloyds TSB Bank Plc	1,000,000	2.00%	31/01/2012	31/10/2012
Lloyds TSB Bank Plc	1,000,000	2.00%	03/02/2012	05/11/2012
Aberdeen City Council	1,000,000	0.48%	29/05/2012	29/11/2012
Bank of Scotland Plc	1,000,000	2.50%	14/02/2012	12/02/2013
Bank of Scotland Plc	1,000,000	2.50%	24/02/2012	22/02/2013
National Westminster Bank Plc	2,000,000	2.25%	27/04/2012	22/05/2013
Borrower - Icelandic Exposure	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**
Landsbanki Islands hf	1,000,000	6.32%	25/06/2007	25/06/2009
Total Investments	**£35,258,000**			
Total Investments - excluding Icelandic exposure	**£34,258,000**	**0.96%**		
Total Investments - Icelandic Exposure Only	**£1,000,000**	**6.32%**		

June 2012

Sevenoaks District Council

Portfolio Composition by Sector's Suggested Lending Criteria





Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 3mths	No Colour

Portfolios weighted average risk number = 3.1

WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs WAM	Excluding Calls/MMFs WAM at Execution
Yellow	37.95%	£13,000,000	15.38%	£2,000,000	5.84%	0.38%	38	72	44	85
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	32.11%	£11,000,000	18.18%	£2,000,000	5.84%	1.80%	131	231	160	283
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	29.94%	£10,258,000	31.76%	£3,258,000	9.51%	0.80%	22	64	32	94
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£34,258,000**	**21.19%**	**£7,258,000**	**21.19%**	**0.96%**	**63**	**121**	**80**	**153**

June 2012

Sevenoaks District Council

Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
08/06/2012	1100	Spain Sovereign Rating	Spain	Sovereign Rating downgraded to 'BBB' from 'A'
11/06/2012	1101	Santander UK plc	U.K	LT Rating downgraded to 'A' from 'A+', Viability Rating downgraded to 'a' from 'a+'
13/06/2012	1102	Credit Agricole SA	France	LT Outlook changed to 'Negative' from 'Stable'
13/06/2012	1102	CALYON Corporate and Investment Bank	France	LT Outlook changed to 'Negative' from 'Stable'

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
11/06/2012	1099	Commerzbank AG	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
11/06/2012	1099	DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	Germany	LT Rating downgraded to 'A1' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Landesbank Baden Wuerttemberg	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Landesbank Hessen-Thueringen Girozentrale (Helaba)	Germany	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	Norddeutsche Landesbank Girozentrale	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D' from 'D+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
11/06/2012	1099	UniCredit Bank AG	Germany	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
15/06/2012	1103	Cooperatieve Centrale Raiffeisen Boerenleenbank BA	Netherlands	LT Rating downgraded to 'Aa2' from 'Aaa' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'B-' from 'B+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1103	ING Bank NV	Netherlands	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'

Sevenoaks District Council

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
15/06/2012	1104	KBC Bank NV	Belgium	LT Rating downgraded to 'A3' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1105	Banque et Caisse d'Epargne de l'Etat	Luxembourg	LT Rating downgraded to 'Aa1' from 'Aaa' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
15/06/2012	1106	Credit Industriel et Commercial	France	LT Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1107	Lloyds Banking Group Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1107	Bank of Scotland Plc	U.K	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating removed from 'Under Review for Possible Downgrade'
22/06/2012	1107	Lloyds TSB Bank Plc	U.K	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating removed from 'Under Review for Possible Downgrade'
22/06/2012	1108	Royal Bank of Scotland Group Plc	U.K	LT Rating downgraded to 'Baa1' from 'A3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1108	National Westminster Bank Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1108	The Royal Bank of Scotland Plc	U.K	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1108	Ulster Bank Ltd	U.K	LT Rating downgraded to 'Baa2' from 'Baa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1109	Barclays Bank Plc	U.K	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
22/06/2012	1109	HSBC Bank Plc	U.K	LT Rating downgraded to 'Aa3' from 'Aa2' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'C' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	BNP Paribas	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Credit Agricole Corporate and Investment Bank	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'D-' from 'D' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Credit Agricole SA	France	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook', FSR Rating downgraded to 'D' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Negative Outlook'
22/06/2012	1110	Societe Generale	France	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Outlook changed from 'Negative' to 'Stable'
22/06/2012	1110	Fortis Bank	Belgium	LT Rating downgraded to 'A2' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1110	Royal Bank of Canada	Canada	LT Rating downgraded to 'Aa3' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C+' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	Deutsche Bank AG	Germany	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	UBS AG	Switzerland	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'C-' from 'C' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	UBS Ltd	U.K	LT Rating downgraded to 'A2' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating removed from 'Under Review for Possible Downgrade'

Sevenoaks District Council

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
22/06/2012	1111	Credit Suisse	Switzerland	LT Rating downgraded to 'A1' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C-' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1111	Credit Suisse International	U.K	LT Rating downgraded to 'A1' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1112	Bank of America, N.A.	U.S.A	LT Rating downgraded to 'A3' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1112	Citibank, N.A.	U.S.A	LT Rating downgraded to 'A3' from 'A1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'D+' from 'C-' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
22/06/2012	1113	JP Morgan Chase Bank NA	U.S.A	LT Rating downgraded to 'Aa3' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'C' from 'B' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
25/06/2012	1114	HSBC Bank USA, N.A.	U.S.A	LT Rating downgraded to 'A1' from 'Aa3' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
25/06/2012	1114	Bank of New York Mellon, The	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1114	State Street Bank and Trust Company	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1114	Wells Fargo Bank NA	U.S.A	LT Outlook changed to 'Stable' from 'Negative'
25/06/2012	1115	The Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong	LT Rating downgraded to 'Aa2' from 'Aa1' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', FSR Rating downgraded to 'B' from 'B+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'
28/06/2012	1116	Santander UK plc	U.K	LT Rating removed from 'Negative Outlook' and placed 'Under Review for Possible Downgrade', ST Rating placed 'Under Review for Possible Downgrade', FSR Rating removed from 'Stable Outlook' and placed 'Under Review for Possible Downgrade'

Monthly Credit Rating Changes

MOODY'S

Date	Update Number	Institution	Country	Rating Action
29/06/2012	1117	DB UK Bank Limited	U.K	LT Rating downgraded to 'Baa2' from 'A2' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook', ST Rating downgraded to 'P-2' from 'P-1' and removed from 'Under Review for Possible Downgrade', FSR Rating downgraded to 'C-' from 'C+' and removed from 'Under Review for Possible Downgrade' and placed on 'Stable Outlook'

Sevenoaks District Council

Monthly Credit Rating Changes

S&P

Date	Update Number	Institution	Country	Rating Action
No rating changes have occurred in June by S&P.				

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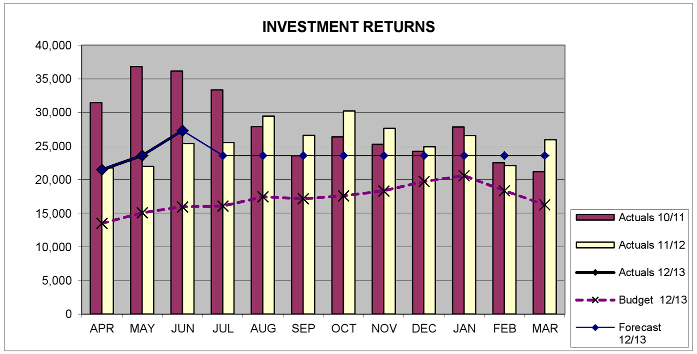
INVESTMENT RETURNS

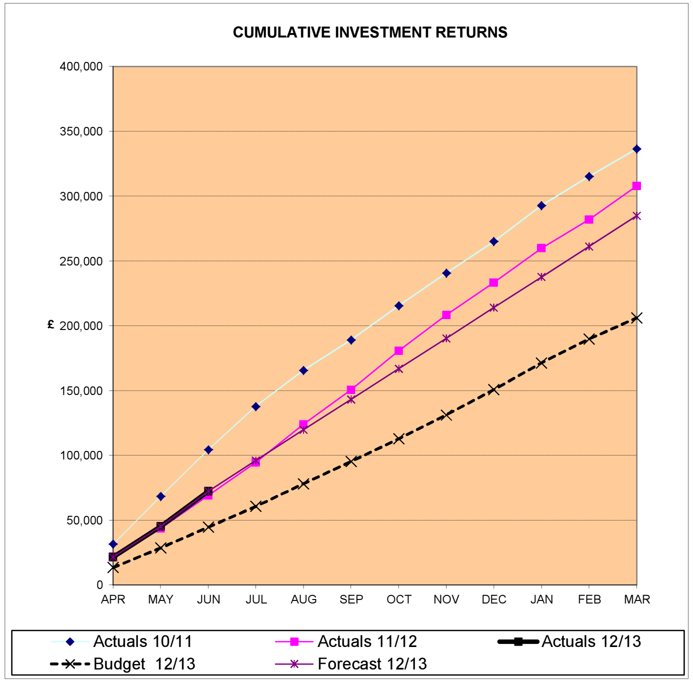
INVESTMENT RETURNS

	Actuals 10/11	*Actuals* 11/12	***Actuals* 12/13**	***Budget* 12/13**	***Variance***	***Forecast* 12/13**
APR	**31,431**	**21,722**	**21,489**	13,502	**7,987**	**21,500**
MAY	**36,831**	**21,983**	**23,571**	15,074	**8,497**	**23,600**
JUN	**36,164**	**25,342**	**27,280**	15,944	**11,336**	**27,300**
JUL	**33,361**	**25,498**		16,070		**23,600**
AUG	**27,858**	**29,446**		17,425		**23,600**
SEP	**23,532**	**26,586**		17,156		**23,600**
OCT	**26,352**	**30,200**		17,603		**23,600**
NOV	**25,254**	**27,636**		18,323		**23,600**
DEC	**24,240**	**24,871**		19,730		**23,600**
JAN	**27,832**	**26,525**		20,578		**23,600**
FEB	**22,501**	**22,078**		18,355		**23,600**
MAR	**21,179**	**25,935**		16,240		**23,600**
	336,535	**307,822**	**72,340**	**206,000**	**27,820**	**284,800**



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 10/11	*Actuals* 11/12	***Actuals* 12/13**	***Budget* 12/13**	***Variance***	***Forecast* 12/13**
APR	**31,431**	**21,722**	**21,489**	13,502	**7,987**	**21,500**
MAY	**68,262**	**43,705**	**45,060**	28,576	**16,484**	**45,100**
JUN	**104,426**	**69,047**	**72,340**	44,520	**27,820**	**72,400**
JUL	**137,787**	**94,545**		60,590		**96,000**
AUG	**165,645**	**123,991**		78,015		**119,600**
SEP	**189,177**	**150,577**		95,171		**143,200**
OCT	**215,529**	**180,777**		112,774		**166,800**
NOV	**240,783**	**208,413**		131,097		**190,400**
DEC	**265,023**	**233,284**		150,827		**214,000**
JAN	**292,855**	**259,809**		171,405		**237,600**
FEB	**315,356**	**281,887**		189,760		**261,200**
MAR	**336,535**	**307,822**		**206,000**		**284,800**



BUDGET FOR 2012/13	**206,000**
FORECAST OUTTURN	**284,800**

CODE:- **YHAA** **96900**

N.B.

1) These are the gross interest receipts rather than the interest remaining in the General Fund

2) Interest due on the Landsbanki investment has been removed from the calculations as from 25/6/2008

Fund Average	**1.1031%**
7 Day LIBID	**0.4417%**
3 Month LIBID	**0.9141%**

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Sevenoaks District Council

Peer Comparison

	Sevenoaks District Council	Benchmarking Club 8 (5)		Non-Met Districts (59)		Population Average (157)	
Basic Charateristics							
Principal	£24,231,000	£17,035,197		£18,982,818		£60,315,280	
WARoR	1.07%	1.04%		1.39%		1.32%	
WAM	80	44		106		100	
WATT	166	102		200		200	
WA Credit Risk	2.16	2.59		3.59		3.38	
Portfolio Breakdown							
Fixed Deposits	86.67%	74.43%	3	63.14%	52	62.23%	144
Calls & O/N	13.33%	24.42%	5	34.13%	55	33.76%	134
MMFs	0.00%	51.53%	3	27.35%	24	26.12%	67
Struct. Prods.	0.00%	0.00%	0	20.35%	4	19.88%	16
Bonds	0.00%	0.00%	0	0.00%	0	30.01%	4
CDs	0.00%	0.00%	0	6.59%	2	6.59%	2
Property Funds	0.00%	0.00%	0	0.00%	0	0.00%	0
Institution Breakdown							
Banks	50.48%	50.39%	5	75.03%	58	71.97%	152
Building Socs.	0.00%	29.37%	1	16.86%	28	14.34%	77
Government	49.52%	32.04%	2	26.10%	16	33.79%	55
MMFs	0.00%	51.53%	3	27.35%	24	26.12%	67
MLDBs	0.00%	0.00%	0	0.00%	0	0.00%	0
Other	0.00%	0.00%	0	2.31%	1	6.99%	3
Domestic/Foreign Exposure							
Domestic	100.00%	67.00%	5	86.17%	59	86.70%	156
Foreign	0.00%	5.20%	2	15.95%	10	14.75%	25
MMFs	0.00%	51.53%	3	27.35%	24	26.12%	67
Maturity Structure							
< 1 Month	46.35%	71.01%	5	53.89%	59	54.33%	156
1-3 Months	20.63%	13.75%	3	23.76%	40	22.17%	117
3-6 Months	16.51%	24.21%	3	24.16%	33	20.84%	96
6-9 Months	8.25%	8.25%	1	16.35%	16	15.17%	63
9-12 Months	8.25%	8.25%	1	14.75%	30	13.44%	78
12 Months +	0.00%	14.56%	1	22.39%	12	17.86%	35

Sevenoaks District Council

Detailed Peer Comparison

	Sevenoaks District Council					Benchmarking Club 8 (5)						Non-Met Districts (59)				
	%	WARoR	WAM	WATT		%	WARoR	WAM	WATT	n		%	WARoR	WAM	WATT	n
Asset Breakdown																
Fixed Deposits	86.67%	1.13%	92	192		74.43%	1.38%	107	242	3		63.14%	1.84%	163	319	52
Calls	13.33%	0.67%	0	0		24.42%	0.75%	1	1	5		34.25%	0.80%	6	6	54
Overnight	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		16.19%	0.25%	0	0	1
MMFs	0.00%	0.00%	0	0		51.53%	0.82%	0	0	3		27.35%	0.81%	0	0	24
Structured Prods.	0.00%	0.00%	0	0		0.00%	2.99%	1144	1827	0		20.35%	2.58%	660	1064	4
Cert.of Deposit	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		6.59%	1.45%	156	241	2
Gov. Bonds	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		0.00%	0.00%	0	0	0
Corp. Bonds	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		0.00%	0.00%	0	0	0
MLDB Bonds	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		0.00%	0.00%	0	0	0
Property Funds	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		0.00%	0.00%	0	0	0
Institutional Breakdown																
Banks	50.48%	1.67%	113	205		50.39%	1.25%	52	127	5		75.03%	1.57%	127	237	58
Building Socs.	0.00%	0.00%	0	0		29.37%	0.98%	6	91	1		16.86%	1.12%	78	151	28
Government	49.52%	0.46%	45	127		32.04%	0.86%	215	337	2		26.10%	0.84%	94	209	16
MMFs	0.00%	0.00%	0	0		51.53%	0.82%	0	0	3		27.35%	0.81%	0	0	24
MLDBs	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		0.00%	0.00%	0	0	0
Other	0.00%	0.00%	0	0		0.00%	0.00%	0	0	0		2.31%	2.08%	275	730	1
Foreign Breakdown																
Domestic	100.00%	1.07%	80	166		67.00%	1.09%	57	129	5		86.17%	1.48%	118	225	59
Foreign	0.00%	0.00%	0	0		5.20%	0.70%	23	23	2		15.95%	0.76%	27	56	10
Sovereign State Breakdown																
UK	100.00%	1.07%	80	166	UK	67.00%	1.09%	96	215	5	UK	86.17%	1.48%	134	255	59
					SWE	5.20%	0.70%	23	23	2	AUS	29.81%	0.57%	16	0	1
											SWE	14.19%	0.74%	30	30	8
											SING	8.10%	1.30%	13	364	1
											GER	8.10%	0.81%	17	91	1
Sovereign Rating Breakdown																
AAA	100.00%				AAA	69.08%					AAA	88.78%				

Since MMFs are ring-fenced institutions and do not belong to a specific country, the sovereign breakdowns will exclude them from the analysis. As a result the "% of Portfolio" may not add up to 100%.

FINANCE ADVISORY GROUP - 25 JULY 2012

DRAFT STATEMENT OF ACCOUNTS 2011/12

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Information

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager Financial Services – Adrian Rowbotham

Recommendation: That the Draft Statutory Statement of Accounts at Appendix A be noted.

Background

1 In previous years it was a requirement of The Accounts and Audit Regulations 2003 that Members approve the Draft Statutory Statement of Accounts by 30 June following the financial year end and that the Audited Statutory Statement of Accounts be approved by Members by 30 September.

2 In 2010/11 these requirements changed and now only the Audited Statutory Statement of Accounts have to be approved by Members by 30 September. Therefore this report is for information only.

3 The accounts, which have been compiled in line with International Financial Reporting Standards, are unaudited but certified by the Deputy Chief Executive & Director of Corporate Resources as the Responsible Financial Officer (RFO) by 30 June 2012 as required under the regulations.

4 The Council's external auditors start their work on the accounts on 26 July. Following the audit of the accounts, the auditors will report back on "non-trifling" errors in the accounts to the Performance and Governance Committee at its meeting on 18 September 2012. At the same time details of any amendments to the draft statements agreed with the auditors will be reported.

Commentary

Comparison with the Provisional Outturn report

5 The changes between the Provisional Outturn Report and the outturn position in the Statement of Accounts are:

	£000
Provisional Outturn Report: favourable outturn position	(560)
Adjustments during final accounts process	(151)
Statement of Accounts: Favourable outturn position	(711)

6 The favourable outturn position amount has been transferred to the ear-marked Budget Stabilisation Reserve as approved by Cabinet on 8th December 2011.

7 The main variances on revenue expenditure are set out in the Explanatory Foreword.

RISK ASSESSMENT STATEMENT

8 The system of internal control within the Council, including regular budget monitoring and internal audit reviews, reduces the risk of errors in the Statements. The Council's external auditors commented favourably on the Council's processes for the production of its Accounting Statements last year, which provides the Committee with further assurance.

9 Referring the Statement of Accounts to the Finance Advisory Group for more detailed scrutiny should provide the Performance and Governance Committee with further assurance about the accuracy of the Statements.

Sources of Information:	Final Accounts working papers 2011/12
Contact Officer(s):	Adrian Rowbotham x7153 Helen Martin x7483

Pav Ramewal
Deputy Chief Executive and
Corporate Resources Director

DRAFT STATEMENT OF ACCOUNTS

2011/2012

Sevenoaks
DISTRICT COUNCIL

CONTENTS

Note: The Report of the Auditors and the Annual Governance Statement will be added to the audited version.

EXPLANATORY FOREWORD

The explanatory foreword relates to the Statement of Accounts.

1. Layout of the Statement of Accounts

The Statement of Accounts consists of the following:

- **The Statement of Responsibilities**, setting out the general responsibilities of both the District Council, and of the Deputy Chief Executive and Director of Corporate Resources, in making proper financial arrangements and in maintaining financial records.

- **The Independent Auditor's report**. The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources

- The core financial statements:

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

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

    iii. **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

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

v. **Notes to the core financial statements** provide further detailed information.

vi. **The Collection Fund Statement**, together with notes to this account.

2. Accounting Practice

The authority has always adopted best practice in the presentation of its accounts as recommended by the Chartered Institute of Public finance and Accountancy (CIPFA).

These accounts also reflect the CIPFA Service Reporting Code of Practice and, in particular, the service spend analysis shown within the Comprehensive Income and Expenditure Statement is based on this code.

3. Comparison of Outturn to Budget

The original budget approved by Council on 13 December 2010 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2011/12 a supplementary estimate of £14,000 was approved for Christmas car parking.

The final outturn position is a surplus of £0.560m. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund.

The table below shows a comparison of budget and outturn figures in 2011/12

	Original Budget	Revised Budget	Actual Outturn
	£000	£000	£000
Net Service Expenditure	13,771	13,785	13,498
VAT Refund	-	-	(552)
Appropriation from Reserves	457	443	2,307
Interest Receipts	(153)	(153)	(308)
Landsbanki investment impairment	-	-	128
Government Support	(5,141)	(5,141)	(5,141)
*Council Tax	(9,199)	(9,199)	(9,221)
Contribution from/(to) GF reserve	-	-	-
Contribution from/(to) Budget	-	-	(711)
Stabilisation Reserve	265	265	
(Favourable)/Adverse variance	-	-	-

*The Council Tax figure is the Demand on the Collection Fund in the Income and Expenditure Account less Parish Council Precepts.

The main areas of variance in the year were as follows:-

- VAT refund (£552,000 income): The council received a refund in respect of overpaid VAT relating to the period prior to 1996 for Trade Refuse. The refund includes statutory interest which is payable in cases of official error

- Pay costs (£257,000 underspent): Almost all services showed an underspend; in some cases these are offset by agency costs (particularly Direct Services).

- Income (£555,000 favourable): Part of that variance refers to the VAT refund explained above. In total, income received from fees and charges was close to budget, but on the main income sources, Development Control, Building Control and Legal income, the position was very difficult during 2011/12.

- Direct Service Trading Accounts had a deficit of £27,000 at the year end, which was worse than the budgeted surplus and was due to increased fuel costs.

- Interest and Investment Income was £122,000 better than budget (excluding interest relating to the VAT refund). This was due to the Council holding higher balances than budgeted, which has increased investment income.

- The impairment of the Landsbanki investment has been charged to the General Fund in 2011/12. Accordingly £128,000 has been charged to the General Fund. Further details are included in note 12 to the accounts.

4. Assets

Expenditure on non current assets during the year centred on Hever Road Gypsy Site, IT equipment and commercial vehicle replacements.

5. Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension liability based on IAS 19 is estimated at £49.6m at 31st March 2012, compared to £34.5m at 31st March 2011.

IAS 19 does not have any 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).

The last actuarial valuation of the pension fund was at March 2010. At that time the District Council's share of the overall deficit was £23m.

6. Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held some £0.7m of capital receipts which could be used to finance future capital spending. The Council is debt-free.

Earmarked reserves have increased by £2.3 leaving a balance of £16.3m. £2.9m of this is in the new Budget Stabilisation Reserve.

7. Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. A legal opinion obtained by the Local Government Association indicates that the deposits made by local authorities, (including interest up to 22 April 2009) will rank as priority claims. The latest information assumption is that the likely return will be between 90-100%.

8. Impact of Current Economic Climate

Economic downturn has had a major impact on financial performance and financial planning. Several income streams have experienced reduced returns, such as from Development Services and Interest from Investments, whilst there is higher demand for housing benefits for example.

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years.

In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

9. Material Events After the Reporting Date

There have been no material events after the reporting date.

STATEMENT OF RESPONSIBILITIES FOR THE

STATEMENT OF ACCOUNTS

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 Deputy Chief Executive and Director of Corporate Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Chief Executive and Director of Corporate Resources' Responsibilities

The Deputy Chief Executive and Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive and Director of Corporate Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Deputy Chief Executive and Director of Corporate Resources has also:

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

Deputy Chief Executive and Director of Corporate Resources' Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2012 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL
Deputy Chief Executive and Director of Corporate Resources
29 June 2012

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	**Total Usable Reserves**	Total Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2010	3,713	14,516	-	537	**18,766**	(40,256)	**(21,490)**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	7,331				7,331		7,331
Other Comprehensive Income and Expenditure				15	15	17,952	17,967
Total Comprehensive Income and Expenditure	**7,331**			**15**	**7,346**	**17,952**	**25,298**
Adjustments between accounting basis & funding basis under regulations (note 8)	(7,849)			211	**(7,638)**	7,638	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(518)**			**226**	**(292)**	**25,590**	**25,298**
Transfers (to)/from Earmarked Reserves (note 9)	518	(518)			**-**		**-**
Increase/(Decrease) in 2010/11	**-**	**(518)**		**226**	**(292)**	**25,590**	**25,298**
Balance at 31 March 2011	**3,713**	**13,998**	-	**763**	**18,474**	**(14,666)**	**3,808**

	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	**Total Usable Reserves**	Total Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2011	3,713	13,998	-	763	**18,474**	(14,666)	**3,808**
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	2,229				2,229		2,229
Other Comprehensive Income and Expenditure				13	13	(14,839)	(14,826)
Total Comprehensive Income and Expenditure	**2,229**			**13**	**2,242**	**(14,839)**	**(12,597)**
Adjustments between accounting basis & funding basis under regulations (note 8)	81			(68)	**13**	(13)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,310**			**(55)**	**2,255**	**(14,852)**	**(12,597)**
Transfers (to)/from Earmarked Reserves (note 9)	(2,310)	2,310			-		-
Increase/(Decrease) in 2011/12	**-**	**2,310**		**(55)**	**2,255**	**(14,852)**	**(12,597)**
Balance at 31 March 2012	**3,713**	**16,308**	**-**	**708**	**20,729**	**(29,518)**	**(8,789)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010/11			Note		2011/12		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£000	£000	£000			£000	£000	£000
4,605	(845)	3,760		Central services to the public	3,940	-1,005	2,935
1,609	(520)	1,089		Cultural and related services	1,261	-27	1,234
7,683	(1,670)	6,013	6	Environmental and regulatory services	6,180	-1,983	4,197
5,567	(1,834)	3,733		Planning services	5,216	-1,960	3,256
1,634	(2,635)	(1,001)		Highways and transport services	1,001	-2,718	(1,717)
35,621	(32,626)	2,995		Housing services	36,489	-33,809	2,680
36	-	36		Non Distributed Costs	178	0-	178
(8,251)	-	(8,251)	35	Exceptional Item: Pension fund change from RPI to CPI		0-	-
48,504	**(40,130)**	**8,374**	**24**	**Net Cost of Services**	**54,265**	**(41,502)**	**12,763**
		(222)		Loss/(Gain) on Disposal of Fixed Assets			39
		(64)	25	Net (Surplus)/Deficit from Trading Operations			(26)
		3,273		Parish Council Precepts			3,366
		10		Contributions of housing capital receipts into Government Pool			6
		2,997		**Other Operating Expenditure**			**3,385**
		313		Movement in Fair Value of Investment Property			207
		(40)		Interest Payable and similar charges			(128)
		1,972		Pensions Interest Cost and expected return on pensions assets			1,091
		(449)		Interest and Investment Income			(416)
		1,796		**Financing and Investment Income and Expenditure**			**754**
		(1,669)	29	Capital Grants and Contributions			(1,069)
		(12,445)		Council Tax			(12,587)
		(5,543)		National Non Domestic Rates Redistribution			(3,752)
		(841)		Non Service Related Government Grants			(1,725)
		(20,498)		**Taxation and Non Specific Grant Income**			**(19,133)**
		(7,331)		**(Surplus) or Deficit on the Provision of Services**			**(2,229)**
		(787)		(Surplus) or deficit on the revaluation of property, plant & equipment assets			(180)
		(17,180)		Actuarial (gains)/losses on pension assets/liabilities			15,007

(25,298)	**Total Comprehensive Income and Expenditure**	**(12,597)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

1 April 2010 £000	31 March 2011 £000	Note		31 March 2012 £000
			Long Term Assets	
17,339	16,584	10,31	Property, Plant and Equipment	17,078
1,260	3,047	11	Investment Property	2,840
-	-		Intangible Assets	-
-	-	16	Assets held for sale	-
742	2,560	12	Long Term Investments	404
611	570		Long Term Debtors	520
19,952	22,761		**Total Long Term Assets**	20,842
			Current Assets	
13,160	13,257	12	Short Term Investments	15,277
5,533	5,828	15	Cash and Cash Equivalents	8,772
22	36	13	Inventories	55
6,211	3,226	14	Short Term Debtors	2,259
190	171		Payments in Advance	140
25,116	22,518		**Total Current Assets**	26,503
			Current Liabilities	
(575)	(758)		Receipts in Advance	(789)
(2,651)	(2,626)	17	Short Term Creditors	(3,438)
(152)	(238)	18	Short Term Provisions	(187)
(3,378)	(3,622)		**Total Current Liabilities**	(4,414)
21,738	18,896		**Net Current Assets**	22,089
			Long Term Liabilities	
(371)	(370)		Long Term Creditors	(368)
(2,469)	(2,481)	18	Long Term Provisions	(1,546)
(58,904)	(34,512)	35	Net Pensions Liability	(49,641)
(1,436)	(486)	29	Capital Grants Receipts in Advance	(164)
(63,180)	(37,849)		**Total Long Term Liabilities**	(51,719)
(21,490)	3,808		**Total Net Assets**	(8,788)

continued overleaf

1 April 2010 £000	31 March 2011 £000	Note	continued from previous page	31 March 2012 £000
		19	**Usable Reserves**	
537	763		Usable Capital Receipts Reserve	708
14,516	13,998	9	Earmarked Reserves	16,309
3,713	3,713		General Fund	3,713
		20	**Unusable Reserves**	
15,298	15,592		Capital Adjustment Account	15,702
3,449	4,161		Revaluation Reserve	4,322
(152)	(152)		Accumulated Absences Account	(152)
(211)	-		Financial Instruments Adj Account	-
-	-		Collection Fund	22
(58,904)	(34,512)	35	Pensions Reserve	(49,641)
264	245		Deferred Capital Receipts	229
(21,490)	3,808		**Total Reserves**	(8,788)

These unaudited financial statements will be replaced by the audited financial statements authorised at the meeting of the Performance and Governance Committee on 18 September 2012.

Dr Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources
29 June 2012

THE CASH FLOW STATEMENT

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

2010/11 £000	Note		2011/12 £000
(7,331)		Net (surplus) or deficit on the provision of services	(2,229)
3,702	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,664)
579	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	279
(3,050)	21	Net Cash flows from Operating Activities	(3,614)
2,759	22	Investing Activities	674
(4)	23	Financing Activities	(4)
(295)		Net (increase) or decrease in cash and cash equivalents	(2,944)
5,533		Cash and Cash Equivalents at the beginning of the reporting period	5,828
5,828		**Cash and Cash Equivalents at the end of the reporting period**	**8,772**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments of regular quarterly accounts (e.g., telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation.

f. Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at the year-end.

Post-employment Benefits
Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

- The liabilities of the Kent County Council Pension Fund attributable to the Authority 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, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the yield on the iboxx AA rated over 15 year corporate bond index as at 31 March 2012).

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

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - 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 in the Comprehensive Income and Expenditure Statement to the services for which 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- actuarial gains or 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 – debited to the Pensions Reserve.

- contributions paid to the Kent County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority 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.

g. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h. Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. This includes trade creditors and loans.

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. This includes investments, trade debtors and loans.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing, and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

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 the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

i. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

j. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The Council writes off the entire cost to the Comprehensive Income and Expenditure Statement in the year the cost is incurred.

k. Inventories

Stocks are valued at cost. This is a departure from the requirements of the Code which require inventories to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

l. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). 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.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level of £15,000 has been applied.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement basis:

- infrastructure, community assets and assets under construction – depreciated historical costs.

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to the material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal 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 Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 General Fund Balance in the Movement in Reserves Statement.

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probably that there will be an inflow of economic benefits or service potential.

q. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

r. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

s. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets), which will need to be adopted fully by the authority in the 2012/13 financial statements.

3. Critical Judgements in Applying Accounting Policies

There are no significant critical judgements included in these accounts.

4. Prior Period Adjustment

There are no prior period adjustments.

5. Assumption Made About the Future and Other Major Sources of Estimation Uncertainty

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested in Landsbanki Islands hf at an interest rate of 6.32% and a maturity date of 25 June 2009. Action in the Icelandic courts resulted in a decision that the deposits made by local authorities (including interest up to the bankruptcy reference date of 22 April 2009) rank as priority claims. The latest information from the bank's Winding Up Committee is that the investment and interest will be returned in full by 2019.

6. Material Items of Income and Expense

A VAT refund of £552,000 has been received in respect of overpaid VAT relating to the period prior to 1996 for Trade Refuse. This was a one-off opportunity. The refund includes statutory interest which is payable in cases of official error.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Deputy Chief Executive and Director of Corporate Resources on xx September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2011/12

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				

Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	1,127			(1,127)
Movements in the market value of Investment Properties	-			-
Capital grants and contributions applied	(1,069)			1,069
Non Specific Capital Grants	-			-
Revenue expenditure funded from capital under statute	1,018			(1,018)
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	40	57		(97)
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure				
Capital expenditure charged against the General Fund Balance	(1,145)			1,145
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease SI454 Income	4			(4)

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(119)		119

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	6	(6)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,021			(3,021)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,899)			2,899
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(22)			22
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	81	(68)	-	13

2010/11 Comparative Figures

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	996			(1,000) (996)
Movements in the market value of Investment Properties	313			(313)
Capital grants and contributions applied	(1,669)			1,669
Non Specific Capital Grants	26			(26)
Revenue expenditure funded from capital under statute	1,095			(1,095)
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(223)	361		(138)
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	(211)			211
Insertion of items not debited or credited to the Comprehensive Income and Expenditure				
Capital expenditure charged against the General Fund Balance	(978)			978
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease SI454 Income	4			(4)

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(140)		140
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	10	(10)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,756)			3,756
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,456)			3,456
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-			-
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	(7,849)	211	-	7,638

9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11 and 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31Mar 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	**Balance at 31Mar 2012 £000**
General Fund:							
Financial Plan	-	-	-	-	-	5,812	**5,812**
Budget Stabilisation	1,846	-	419	2,265	(362)	1,074	**2,976**
Housing Benefit Subsidy	851	-	341	1,192		158	**1,351**
Asset Maintenance	4,721	(666)	260	4,315	(3,387)	72	**1,000**
First Time Sewage	-	-	-	-	-	915	**915**
Local Plan/ LDF	538	(143)	179	574	(71)	62	**565**
Re-organisation	359	(19)	18	358	(21)	141	**478**
Community Development	448	(55)	25	418	(6)	58	**470**
Pension Fund Valuation	-	-	-	-	-	349	**349**
Action & Development	349	(35)	-	314	(19)	-	**296**
Vehicle Renewal	608	(522)	478	564	(803)	531	**293**
Vehicle Insurance	246	(12)	30	264	-	23	**287**
Carry forward Items	240	(66)	167	341	(224)	105	**222**
New Homes Bonus	-	-	-	-	(120)	335	**215**
Rent Deposit / Guarantee	178	-	1	179	(15)	18	**181**
Homelessness	64	(4)	-	60	(7)	81	**134**
IT Asset Maintenance	-	-	-	-	-	121	**121**
Big Community	-	-	-	-	(17)	120	**103**
Local Strategic Partnership	148	(37)	-	111	(29)	-	**81**
Housing Benefit	65	(13)	37	89	(23)	-	**66**
Economic Dev.	-	-	-	-	-	60	**60**
District Elections	66	-	16	82	(45)	16	**53**
Transportation	80	-	-	80	(80)	-	**-**
Pension Fund Deficit	3,511	(942)	-	2,569	(2,569)	-	**-**
Other Reserves (under £50,000)	198	(33)	58	223	(9)	64	**278**
Total	**14,516**	**(2,547)**	**2,029**	**13,998**	**(7,807)**	**10,117**	**16,308**

The purpose of these earmarked reserves are shown below:

- Financial Plan – Funds moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Asset Maintenance – To fund emergency asset maintenance works.
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- Local Plan / LDF - To help support the Local Plan and LDF.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Community Development - To fund ongoing and future projects.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- Carry Forward Items - For specific items agreed by cabinet.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received.
- Rent Deposit / Guarantee - To support the homeless etc, by providing their initial deposit and guarantee for a property.
- Homelessness Prevention – For preventing homelessness.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Big Community – To fund to local projects.
- Local Strategic Partnership - Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
- Housing Benefit Section – To meet the varying demand of administering Housing Benefits.
- District Elections - To finance local elections.
- Economic Development - To support economic development
- Transportation - For uncertainty relating to concessionary fares transfer to KCC.
- Pension Fund Deficit - To meet some of the back funding element. The remaining balance has been moved into the Financial Plan Reserve.
- Other - Other small reserve set aside.

10. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12:

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property, Plant Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2011	19,321	7,465	383	949	28,118
Additions	449	879	-	-	1,328
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	118	-	-	-	118
- Surplus or Deficit	-	-	-	-	-
Derecognition – Disposals	-	(574)	-	-	(574)
Derecognition - Other	-	-	-	-	-
Reclassifications	949	-	-	(949)	-
At 31 March 2012	20,837	7,770	383	-	28,990
Accumulated Depreciation and Impairment					
At 1 April 2011	(6,241)	(5,294)	-	-	(11,535)
Depreciation Charge	(194)	(723)	-	-	(917)
Depreciation written out to the					
- Revaluation Reserve	63	-	-	-	63
- Surplus/ Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	-	482	-	-	482
Derecognition - Other	-	-	-	-	-
At 31 March 2012	(6,372)	(5,535)			(11,907)
Net Book Value					
As at 31 March 2011	13,080	2,171	383	949	16,583
As at 31 March 2012	14,465	2,235	383	-	17,083

Comparative Movements in 2010/11:

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Total Property, Plant Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2010	20,705	7,654	383	-	28,742
Additions	123	620		949	1,692
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	767				767
- Surplus or Deficit	(33)				(33)
Derecognition – Disposals	(141)	(5)			(146)
Derecognition - Other		(804)			(804)
Reclassifications	(2,100)				(2,100)
At 31 March 2011	19,321	7,465	383	949	28,118
Accumulated Depreciation and Impairment					
At 1 April 2010	(6,015)	(5,388)			(11,403)
Depreciation Charge	(253)	(710)			(963)
Depreciation written out to the					
- Revaluation Reserve	20				20
- Surplus/ Deficit on the Provision of Services					
Derecognition – Disposals	7				7
Derecognition - Other		804			804
At 31 March 2011	(6,241)	(5,294)			(11,535)
Net Book Value					
As at 31 March 2010	14,690	2,266	383	-	17,339
As at 31 March 2011	13,080	2,171	383	949	16,583

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Buildings - up to 60 years
- Vehicles - up to 7 years
- Equipment - up to 5 years

Capital Commitments

At 31 March 2011, there were no significant sums outstanding on capital contracts.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2012, by external independent valuers, I. Dewar FRICS IRRV MCIArb, R. Messenger BSc FRICS IRRV MCIArb, S. Layfield FRICS IRRV and A. Williams Dip BSc (Hons) MRICS IRRV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Plant and machinery that forms part of a building is included in the 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. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with some larger commercial vehicles over 7 years.

The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land &	Vehicles,	Community	Assets	TOTAL

	Buildings	Plant & Equipment	Assets	under Construction	
	£000	£000	£000	£000	£000
Carried at historical cost	187	7,770	383	-	8,340
Valued at current value in:					
2011/12	2,275	-	-	-	2,275
2010/11	1,039	-	-	-	1,039
2009/10	9,401	-	-	-	9,401
2008/09	3,892	-	-	-	3,892
2007/08	4,043	-	-	-	4,043
Total	20,837	7,770	383	-	28,990

11. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2010/11 £000
Rental income from investment property	**81**	80
Direct operating expenses from investment property	**-**	-
Net gain/(loss)	**81**	80

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2011/12 £000	2010/11 £000
Balance at start of the year	**3,047**	1,260
Disposals	**(5)**	-
Net Gains/ (losses) from fair value adj	**(207)**	(313)
Transfers from Property, Plant & Equipment	**-**	2,100
Other Changes	**-**	
Balance at end of the year	**2,835**	3,047

12. Financial Instruments

The investment figures are made up mainly of surplus capital and revenue reserve balances. The investments are placed with recognised financial institutions. These are classified in the loans and receivables category of financial instruments, having fixed or determinate payments and not quoted in an active market.
The balances, which include the principal and the interest accrued, at the year end can be analysed as follows:

	2011/12 £000	2010/11 £000
Long-term Investments:		
Financial Institutions	**404**	2,560
Building Societies	**-**	-
Other Local Authorities	**-**	-
	404	2,560
Short-term Investments:		
Financial Institutions	**8,266**	7,242
Building Societies		4,009
Other Local Authorities	**7,011**	2,006

	15,277	13,257
Total Investments	**15,681**	15,817

Short-term investments are those that were placed for a period in excess of three months and fall to be repaid within one year of the balance sheet date. Long-term investments were placed for over one year. Investments placed for less than three months are treated as cash or cash equivalents.

Fair value of assets carried at amortised cost

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Market rates at 31/3/12 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31/3/12		31/3/11	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Loans and receivables	**23,692**	**23,807**	22,131	22,159

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

Disclosure of nature and extent of risks arising from financial instruments

The Authority’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 Council might not have the funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

The Council’s overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. Risk management is carried out by the Council in the following ways:

- Formal adoption of the requirements of the CIPFA Treasury Management Code of Practice and Treasury Policy Statement.
- Approving annually in advance prudential and treasury indicators for the following three years and an Annual Treasury Management Strategy.

These policies are implemented by treasury management officers and the Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Minimum long term credit rating, as assessed by Fitch, of A.
- Maximum investment period of one year.
- Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies
- Total investments in any one EU country outside of the UK is limited to 15% of the total fund.
- Investment in other foreign countries is no longer permitted.
- No more than £5m (or £6m including call accounts) per counterparty.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 1 year and six months respectively.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.9m at 31 March 2012 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise.

The only historical experience of default relates to the Landsbanki Islands hf investment detailed below. Currently, investments are only being made with UK institutions. In all cases to date, the Government and/or another building society or bank has stepped in to rescue a failing institution, leading to no defaults by UK institutions.

<u>Icelandic Bank Defaults</u>

In October 2008 a number of Icelandic banks went into administration. At that time, the Council had £1m invested with Landsbanki Islands hf as follows:

	Date invested	Maturity date	Amount invested £000	Interest rate %	Carrying amount £000	Impairment £000	Principal default %
Landsbanki	25/6/07	25/6/09	1,000	6.32	594	156	0

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest available information, the Council considers it appropriate to make an impairment adjustment for the deposit and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the decision of the Icelandic Supreme Court to grant Priority status to UK local authorities, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest at a rate of 3.35%. This element of the distribution has been retained in Iceland due to currency controls operating there and, as a result, is subject to exchange rate risk, over which the Council has no control. The value of the escrow account has been estimated to be just over £7,000 as at the balance sheet date.

The current position on estimated future payouts is as shown in the following table and the Council has used these estimates to calculate a likely impairment based on recovering 100p in the £.

Date	**Repayment**
Received in 2011-12	30.00%
Received in May 2012	12.20%
December 2012	7.00%
December 2013	7.00%
December 2014	7.00%
December 2015	7.00%
December 2016	7.00%
December 2017	7.00%
December 2018	7.00%
December 2019	8.80%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the Council's claim in administration, which validly includes interest accrued up to the bankruptcy date of 22 April 2009.

The total impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2011/12 is £156,000. This has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future years' accounts as more information becomes available.

Liquidity Risk

The Council ensures that it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments.

The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets (excluding the Icelandic investment) is as follows:

	31 March 2012	31 March 2011
	£000	£000
Less than 1 year	**23,000**	19,300
Between 1 and 2 years	**-**	2,000

Refinancing and Maturity Risk

This risk relates to the maturing of both longer term financial liabilities and longer term financial assets. As the Council does not currently have any debt and does not lend for periods in excess of one year, this risk is not considered significant.

Market Risk

<u>Interest Rate Risk</u>

Upwards or downwards movements in interest rates may have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

By way of example, if interest rates on fixed deposits had been 1% higher during 2011/12 (with all other variables held constant), the financial effect would have been to increase investment income by £319,000

Price Risk

The Council does not invest in equity shares or marketable bonds and is not, therefore, exposed to losses arising from movements in prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, no exposure to loss arising from movements in exchange rates.

Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki Islands hf. This is being held in Icelandic Kroner in an escrow account due to the imposition of currency controls in Iceland.

13. Inventories

	2011/12	2010/11
	£000	£000
Balance outstanding at start of the year	**36**	22
Purchases	**502**	511
Recognised as an expense in the year	**(483)**	(497)
Balance outstanding at end of the year	**55**	36

14. Short Term Debtors

	31/03/12	31/3/11
	£000	£000

Collection Fund (CF)		
Central Government (NNDR)	**-**	1,253
Council Tax Payers	**1,060**	916
Bad Debt provision	**(381)**	(340)
General Fund		
DWP – Housing Benefit Grant	**-**	-
Housing Benefit Overpayments	**1,194**	856
Partnership working	**477**	-
Performance Reward Grant	**-**	-
Moat Housing Association	**-**	-
VAT	**91**	701
Other	**766**	516
Bad Debt provision	**(948)**	(676)
	2,259	3,226

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/03/12	31/03/11
	£000	£000
Cash held by the Authority	**1**	1
Bank current accounts	**761**	4,826
Short-term deposits with:		
• Banks	**3,008**	-
• Building Societies	**-**	1,001
• Other Local Authorities	**5,002**	-
Total Cash and Cash Equivalents	**8,772**	5,828

16. Assets Held for Sale

No assets are classified as held for sale.

17. Short Term Creditors

	31/03/12 £000	31/3/11 £000
Creditors		
DWP – Housing Benefit Grant	**(83)**	(665)
Central Government (NNDR)	**(1,100)**	-
Deposits	**-**	-
Council Taxpayers	**(264)**	(136)
Capital	**(139)**	(128)
Insurance	**(168)**	(164)
HMRC	**(674)**	(563)
Kent County Council	**(613)**	(423)
Other General Fund	**(396)**	(547)
	(3,437)	(2,626)

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

18. Provisions

The following provisions have been made by the Council:

	Long Term		Short Term		
	First time Sewerage Schemes	Edenbridge Relief Road	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	915	1,566	152	85	2,718
Additional Provisions made during year	-	7	-	-	7
Amounts Used during the year	(915)	(27)	-	(51)	(993)
Balance at 31 March 2012	-	1,546	152	34	1,732

The First Time Sewerage provision is to meet the liabilities of guarantee payments on schemes carried out in prior years. The limitation periods ran out in 2012, therefore there is no longer the requirement for a provision. However, the remaining balance has been moved to a First Time Sewerage Reserve in case there is a later call on this amount.

The Edenbridge Relief Road provision is to meet the liabilities of land and other compensation claims in relation to the road scheme which was completed in December 2004. The movement during the year consists of a compensation payment and an increase to reflect the longer period of time that any claims would cover. Also see note 36 for further information about the Edenbridge Relief Road.

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

Other provisions include:

- Redundancies that were agreed before 31 March 2011 but did not occur until during 2011/12.
- A provision to cover potential restitutionary claims in respect of personal search fees of the land register.

19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 8.

20. Unusable Reserves

	31/03/12	31/03/11
	£000	£000
Capital Adjustment Account	**15,702**	15,592
Revaluation Reserve	**4,322**	4,161
Accumulated Absences Account	**(152)**	(152)
Financial Instruments Adjustment Account	**-**	-
Collection Fund Adjustment Account	**22**	-
Pensions Reserve	**(49,641)**	(34,512)
Deferred Capital Receipts Reserve	**229**	245
Total Unusable Reserves	**(29,518)**	(14,666)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11		2011/12	
£000		£000	£000
15,298	Balance at 1 April		15,592
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(996)	Charges for depreciation and impairment of non current assets	(920)	
(2)	Revaluation Losses on Property, Plant and Equipment	-	
(1,095)	Revenue expenditure funded from capital under statute	(1,018)	
-	Deferred Capital Receipts movement	-	
(93)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(97)	
(2,184)			(2,035)
30	Adjusting Amounts written out of the Revaluation Reserve		20
(2,154)	Net Written out amount of the cost of non current assets consumed in the year		(2,015)
	Capital Financing applied in the year:		
140	Use of the Capital Receipts Reserve to finance new capital expenditure	119	
1,669	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	1,069	
(26)	Non-specific capital grant	-	
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
-	Statutory provision for the financing of capital investment charged against the General Fund	-	
978	Capital Expenditure charged against the General Fund	1,145	
2,761			2,333
(313)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(207)
15,592	Balance at 31 March		15,702

Revaluation Reserve

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

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

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

2010/11		2011/12	
£000		£000	£000
3,449	Balance at 1 April		4,161
787	Upward Revaluation of Assets	181	
	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services		
4,236	Surplus/(Deficit) on revaluation of non- current assets not posted to the Surplus or Deficit on Provision of Services		181
(30)	Difference between fair value depreciation and historical cost depreciation	(20)	
(45)	Accumulated gains on assets sold or scrapped	-	
(75)	Amount written off to the Capital Adjustment Account		(20)
4,161	Balance at 31 March		4,322

Accumulated Absences Account

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

2010/11		2011/12	
£000		£000	£000
(152)	Balance at 1 April		(152)
	Settlement or cancellation of accrual made at the end		
-	Amounts accrued at the current year end	-	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-
(152)	Balance at 31 March		(152)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves

Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2010/11 £000		2011/12 £000	2011/12 £000
(211)	Balance at 1 April		-
40	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
171	Impairment of Landsbanki investments as required by regulations	-	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		
211	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-
-	Balance at 31 March		-

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
-	Balance at 1 April	-
-	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	22
-	Balance at 31 March	2 2

Pensions Reserve

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

2010/11 £000		2011/12 £000
(58,904)	Balance at 1 April	(34,512)
17,180	Actuarial Gains/(Losses) on pensions assets and liabilities	(15,007)
3,756	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,021)
3,456	Employer's pensions contributions and direct payments to pensioners payable in the year	2,899
(34,512)	Balance at 31 March	(49,641)

Deferred Capital Receipts Reserve

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

2010/11 £000		2011/12 £000
264	Balance at 1 April	245
(4)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure statement	(4)
(15)	Transfer to the Capital receipts reserve upon receipt of cash	(13)
245	Balance at 31 March	228

21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2010/11 £000		2011/12 £000
(963)	Depreciation	(920)
(315)	Impairment and downward valuations	(354)
-	Amortisation	-
-	Increase in impairment provision for bad debts	-
(158)	(Increase)/Decrease in creditors	(2,096)
(3,004)	Increase/(Decrease) in debtors	255
14	Increase/(Decrease) in stock	19
7,212	Pension liability	(1,876)
93	Carrying amount of non-current assets sold	97
823	Other non-cash items charged to the net surplus or deficit on the provision of services	3,211
3,702		(1,664)

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2010/11 £000		2011/12 £000
-	Purchase of short-term and long-term investments	-
449	Proceeds from short-term and long-term investments	416
130	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(137)
579		279

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
337	Interest received	308
-	Interest paid	-
-	Dividends received	-

22. Cash Flow Statement – Investing Activities

2010/11 £000	Investing Activities	2011/12 £000
1,691	Purchase of property, plant & equipment, investment property and intangible assets	1,330
1,915	Purchase of short term and long term investments	(136)
-	Other payments for investing activities	-
(375)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(70)
(449)	Proceeds from sale of short-term and long-term investments	(416)
(23)	Other receipts from investing activities	(34)
2,759	Net Cash Flow from investing activities	674

23. Cash Flow Statement – Financing Activities

20010/11 £000	Financing Activities	2011/12 £000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
(4)	Cash payments for finance leases	(4)
-	Other payments for financing activities	-
(4)	Net Cash Flow from Financing activities	(4)

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Heads of Service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for centrally and not charged to Heads of Service.

The income and expenditure of the Authority's services recorded in the budget reports for the year is as follows:

Heads of Service
Income and Expenditure
2011/12

	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(308)	(525)	(4,879)	(279)	(1692)	(359)	(354)	(8,396)
Government Grants	(76)	-	-	(99)	(33,212)	-	-	(33,386)
Total Income	(385)	(525)	(4,879)	(378)	(34,903)	(359)	(354)	(41,783)
Employee Expenses	555	1,750	2,373	717	2,700	824	1,249	10,167
Other Service Expenses	970	188	5,034	605	36,720	1,129	468	45,113
Total Expenditure	1,525	1,938	7,406	1,321	39,419	1,954	1,717	55,280
Net Expenditure	1,140	1,413	2,528	944	4,516	1,595	1,363	13,498

Heads of Service
Income and Expenditure
2010/11

	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(886)	(612)	(4,134)	(168)	(856)	(308)	(356)	(7,320)
Government Grants	(99)	(23)	(59)	(90)	(32,541)	-	(34)	(32,846)
Total Income	(985)	(635)	(4,193)	(258)	(33,397)	(308)	(390)	(40,166)
Employee Expenses	686	1,968	2,528	802	1,893	896	1,502	10,275
Other Service Expenses	1,186	339	5,549	470	37,189	1,116	452	46,301
Total Expenditure	1,872	2,307	8,077	1,272	39,082	2,012	1,954	56,576
Net Expenditure	887	1,672	3,884	1,014	5,685	1,704	1,564	16,410

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11
	£000	£000
Net Expenditure in Directorate Analysis	13,498	16,410
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(734)	(8,036)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	12,764	8,374

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Heads of Service Analysis	Amounts not reported management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,396)			(8,396)		(8,396)
Interest and Investment Income					(416)	(416)
Income from Council Tax and NNDR					(16,339)	(16,339)
Government Grants and Contributions	(33,386)			(33,386)	(2,794)	(36,180)
Total Income	(41,782)	-	-	(41,782)	(19,549)	(61,331)
Employee Expenses	10,167	-		10,167		10,167
Other Service Expenses	45,113	(736)		44,377	1,104	45,481
Support service recharges						-
Depreciation, amortisation and Impairment		-	-	-	207	207
Interest Payments					(128)	(128)
Precepts & Levies					3,366	3,366
Payments to Housing Capital Receipts Pool					6	6
Gain or loss on disposal of non-current assets						-
Total Expenditure	55,280	(736)	-	54,544	4,555	59,099
(Surplus) or deficit on the provision of services	13,498	(736)	-	12,761	(14,994)	(2,232)

2010/11 Comparative Figures	Heads of Service Analysis	Amounts not reported management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(7,320)			(7,320)		(7,320)
Interest and Investment Income					(449)	(449)
Income from Council Tax and NNDR					(17,988)	(17,988)
Government Grants and Contributions	(32,846)			(32,846)	(2,510)	(35,356)
Total Income	(40,166)	-	-	(40,166)	(20,947)	(61,113)
Employee Expenses	10,274	-		10,274		10,274
Other Service Expenses	46,302	(8,036)		38,266	1,687	39,952
Support service recharges						-
Depreciation, amortisation and Impairment		-	-	-	313	313
Interest Payments					(40)	(40)
Precepts & Levies					3,273	3,273
Payments to Housing Capital Receipts Pool					10	10
Gain or loss on disposal of non-current assets						-
Total Expenditure	56,576	(8,036)	-	48,540	5,242	53,782
(Surplus) or deficit on the provision of services	16,410	(8,036)	-	8,374	(15,705)	(7,331)

25. Trading Operations

Trading Accounts are operated for Direct Services, which includes two major services, Refuse Collection and Street Cleaning.

The following table sets out the financial trading accounts for 2011/12:

	Income	Expenditure	(Surplus)/Deficit	2010/11
	£000	£000	£000	£000
Direct Services				
Refuse Collection	(2,060)	2,087	27	(1)
Street Cleansing	(1,153)	1,205	52	80
Other Operational Accts	(1,962)	1,888	(74)	(113)
Overhead Accounts	(1,092)	1,059	(33)	(30)
	(6,267)	6,239	(28)	(64)

Other Operational Accounts include vehicle workshop and premises cleaning. Overhead Accounts include transport fleet and depot.

In order to satisfy the requirements of competition law, recharges for internal work completed by the trading accounts have been priced to include a cost of capital recovery. The Code of Practice does not permit charges for cost of capital to be debited to trading accounts. The following table sets out the position if capital charges had been made:

	Income £000	Expenditure £000	(Surplus)/Deficit £000	2010/11 £000
Direct Services				
Refuse Collection	(2,060)	2,111	51	19
Street Cleansing	(1,153)	1,219	66	93
Other Operational Acts	(1,962)	1,899	(63)	(99)
Overhead Accounts	(1,092)	1,059	(33)	(30)
	(6,267)	6,288	21	(17)

26. Members' Allowances

The authority paid the following amounts to members of the council during the year:

	2011/12 £000	2010/11 £000
Allowances	**273**	275
Expenses	**16**	16
Total	**289**	291

27. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	Salary £	Bonuses £	Expenses £	Pension Contribution £	Other Benefits/ Payments £	Total £
Chief Executive						
2011/12	133,683		372	19,222	12,626	165,903
2010/11	133,683		392	20,594	3,487	158,156
Director of Community & Planning Services						
2011/12	112,300		286	14,686		127,272
2010/11	112,300		275	16,830		129,405
Director of Corp Resources						
2011/12	112,300		265	14,686		127,251
2010/11	112,300		296	16,830		129,426
Monitoring Officer						
2011/12	66,564	1,664	13	9,397		77,638
2010/11	66,564	1,796	23	10,732		79,115

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2011/12	2010/11
£50,000 - £54,999	**9**	6
£55,000 - £59,999	**4**	7
£60,000 - £64,999	**2**	4
£65,000 - £69,999	**-**	1
£70,000 - £74,999	**3**	2
£75,000 - £79,999	**-**	1

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

Exit package cost band (including special payments	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£000	£000
£0 - £20,000	13	2	-	4	13	6	141	32
£20,001 - £40,000	3	4	-	-	3	4	77	108
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	82
Total	16	7	-	4	16	11	218	222

28. External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2011/12	2010/11
	£000	£000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	**87**	96
Fees Payable to external auditors in respect of statutory inspections	**-**	-
Fees payable to external auditors for the certification of grant claims and returns	**32**	26
Fees payable in respect of other services provided by external auditors during the year	**-**	-
Total	**119**	122

62

29. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Non-Domestic Business Rates (CLG)	**(3,752)**	(5,543)
Revenue Support Grant (CLG)	**(1,160)**	(805)
Travellers Site (CLG)	**(386)**	(949)
Disabled Facilities (CLG)	**(373)**	(375)
New Homes Bonus (CLG)	**(335)**	-
Community Facility Improvements	**(247)**	(14)
Council Tax Freeze (CLG)	**(230)**	-
Regional Housing Pot (CLG)	**(63)**	(326)
Area Based Grant (CLG)	**-**	(36)
Other grants	**-**	(5)
Total	**(6,546)**	(8,053)
Credited to Services		
Housing Benefit Administration (DWP)	**(632)**	(674)
Choosing Health PCT (West Kent PCT)	**(129)**	(196)
Communities against Drugs (KCC)	**(108)**	(165)
Concessionary Fares (DfT)	**-**	(98)
Air Quality	**-**	(59)
Homelessness (CLG)	**(92)**	(47)
Tax and Housing Benefits (DWP)	**-**	(37)
Housing Option – HERO (CLG)	**(55)**	(36)
Small Sites and Commons	**-**	(24)
Youth Support	**(36)**	(19)
Planning Policy (CLG)	**-**	(16)
Other	**(57)**	(119)
Total	**(1,109)**	(1,490)

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2011/12	2010/11
Capital Grants Receipts in Advance	**£000**	£000
Travellers Site (CLG)	**-**	(343)
Regional Housing Pot (CLG)	**(48)**	(92)
Disabled Facilities (CLG)	**(116)**	(51)
Total	**(164)**	(486)

30. Related Party Transactions

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

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 26. During 2011/12 the Council paid grants totalling £500 to voluntary organisations in which 1 member had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The Register of Members' Interests is open to public inspection.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the following organisations:

- Sevenoaks Leisure Limited – management fee of £161,000. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31st March 2018 and interest of 7% per year.

- Sevenoaks Town Council – management and service fees of £100,000 for the Stag Theatre. These fees are for the operation of the building and related services, community provision and youth outreach.

31. Capital Expenditure and Capital Financing

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

	2011/12	2010/11
	£000	£000
Opening Capital Financing Requirement	**-**	-
Capital Investment:		
Property, Plant & Equipment	**1,330**	1,691
Intangible Assets	**-**	-
Revenue Expenditure Funded from Capital under Statute	**1,018**	1,095
	2,348	2,786
Sources of Finance:		
Capital Receipts	**(119)**	(140)
Government Grants and other contributions	**(1,085)**	(1,669)
Sums set aside from revenue	**(1,144)**	(977)
	(2,348)	(2,786)
Closing Capital Financing Requirement	**-**	-

32. Leases

Authority as Lessee

Payments under operating leases during the year amounted to £72,000 (£94,000 in 2010/11), relating to company cars and multi-functional printing devices.

Commitments under operating leases for company cars payable in 2012/13 amount to £17,000, all of which expires in that year.

A three year operating lease for multi-functional printing devices commenced in March 2010. Lease payments are £32,000 per annum.

	Minimum Lease Payments	
	31/03/12	31/03/11
	£000	£000
Not later than one year	**49**	72
Later than one year and not later than five years	**-**	53
Later than five years	**-**	-
	49	125

The authority does not hold any finance leases as a lessee.

Authority as Lessor

The Authority has classified one lease it has granted, as a finance lease. This is due to the length of the lease agreement in relation to the asset's useful life at the inception of the lease, and the value of lease payments to asset value.
The Authority recognises a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	31/03/12	31/03/11
	£000	£000
Gross Investment in the Lease	**379**	405
Estimated Residual value	**31**	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	**195**	199
Unearned Finance Income	**185**	206

The gross investment in the lease will be received over the following periods.

	31/03/12	31/03/11
	£000	£000
Not later than one year	**24**	24
Later than one year and not later than 5 years	**120**	120
Later than 5 years	**235**	262
Total	**379**	406

33. Impairment Losses

During 2011/12, the Authority has not recognised any impairment losses to its property, plant and equipment.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £222,000 (£218,000 in 2010/11) – see note 27 for the number of exit packages and total cost per band. The majority of these were as a result of the budget savings agreed by Council on 16 December 2010.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these 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 by Kent County Council. This is a funded defined benefit final salary 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.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
• Current Service Cost	**1,752**	2,487
• Past Service Cost	**-**	(8,251)
• Settlement and Curtailments	**178**	36
Financing and Investment Income & Expenditure		
• Interest Cost	**4,996**	5,585
• Expected return on scheme assets	**(3,905)**	(3,613)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,021**	(3,756)
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
• Actuarial Gains/(Losses)	**15,007**	(17,180)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**18,028**	(20,936)
Movement in Reserves Statement		
• Reversal of net charges made to the surplus or Deficit for Provision of Services for post employment benefits in accordance with the Code	**(3,021)**	3,756
Actual Amount Charged against the General Fund Balance for pensions in the year:		
• Employer's Contributions payable to scheme	**2,899**	3,456

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2012 a loss of £35.178m and at 31 March 2011 was a loss of £20.171m.

<u>Exceptional Item</u>

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority's liabilities in the Pension Fund by £8,251,000 which has been reflected as an exceptional item in the Comprehensive Income and Expenditure Statement in 2010/11.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligations):

	Funded Liabilities: Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening Balance	**(91,686)**	(109,566)
Current service cost	**(1,752)**	(2,487)
Interest cost	**(4,996)**	(5,585)
Contributions by scheme participants	**(614)**	(686)
Actuarial gains/(losses)	**(12,506)**	14,570
Benefits paid	**4,041**	3,652
Past service costs	**-**	8,251
Losses on curtailments	**(178)**	(36)
Unfunded benefits paid	**203**	201
Closing Balance	**(107,488)**	(91,686)

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

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening Balance	**57,174**	50,662
Expected rate of return on assets	**3,905**	3,613
Actuarial Gains and losses	**(2,501)**	2,610
Employer Contributions	**2,899**	3,456
Contributions by scheme participants	**614**	686
Benefits paid	**(4,244)**	(3,853)
Closing Balance	**57,847**	57,174

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 scheme assets in the year was £1.404m (2010/11 £4.442m).

Scheme History

	2007/8	2008/9	2009/10	2010/11	**2011/12**
	£000	£000	£000	£000	**£000**
Present Value Liabilities	(73,520)	(71,940)	(109,566)	(91,686)	**(107,488)**
Fair Value of Assets	45,660	37,370	50,662	57,174	**57,847**
Surplus/(deficit) in the scheme	(27,860)	(34,570)	(58,904)	(34,512)	**(49,641)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £49.641m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £8.788m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit of the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the council in the year to 31 March 2013 is £2.685m.

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 have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2010.
The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-Term expected rate of return on assets in the scheme:		
Equity Investments	**6.3%**	7.4%
Gilts	**3.3%**	4.4%
Bonds	**4.6%**	5.5%
Property	**4.3%**	5.4%
Cash	**3.0%**	3.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	**20.0**	19.8
Women	**24.0**	23.9
Longevity at 65 for future pensioners		
Men	**22.0**	21.9
Women	**25.9**	25.8
Rate of Inflation (CPI)	**2.5%**	2.7%
Rate of increase in salaries	**4.7%**	5.0%
Rate of increase in pensions	**2.5%**	2.7%
Rate for discounting scheme liabilities	**4.6%**	5.5%
Take-up of option to convert annual pension into retirement lump sum	**50%**	50%

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

	31/03/12	31/03/11
	%	%
Equity investments	**74**	76
Gilts	**1**	1
Bonds	**10**	12
Property	**9**	9
Cash	**4**	2
Target return portfolio	**2**	-
Total	**100**	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2007/08	2008/09	2009/10	2010/11	**2011/12**
	%	%	%	%	**%**
Differences between the expected and actual return on assets	(19.4)	(32.8)	21.0	4.6	**(4.3)**
Experience gains and losses on liabilities	2.0	0.0	0.4	1.4	**(0.1)**

36. Contingent Liabilities

During 2004/05 the construction of the Edenbridge Relief Road, a council funded scheme, was completed. Significant land and disturbance compensation costs will become payable as part of the scheme. When the scheme was agreed, an overall costs estimate of £1.2m was made for which a provision has been made. The provision has since been increased to cover potential interest costs (see note 22). In addition to these costs, further costs may be incurred for which a reliable estimate cannot be made as claims and offers on individual sites may vary considerably. A contingent liability is being disclosed for those potential uncertain costs.

Each year the Council is liable to pay a proportion of certain capital receipts into the Housing Capital Receipts Pool operated by Central Government.

Municipal Mutual Insurance Company was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". The Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This has increased the risk that a solvent run-off will not be achieved. If that were to be the case, councils (and others, such as housing associations) would be liable to clawback of monies paid out to settle claims. As at 31 March 2012 the estimated amount liable to clawback from the council stands at up to £211,000.

37. <u>Contingent Assets</u>

The Council transferred the remaining part of its housing stock to Moat Housing Association in 1993. When Shared Ownership Lessees purchase further equitable shares in their property the Council receives the proceeds of purchasing the further share, less certain costs. This contingent asset applies for a period of 30 years commencing in 1993.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2011/12

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administering collection are accounted for in the General Fund.

2010/11 £000		Note	2011/12 £000	2011/12 £000
	Income			
75,907	Council Tax	1		76,464
30,090	Non-Domestic Rates	2		32,436
2229	Reduction in Bad and Doubtful Debts Provision			103
106,226				109,003
	Expenditure			
	Precepts:			
52,836	Kent County Council		52,991	
6,993	Kent Police Authority		7,014	
3,426	Kent Fire and Rescue Service		3,437	
12,445	Sevenoaks District Council (incl. Parishes)		12,565	76,007
	Non Domestic Rates:			
29,914	Payment to National Pool		32,261	
176	Cost of Collection Allowance		175	32,436
345	Bad and Doubtful Debts Provision			348
92	- Write Offs			75
-	Contribution towards previous year's Collection Fund surplus	3		-
106,227				108,866
(1)	(DEFICIT)/SURPLUS FOR YEAR	3		137
	COLLECTION FUND BALANCE			
-	Balance at beginning of year			(1)
(1)	(Deficit)/Surplus for year			137
(1)	Balance at end of year	4		136

Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Kent Police Authority, Kent Fire and Rescue Service and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

The tax base for 2011/12 was calculated in January 2011 as follows:

Band	Estimated no. of taxable properties after the effect of discounts	Ratio	Band D equivalent dwellings
A*	2.50	5/9ths	1.39
A	1,304.50	6/9ths	869.67
B	2,497.25	7/9ths	1,942.31
C	9,199.50	8/9ths	8,177.33
D	10,454.75	9/9ths	10,454.75
E	6,573.50	11/9ths	8,034.28
F	5,332.50	13/9ths	7,702.50
G	6,830.00	15/9ths	11,383.33
H	1,125.75	18/9ths	2,251.50
	43,320.25		50,817.06

Less adjustment for collection rates and anticipated changes during the year for successful banding appeals etc., offset by contributions in lieu in respect of Crown property.	242.49
COUNCIL TAX BASE FOR 2011/12	50,574.57
COUNCIL TAX BASE FOR 2010/11	50,426.50

The tax rate for a band D property was £1,436.30 excluding Parish Council taxes (2010/11 = £1,436.30).

The Council Tax income of £76,464,000 for 2011/12 is receivable from the following sources:

Billed to Council tax payers £69,700,000 (2010/11= £68,992,000)
Council tax benefits £ 6,764,000 (2010/11= £6,915,000)

Note 2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (43.3p in 2011/12 and 41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

According to the rating list, the total non-domestic rateable value at 31st March 2012 was £90,317,429 (31st March 2011 = £89,501,044).

Note 3 Contributions to Collection Fund Surpluses and Deficits

In January each year the Council must estimate the Collection Fund balance for the coming 31st March.

In January 2011, the estimated balance at 31st March 2011 in respect of council tax transactions was zero. Had there been a surplus or deficit, it would have been shared between Kent County Council, Kent Police Authority, Kent Fire & Rescue Service and the District Council in proportion to their precepts on the Collection Fund in 2010/11 and taken into account by the respective authorities in the calculation of their council taxes for 2011/12.

The actual position at 31st March 2011 was a deficit of approximately £1,400.

Note 4 Reconciliation of Balance at the end of year to the Balance Sheet

Only the Sevenoaks District Council element of the Balance at end of year is included in the Balance Sheet.

	2010/11		**2011/12**	
Authority	**% of Council Tax**	**Est. share of Balance £000**	**% of Council Tax**	**Est. share of Balance £000**
Sevenoaks DC (incl. Parish and Town Councils)	16.5	0	16.6	22
Kent County Council	69.8	1	69.7	95
Kent Police Authority	9.2	0	9.2	13
Kent Fire and Rescue Service	4.5	0	4.5	6
Total	100.0	1	100.0	136

GLOSSARY OF TERMS – Statement of Accounts

Most terms are explained within the "Explanatory Foreword" and "Statement of Accounting Policies" sections of the accounts

Accounting Period. The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

Accrual. Item relating to, and accounted for in, one accounting period but actually paid in another.

Actual. The final amount of expenditure or income which is recorded in the Council's accounts.

Agency and Contracted Services. Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

Budget. A statement of the Council's plans for net revenue and capital expenditure over a specified period of time.

Budget Requirement. Broadly the authority's estimated net revenue expenditure after allowing for movement in reserves and the addition of parish precepts, to be met from revenue support grant, redistributed non-domestic rates and council tax income.

Capital Expenditure. The acquisition, construction, enhancement or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

Capital Financing Requirement. The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

Capital Programme. The capital projects the Council proposes to undertake over a set period of time.

Capital Receipts. Money obtained on the sale of a capital asset.

CLG. Department for Communities and Local Government (formally Office of the Deputy Prime Minister ODPM).

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and payments to the non-domestic rates pool.

Contingent Liabilities. Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core. Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

Cost Centre. An individual unit to which items of income or expenditure are charged for managerial or control purposes.

Council Tax. A local tax set by Councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, some people with disabilities and some other special cases.

Council Tax Base. The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

Creditors. People or organisations from whom we have received goods or services and as a consequence owe money.

Debtors. People or organisations who owe money to the Council.

Deferred Capital Receipts. Capital Receipts which will accrue in the future, such as mortgage repayments.

Depreciation. A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

DfT. Department for Transport.

DWP. Department for Work and Pensions.

Employee Costs. This includes the full costs of employees including salaries, employers contributions to national insurance and superannuation, and the costs of leased cars.

Fees and Charges. In addition to income from council tax payers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.

General Fund. The main revenue fund of the Council from which payments are made to provide services and into which receipts are paid, including the District Council's share of council tax income.

Government Grants. Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

National Non-Domestic Rate (NNDR). Non-domestic rates are levied at a uniform rate in the pound set by the Government. The proceeds are pooled nationally and then redistributed to each Local Authority in proportion to residential population and other criteria determined by the Government.

PCT. Primary Care Trust.

Precept. The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by Kent Police Authority, Kent Fire & Rescue Service, Town and Parish Councils in the District.

Premises Expenses. Includes expenditure on repairs, buildings, grounds and plant maintenance, energy, rents, rates, water services and cleaning of council buildings.

Provisions. Funds to provide for liabilities or losses which are known obligations, but are uncertain as to amounts or dates.

Recharges. The transfer of costs from one account to another.

Reserves. The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the new capital accounting system namely the capital adjustment account and the revaluation reserve.

Revenue Expenditure. Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

Revenue Support Grant (RSG). The general Government grant to local authorities. It is payable to all local authorities in support of expenditure in their area.

Revised Estimates. The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

Specific Grant. Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes

Standard Spending Assessment (SSA). The amount of revenue expenditure, net of Specific Grants, which it is appropriate for each authority to incur in providing a common level of service consistent with the aggregate figure of Total Standard Spending. The sum of all authorities' Standard Spending Assessments is equal to Total Standard Spending less the total of Specific Grants.

Standard Spending Grant (SSG). An informal alternative name for Revenue Support Grant, which helps to make it clear that the grant is paid in support of expenditure at the level of the Standard Spending Assessment.

Supplies and Services. Includes expenditure on equipment and materials.

Support Services. The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g. telephones, stationery and bank charges), central professional services (Personnel, Legal and Property, and Financial Services support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

Total Standard Spending (TSS). The amount of revenue expenditure which the Secretary of State considers it is appropriate for all local authorities in England to incur in the provision of services and the financing of expenditure.

Transfer Payments. Payments to other bodies where no goods or services are received in return e.g. Housing Benefit grants.

TWBC. Tunbridge Wells Borough Council.

Valuation Bands. To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law.

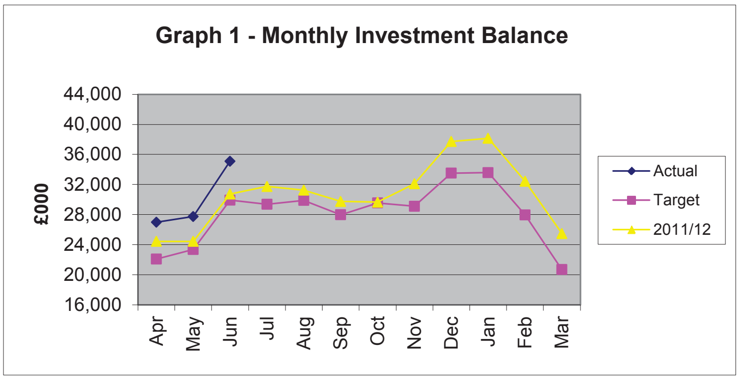
Band	**Value**				**Proportion**
A	Up to	£40,000			6/9
B	Over	£40,000	and up to	£52,000	7/9
C	Over	£52,000	and up to	£68,000	8/9
D	Over	£68,000	and up to	£88,000	9/9
E	Over	£88,000	and up to	£120,000	11/9
F	Over	£120,000	and up to	£160,000	13/9
G	Over	£160,000	and up to	£320,000	15/9
H	Over	£320,000			18/9

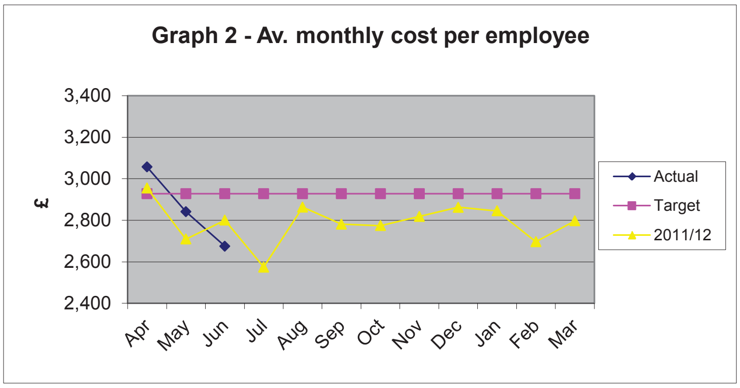
Virement A transfer of budget provision from one budget to another.

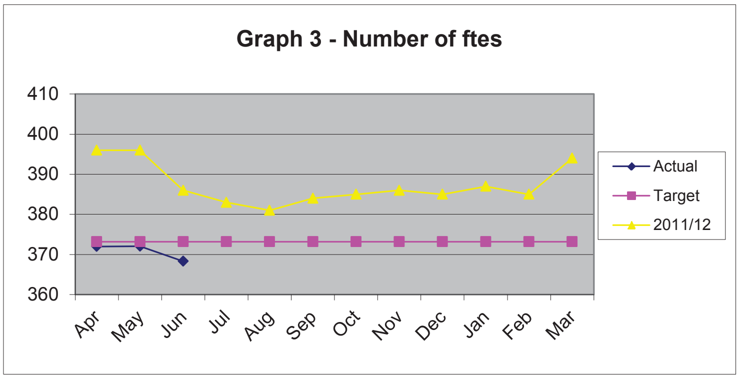
Finance Advisory Group Finance Indicators 2012/13
as at end June 2012

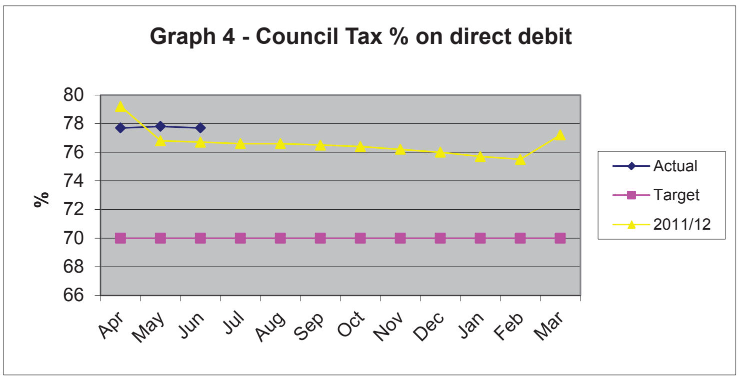
Description	target	actual	Variance	%	notes	graph
Monthly investment balance £000	23,355	35,108	11,753	50.3%	Total investments at month end. Precepts are paid in 10 instalments of roughly £6m, but not in June or December. Therefore, we receive cashflow benefits until the last 2 precept payments go out in February and March. The target figures have been updated to reflect the Balance Sheet position as at 31/03/11.	1
Average monthly cost per employee (non cumulative) £	2,928	2,677	-251	-8.6%	Target is annual pay budget divided by budget ftes, figures include agency and casual staff.	2
Number of ftes	373	368	-5	-1.4%	Target is budgeted ftes.	3
Council Tax % collected for 2012/13	30.7	30.7	0.0	0.0%	LPIFS 19. Monthly cumulative figures	-
NNDR % collected for 2012/13	32.2	32.5	0.3	0.9%	LPIFS 20. Monthly cumulative figures.	-
Council Tax payers % on direct debit	70.0	77.7	7.7	11.0%	LPIFS8 - % on direct debit	4
Investment return %	0.80	1.10	0.30	37.9%	Cumulative return on investments. Target is budget assumption	5
3 month LIBID		0.9141	0.91			
7 day LIBID		0.4417	0.44			
Sundry debtors: debts over 21 days £000	35	29.826	-5	-14.8%	21 days is taken as the base as the first reminder is issued after 3 wks.	6
Sundry debtors: debts over 61 days £000	20	24.263	4	21.3%	61 days is when the third reminder is issued (debts exclude items on 'indefinate hold', e.g. debtors in administration)	7

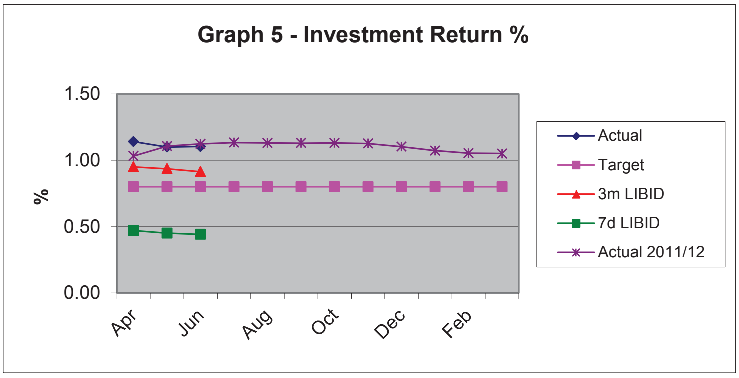
Finance Advisory Group Finance Indicators 2012/13
as at end June 2012

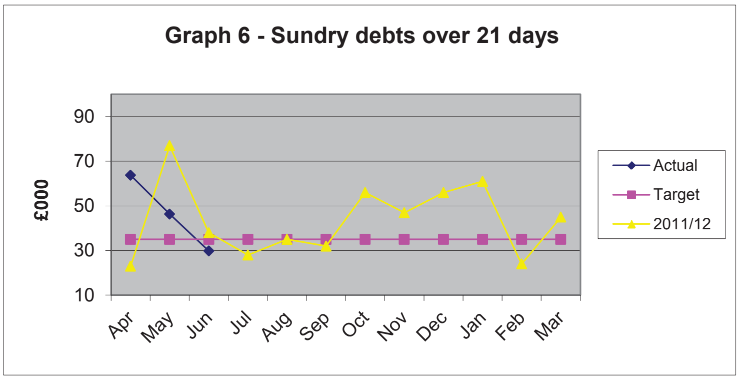


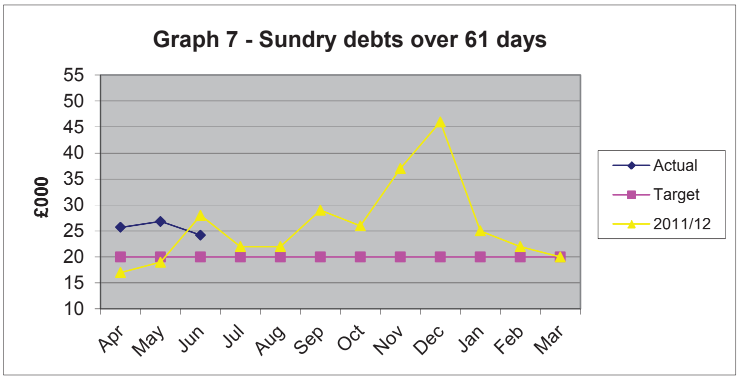







Graph 5 - Investment Return %
%
1.50
1.00
0.50
0.00
Apr
Jun
Aug
Oct
Dec
Feb
Actual
Target
3m LIBID
7d LIBID
Actual 2011/12


Graph 6 - Sundry debts over 21 days
£000
90
70
50
30
10
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Actual
Target
2011/12


Graph 7 - Sundry debts over 61 days
£000
55
50
45
40
35
30
25
20
15
10
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Actual
Target
2011/12

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FORWARD PROGRAMME FOR FINANCE ADVISORY GROUP

Topic	25 July 2012	24 October 2012	23 January 2013	27 March 2013	June 2013
Annual Accounts	Draft Statement of Accounts 2011/12				Provisional Outturn 2012/13 and Carry Forward Requests
Budget			Risks and Assumptions for Budget 2013/14		
Financial Monitoring	June 2011 Results	September 2012 Results	December 2012 Results	February 2012 Results	
Financial Performance Indicators	June 2011	September 2012	December 2012	February 2012	March 2013 and April 2013
Treasury Management	Investment Strategy Update		Treasury Management Strategy 2013/14		
Invitee		Head of Environmental and Operational Services (Focussing on Direct Services)			

Topic	25 July 2012	24 October 2012	23 January 2013	27 March 2013	June 2013
Other	Update on Localisation of Council Tax Support		Costs and Savings in Partnership Working Pensions Investments		