Appendix

DRAFT STATEMENT OF ACCOUNTS

2010/2011

Sevenoaks

DISTRICT COUNCIL

CONTENTS

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

EXPLANATORY FOREWORD

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** (TO FOLLOW AT COMPLETION OF THE AUDIT).

- 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 'Best Value accounting' 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 23rd February 2010 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2010/11 a supplementary estimate of £12,000 was approved for Christmas car parking.

The final outturn position is a surplus of £0.59m. 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 2010/11

	Original Budget £000	Revised Budget £000	Actual Outturn £000
Net Service Expenditure	16,711	16,724	16,578
VAT Refund	-	-	(364)
Appropriation from Reserves	(999)	(1,012)	(937)
Interest Receipts	(192)	(192)	(347)
Government Support	(6,348)	(6,348)	(6,348)
*Council Tax	(9,172)	(9,172)	(9,172)
Contribution from/(to) GF reserve	-	-	-
Contribution from/(to) Budget Stabilisation Reserve	-	-	(590)
(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 (£364,000 income): This relates to sports tuition and sports courses. Following on from the successful primary claim of £1.8m for over paid VAT which was repaid in 2009/10, HMRC have now agreed to the second part of the claim for £364,000. The primary claim for 1990 - 1994 was for admissions and courses. The second claim for the period 1978 - 1989 (and part of 1994) was purely for courses and the incorrect treatment of courses VAT during the period.

- Pay costs (£293,000 underspent): Some vacant posts were held open as they were deleted on 1 April or because staff displaced through the budget process are being redeployed into them.

- Income (£950,000 favourable): This relates to the VAT refund explained above, Development Control income, external funding which is offset by expenditure in 'Other Costs' and partnership income.

- Direct Service Trading Accounts show a surplus of £17,000 at the year end, which is £47,000 lower than the budgeted surplus 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.

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 £34.5m at 31st March 2011, compared to £58.9m at 31st March 2010.

The reasons for the reduced deficit are:

- More favourable assumptions about life expectancy,
- More favourable assumptions about rates of inflation,
- Pensions increases being based on the Consumer Price Index (CPI) instead of the Retail Price Index (RPI).

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. Changes to Accounting Policies: International Financial Reporting Standards (IFRS)

For the first time this Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS). This brings local authority accounting in line with the rest of the public sector, which adopted IFRS in its published accounts from 2009/10. IFRS requires entities to re-state the previous financial year's results in line with IFRS, and as if they had always produced their accounts under IFRS. The balance sheet as at the end of 2009/10 has therefore been re-stated in this set of accounts, together with all of the accounting statements and notes for the year.

Changing the way in which we account does not in itself add or deduct from the overall resources, but it does enable the authority to show more clearly what resources are available.

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

At the end of the year, the Council held some £0.8m of capital receipts which could be used to finance future capital spending. The Council is debt-free.

Earmarked reserves have decreased by £0.3m leaving a balance of £14.2m. £2.4m of this is in the new Budget Stabilisation Reserve.

8. 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%.

9. 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 plans to make £4million of savings over the next four years. 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.

10. 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 2011 required by the Accounts and Audit Regulations 2003 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
30th June 2011

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 2009	3,713	13,621	-	353	**17,687**	(18,199)	**(512)**
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	17				**17**		**17**
Other Comprehensive Income and Expenditure						(22,790)	(22,790)
Total Comprehensive Income and Expenditure	17				**17**	(22,790)	(22,773)
Adjustments between accounting basis & funding basis under regulations (note 7)	876			184	**1,060**	(1,060)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**893**			**184**	**1,077**	**(23,850)**	**(22,773)**
Transfers to/from Earmarked Reserves (note 8)	(893)	893			**-**		-
Increase/Decrease in 2009/10	0	893		184	**1,078**	(23,850)	(22,773)
Balance at 31 March 2010	3,713	14,516	-	537	**18,766**	(42,047)	(23,281)

	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**	(42,048)	**(23,282)**
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	7,674				7,674		7,674
Other Comprehensive Income and Expenditure				15	15	17,609	17,624
Total Comprehensive Income and Expenditure	**7,674**			**15**	**7,689**	**17,609**	**25,298**
Adjustments between accounting basis & funding basis under regulations (note 7)	(8,022)			211	**(7,811)**	7,811	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(348)**			**226**	**(122)**	**25,420**	**25,298**
Transfers to/from Earmarked Reserves (note 8)	348	(348)			-		-
Increase/Decrease in 2010/11	**-0**	**(348)**		**226**	**(122)**	**25,420**	**25,298**
Balance at 31 March 2011	**3,713**	**14,168**	**-**	**763**	**18,644**	**(16,628)**	**2,016**

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.

2009/10 Gross Exp £000	2009/10 Gross Income £000	2009/10 Net Exp £000	Note		2010/11 Gross Exp £000	2010/11 Gross Income £000	2010/11 Net Exp £000
4,312	(842)	3,470		Central services to the public	4,605	(851)	3,754
14,992	(5,540)	9,452	5	Cultural, environmental, regulatory and planning services	15,141	(4,054)	11,087
1,598	(2,607)	(1,009)		Highways and transport services	1,634	(2,635)	(1,001)
33,570	(31,493)	2,077		Housing services	35,621	(32,626)	2,995
50	-	50		Non Distributed Costs	(8,215)	-	(8,215)
54,522	**(40,482)**	**14,040**	**23**	**Net Cost of Services**	48,786	(40,166)	8,620
		(274)		Loss/Gain on Disposal of Fixed Assets			(222)
		(137)	24	Net Surplus/Deficit from Trading Operations			(64)
		3,116		Parish Council Precepts			3,273
		11		Contributions of housing capital receipts into Government Pool			10
		2,716		**Other Operating Expenditure**			2,997
		503		Movement in Fair Value of Investment Property			(313)
		120		Interest Payable and similar charges			(40)
		2,538		Pensions Interest Cost and expected return on pensions assets			1,972
		(493)		Interest and Investment Income			(448)
		2,668		**Financing and Investment Income and Expenditure**			1,171
		(901)	28	Capital Grants and Contributions			(1,669)
		(11,958)		Council Tax			(12,445)
		(5,132)		National Non Domestic Rates Redistribution			(5,543)
		(1,450)		Non Service Related Government Grants			(805)
		(19,441)		**Taxation and Non Specific Grant Income**			(20,462)
		(17)		**(Surplus) or Deficit on the Provision of Services**			(7,674)
		(1,094)		(Surplus) or deficit on the revaluation of property, plant & equipment assets			(444)
		23,884		Actuarial (gains)/losses on pension assets/liabilities			(17,180)
		22,773		**Total Comprehensive Income and Expenditure**			(25,298)

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 2009 £000	31 March 2010 £000	Note		31 March 2011 £000
			Long Term Assets	
14,945	15,548	9,30	Property, Plant and Equipment	16,893
1,268	1,260	10	Investment Property	947
-	-		Intangible Assets	-
-	-	15	Assets held for sale	-
13,000	13,739	11	Long Term Investments	15,779
621	611		Long Term Debtors	570
29,834	31,158		**Total Long Term Assets**	34,189
			Current Assets	
8,402	5,696	14	Cash and Cash Equivalents	5,865
35	22	12	Inventories	36
2,619	6,211	13	Short Term Debtors	3,226
192	190		Payments in Advance	171
11,248	12,119		**Total Current Assets**	9,298
			Current Liabilities	
(350)	(575)		Receipts in Advance	(758)
(2,207)	(2,651)	16	Short Term Creditors	(2,626)
(2,557)	(3,226)		**Total Current Liabilities**	(3,384)
8,691	8,893		**Net Current Assets**	5,914
			Long Term Liabilities	
(373)	(371)		Long Term Creditors	(370)
(2,591)	(2,621)	17	Provisions	(2,718)
(34,570)	(58,904)	34	Net Pensions Liability	(34,512)
(1,503)	(1,436)		Capital Grants Receipts in Advance	(486)
(39,037)	(63,332)		**Total Long Term Liabilities**	(38,086)
(512)	(23,281)		**Total Net Assets**	2,017

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1 April 2009 £000	31 March 2010 £000	Note		31 March 2011 £000
		18	**Usable Reserves**	
353	537		Usable Capital Receipts Reserve	763
13,621	14,516	8	Earmarked Reserves	14,169
3,713	3,713		General Fund	3,713
		19	**Unusable Reserves**	
15,136	14,603		Capital Adjustment Account	14,928
1,212	2,353		Revaluation Reserve	3,034
(146)	(152)		Accumulated Absences Account	(152)
(106)	(211)		Financial Instruments Adj Account	(171)
(7)	-		Collection Fund	-
(34,570)	(58,904)	34	Pensions Reserve	(34,512)
282	264		Deferred Capital Receipts	245
(512)	(23,281)		**Total Reserves**	2,017

These unaudited financial statements will be replaced by the audited financial statements authorised at the meeting of the Performance and Governance Committee on 27th Sept 2011.

Dr Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources
30th June 2011

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.

2009/10 **£000**	**Note**		**2010/11** **£000**
(17)		Net (surplus) or deficit on the provision of services	(7,674)
1,268		Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,175
493		Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	448
1,744	20	Net Cash flows from Operating Activities	(3,051)
965	21	Investing Activities	2,885
(3)	22	Financing Activities	(4)
2,706		Net (increase) or decrease in cash and cash equivalents	(170)
8,402		Cash and Cash Equivalents at the beginning of the reporting period	5,695
5,696		**Cash and Cash Equivalents at the end of the reporting period**	**5,865**

NOTES TO THE ACCOUNTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting 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 Accounting 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

Adoption of IAS1 has led to a change in the format and presentation of the financial statements. This has required reclassifying certain short term investments items to cash equivalents, following guidance in IAS7. Opening balances for cash and cash equivalents have been restated for comparative purposes.

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 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 otherwise stated) 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 amortisations.

f. Employee Benefits

Benefits Payable During Employment
Employee Benefits are accounted for in accordance with IAS 19. The accounting for salaries, bonuses and similar payments is based on the normal principles of accruing for expenditure as incurred. 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 relevant service line 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 5.5% (based on the indicative rate of return on the Iboxx Sterling Corporates Index, AA over 15 years).

- 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 – 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 Balance Sheet Date

Events after the Balance Sheet date 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 assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

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 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.

Area Based Grant

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

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 plan 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 fixed 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 BVACOP 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.

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 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 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

3. Critical Judgements in Applying Accounting Policies

There are no significant critical judgements included in these accounts.

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

At October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested in Landsbanki at an interest rate of 6.32% and a maturity date of 25 June 2009. 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 is that the likely return will be about 95%.

5. Material Items of Income and Expense

A VAT refund of £364,000 has been received relating to sports tuition and sports courses. Following on from a successful primary claim of £1.8m for over paid VAT which was repaid in 2009/10. HMRC have now agreed to the second part of the claim for £364,000. The primary claim for 1990 – 1994 was for admissions and courses. The second claim for the period 1978 – 1989 (and part of 1994) was purely for courses and the incorrect treatment of courses VAT during the period.

6. 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 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. 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.

2010/11

	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	965			(965)
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	(536)	361		175
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.	(40)			40
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	(8,022)	211	-	7,811

2009/10 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	1,000			(1,000)
Movements in the market value of Investment Properties	501			(501)
Capital grants and contributions applied	(901)			901
Non Specific Capital Grants	(13)			13
Revenue expenditure funded from capital under statute	1,136			(1,136)
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	(274)	281		(7)
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.	105			(105)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure				
Capital expenditure charged against the General Fund Balance	(1,142)			1,142
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	3			(3)

	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		(85)		85
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	11	(11)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,815			(3,815)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,365)			3,365
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	(7)			7
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	6			(6)
Total Adjustments	876	184	-	(1,061)

8. 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 2009/10 and 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31Mar 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	**Balance at 31Mar 2011 £000**
General Fund:							
Asset Maintenance Reserve	5,087	(626)	260	4,721	(666)	260	**4,315**
Pension Fund Deficit Reserve	4,492	(981)		3,511	(942)		**2,569**
Budget Stabilisation Reserve	-		1,846	1,846		590	**2,436**
Housing Benefit Subsidy Reserve	561		290	851		341	**1,192**
Local Plan/ LDF Reserve	337	(105)	306	538	(143)	179	**574**
Vehicle Renewal Reserve	630	(511)	489	608	(522)	478	**564**
Community Development	357	-	91	448	(55)	25	**418**
Re-organisation Reserve	329	(28)	58	359	(19)	18	**358**
Carry forward Items Reserve	265	(142)	117	240	(66)	167	**341**
Action & Development	161	-	188	349	(35)	-	**314**
Vehicle Insurance Reserve	229	(13)	30	246	(12)	30	**264**
Rent Deposit/ Guarantee Reserve	161	(3)	20	178	-	1	**179**
Local Strategic Partnership	135	(7)	20	148	(37)	-	**111**
Housing Benefit Section	63	-	2	65	(13)	37	**89**
District Elections	35	-	31	66	-	16	**82**
Transportation Reserve	-	-	80	80	-	-	**80**
Homelessness Prevention	22	-	42	64	(4)	-	**60**
Capital Financing	631	(631)	-	-	-	-	**-**
Other Reserves (under £50,000)	126	(15)	87	198	(33)	58	**223**
Total	**13,621**	**(3,062)**	**3,957**	**14,516**	**(2,547)**	**2,201**	**14,169**

The purpose of these earmarked reserves are shown below:

- Asset Maintenance - To fund future asset maintenance costs.
- Pension Fund Deficit - To meet some of the back funding element.
- 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.
- Local Plan / LDF - To help support the Local Plan and LDF.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Community Development - To fund ongoing and future projects.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Carry Forward Items - For specific items agreed by cabinet.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- Rent Deposit / Guarantee - To support the homeless etc, by providing their initial deposit and guarantee for a property.
- 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.
- Transportation - For uncertainty relating to concessionary fares transfer to KCC.
- Homelessness Prevention – For preventing homelessness.
- Capital Financing - To part fund the capital programme.
- Other - Other small reserve set aside.

9. Property, Plant and Equipment

Movements on Balances

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	18,914	7,654	383		26,951
Additions	123	620		949	1,692
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	730				730
- Surplus or Deficit	(33)				(33)
Derecognition – Disposals	(96)	(5)			(101)
Derecognition - Other		(804)			(804)
At 31 March 2011	19,638	7,465	383	949	28,435
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					
- Surplus/ Deficit on the Provision of Services	13				13
Derecognition – Disposals	7				7
Derecognition - Other		804			804
At 31 March 2011	(6,248)	(5,294)			(11,542)
Net Book Value					
As at 31 March 2010	12,899	2,266	383	-	15,548
As at 31 March 2011	13,390	2,171	383	949	16,893

Comparative Movements in 2009/10:

	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 2009	18,289	6,679	383		25,351
Additions	17	975			992
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	1,043				1,043
- Surplus or Deficit	(435)				(435)
At 31 March 2010	18,914	7,654	383		26,951
Accumulated Depreciation and Impairment					
At 1 April 2009	(5,819)	(4,587)			(10,406)
Depreciation Charge	(135)	(801)			(936)
Depreciation written out to the					
- Revaluation Reserve					
- Surplus/ Deficit on the Provision of Services	(61)				(61)
At 31 March 2010	(6,015)	(5,388)			(11,403)
Net Book Value					
As at 31 March 2009	12,470	2,092	383		14,945
As at 31 March 2010	12,899	2,266	383		15,548

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, the only significant sum outstanding on capital contracts was:

- Hever Road Gypsy Site with future costs of £312,000.

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 1st April 2010, 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 & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000
Carried at historical cost	122	7,465	383	949	8,919
Valued at current value in:					
2010/11	1,039	-	-	-	1,039
2009/10	9,714	-	-	-	9,714
2008/09	3,894	-	-	-	3,894
2007/08	4,868	-	-	-	4,868
2006/07	-	-	-	-	-
Total	19,637	7,465	383	949	28,434

10. 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.

	2010/11	2009/10
	£000	£000
Rental income from investment property	**80**	81
Direct operating expenses from investment property	**-**	(30)
Net gain/(loss)	**80**	51

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:

	2010/11	2009/10	2008/09
	£000	£000	£000
Balance at start of the year	**1,260**	1,268	2,679
Disposals		(2)	
Net Gains/ losses from fair value adj	**(313)**	(6)	(1,155)
Other Changes			(256)
Balance at end of the year	**947**	1,260	1,268

11. 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 balance at the year end can be analysed as follows:

	2010/11	2009/10	2008/09
	£000	£000	£000
Long-term Investments:			
Financial Institutions	**9,779**	10,739	2,000
Building Societies	**4,000**	3,000	11,000
Other Local Authorities	**2,000**	-	
	15,779	13,739	13,000
Short-term Investments:			
Financial Institutions	**5,336**	5,529	4,002
Building Societies	**1,010**	138	4,359
Other Local Authorities	**6**		
	6,352	5,667	8,361
Total Investments	**22,131**	19,406	21,361

Short-term investments are those that were placed for three months or less. Long-term investments mature after three months.

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 31/3/11 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31/3/11		31/3/10	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Loans and receivables	**22,131**	**22,159**	19,406	19,495

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.
- 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. 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 AA-.
- 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 £19.3m at 31 March 2011 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 2011 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	Interest rate	Carrying amount	Impairment	Principal default
			£000	%	£000	£000	%
Landsbanki	25/6/07	25/6/09	1,000	6.32	779	284	5.15

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 consider an impairment adjustment for the deposit and has taken the action outlined below. 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 94.85p in the £.

Date	**Repayment**
Received to date	0.00%
December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.46%

Recovery is subject to a number of risks, the principal one being whether or not deposits enjoy preferential creditor status. Whilst the Icelandic courts have initially confirmed this to be the case, the decision is subject to appeal. Based on initial estimates, if preferential status is not achieved the recoverable amount may only be 33p in the £. Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

The total impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2010/11 is £284,000. 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.

The authority has taken advantage of the capital finance regulations to defer the impact of the of the impairment on the General Fund, and sums have been transferred to and from the Financial Instruments Adjustment Account each year.

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 2011	31 March 2010
	£000	£000
Less than 1 year	**19,300**	18,500
Between 1 and 2 years	**2,000**	-

Market Risk

Interest Rate Risk

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

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall.

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 2010/11 (with all other variables held constant), the financial effect would have been to increase investment income by £241,000

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. Indirectly, exchange rate fluctuations may impact upon the value of recoveries from the Council's Icelandic investment as the value the assets realised by the administrators/receivers, and the settlement of the Council's claim, may be denominated wholly or partly in currencies other than sterling.

12. Inventories

	2010/11	2009/10	2008/09
	£000	£000	£000
Balance outstanding at start of the year	**22**	35	33
Purchases	**511**	439	476
Recognised as an expense in the year	**(497)**	(452)	(474)
Balance outstanding at end of the year	**36**	22	35

13. Short Term Debtors

	31/03/11	31/3/10	31/3/09
	£000	£000	£000
Collection Fund (CF)			
Central Government (NNDR)	**1,253**	1,122	-
Council Tax Payers	**916**	809	696
Bad Debt provision	**(340)**	(319)	(308)
General Fund			
DWP – Housing Benefit Grant	**-**	824	488
Housing Benefit Overpayments	**856**	765	716
Performance Reward Grant	**-**	175	270
Moat Housing Association	**-**	-	127
VAT	**701**	2,332	227
Other	**516**	1,074	935
Bad Debt provision	**(676)**	(571)	(532)
	3,226	6,211	2,619

14. Cash and Cash Equivalents

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

	31/03/11	31/03/10	31/03/09
	£000	£000	£000
Cash held by the Authority	**1**	1	1
Bank current accounts	**4,848**	5,557	4,042
Short-term deposits with:			
• Building Societies	**1,010**	138	4,359
• Other Local Authorities	**6**	-	-
Total Cash and Cash Equivalents	**5,865**	5,696	8,402

15. Assets Held for Sale

No assets are classified as held for sale.

16. Short Term Creditors

	31/03/11	31/3/10	31/3/09
	£000	£000	£000
Creditors			
DWP – Housing Benefit Grant	**(665)**	-	-
Central Government (NNDR)	**-**	-	(528)
Deposits	**-**	(183)	(182)
Council Taxpayers	**(47)**	(34)	(48)
Capital	**(128)**	(153)	(22)
HMRC	**(563)**	(517)	(285)
Kent County Council	**(423)**	(308)	(301)
Other General Fund	**(800)**	(1,456)	(841)
	(2,626)	(2,651)	(2,207)

17. Provisions

The following provisions have been made by the Council:

	First time Sewerage Schemes	Edenbridge Relief Road	Accumulated Absences	Other Provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2009	888	1,557	146	-	2,591
Additional Provisions made during year	16	8	6	-	30
Amounts Used during the year	-	-	-	-	-
Balance at 31 March 2010	904	1,565	152	-	2,621
Additional Provisions made during year	11	8	-	85	104
Amounts Used during the year	-	(7)	-	-	(7)
Balance at 31 March 2011	915	1,566	152	85	2,718

The First Time Sewerage provision is to meet the future liabilities of guarantee payments on schemes carried out in prior years. The limitation periods will run out in 2011 and 2012, therefore the transfer of economic benefit is expected in the next two years.

The Edenbridge Relief Road provision is to meet the future 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 an increase to reflect the longer period of time that any claims would cover. Also see note 35 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 agrees before 31 March but did not occur until later.
- A provision to cover potential restitutionary claims in respect of personal search fees of the land register.

18. Usable Reserves

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

19. Unusable Reserves

	31/03/11	31/03/10	31/03/09
	£000	£000	£000
Capital Adjustment Account	**14,928**	14,603	15,136
Revaluation Reserve	**3,034**	2,352	1,212
Accumulated Absences Account	**(152)**	(152)	(146)
Financial Instruments Adjustment Account	**(171)**	(211)	(106)
Collection Fund Adjustment Account	**-**	-	(7)
Pensions Reserve	**(34,512)**	(58,904)	(34,570)
Deferred Capital Receipts Reserve	**245**	264	282
Total Unusable Reserves	**(16,628)**	(42,048)	(18,199)

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.

2009/10		2010/11	
£000		£000	£000
15,136	Balance at 1 April		14,603
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(967)	Charges for depreciation and impairment of non current assets	(963)	
(80)	Revaluation Losses on Property, Plant and Equipment	(2)	
(1,136)	Revenue expenditure funded from capital under statute	(1,095)	
(7)	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	(93)	
(2,190)			(2,153)
17	Adjusting Amounts written out of the Revaluation Reserve		30
(2,173)	Net Written out amount of the cost of non current assets consumed in the year		(2,123)
-	Capital Financing applied in the year	-	
85	Use of the Capital Receipts Reserve to finance new capital expenditure	140	
901	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	1,669	
13	Non-specific capital grant	(26)	
	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		
1,142	Capital Expenditure charged against the General Fund	978	
2,141			2,761
(501)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(313)
14,603	Balance at 31 March		14,928

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.

2009/10		2010/11	
£000		£000	£000
1,212	Balance at 1 April		2,352
1,158	Upward Revaluation of Assets	444	
	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services		
1,158	Surplus or Deficit on revaluation of non- current assets not posted to the Surplus or Deficit on Provision of Services		444
(17)	Difference between fair value depreciation and historical cost depreciation	(30)	
	Accumulated gains on assets sold or scrapped	268	
(17)	Amount written off to the Capital Adjustment Account		238
2,353	Balance at 31 March		3,034

Accumulated Absences Account

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

2009/10		2010/11	
£000		£000	£000
(146)	Balance at 1 April		(152)
	Settlement or cancellation of accrual made at the end		
(6)	Amounts accrued at the current year end	-	
(6)	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.

2009/10		2010/11	
£000		£000	£000
(106)	Balance at 1 April		(211)
(105)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	40	
	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		
(105)	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		40
(211)	Balance at 31 March		(171)

Collection Fund Adjustment Account

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

2009/10		2010/11
£000		£000
(7)	Balance at 1 April	-
7	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	-
-	Balance at 31 March	-

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.

2009/10 £000		2010/11 £000
(34,570)	Balance at 1 April	(58,904)
(23,884)	Actuarial Gains or Losses on pensions assets and liabilities	17,180
(3,815)	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	3,756
3,365	Employer's pensions contributions and direct payments to pensioners payable in the year	3,456
(58,904)	Balance at 31 March	(34,512)

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.

2009/10 £000		2010/11 £000
282	Balance at 1 April	264
(3)	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	(15)
264	Balance at 31 March	245

20. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
523	Interest received	337
-	Interest paid	-
-	Dividends received	-

21. Cash Flow Statement – Investing Activities

2009/10 £000	Investing Activities	2010/11 £000
992	Purchase of property, plant & equipment, investment property and intangible assets	1,691
739	Purchase of short term and long term investments	2,040
-	Other payments for investing activities	-
(281)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(375)
(493)	Proceeds from sale of short-term and long-term investments	(448)
8	Other receipts from investing activities	(23)
965	Net Cash Flow from investing activities	2,885

22. Cash Flow Statement – Financing Activities

2009/0 £000	Financing Activities	2010/11 £000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
(3)	Cash payments for finance leases	(4)
-	Other payments for financing activities	-
(3)	Net Cash Flow from Financing activities	(4)

23. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the 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 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

Heads of Service Income and Expenditure 2009/10 Comparative Figures	Policy, Performance & Communications	Community Development	Development Services	Environmental and Operations	Housing	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(5)	(2,703)	(753)	(3,677)	(104)	(1,052)	-	(383)	(8,677)
Government Grants	0	(260)	(5)	(9)	(143)	(31,477)	-	(4)	(31,898)
Total Income	(5)	(2,963)	(758)	(3,686)	(247)	(32,529)	-	(387)	(40,575)
Employee Expenses	1,036	665	1,970	2,603	730	2,782	888	635	11,309
Other Service Expenses	177	3,840	581	5,490	394	34,192	790	271	45,735
Total Expenditure	1,213	4,505	2,551	8,093	1,124	36,974	1,678	906	57,044
Net Expenditure	1,208	1,542	1,793	4,407	877	4,445	1,678	519	16,469

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.

	2010/11	2009/10
	£000	£000
Net Expenditure in Directorate Analysis	16,410	16,469
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,790)	(3,069)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	640
Cost of Services in Comprehensive Income and Expenditure Statement	8,620	14,040

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.

2010/11	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)	(2,474)	(35,320)
Total Income	(40,166)		-	(40,166)	(20,911)	(61,077)
Employee Expenses	10,274	-		10,274		10,274
Other Service Expenses	46,302	(7,790)	-	38,512	1,687	40,199
Depreciation, amortisation and Impairment		-	-	-	(313)	(313)
Interest Payments					(40)	(40)
Precepts & Levies					3,273	3,273
Payments to Housing Capital Receipts Pool					10	10
Total Expenditure	56,576	(7,790)	-	48,786	4,617	53,403
(Surplus) or deficit on the provision of services	16,410	(7,790)	-	8,620	(16,294)	(7,674)

2009/10 comparative figures	Heads of Service Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,677)		93	(8,584)		(8,584)
Interest and Investment Income					(493)	(493)
Income from Council Tax and NNDR					(17,092)	(17,092)
Government Grants and Contributions	(31,898)			(31,898)	(2,351)	(34,249)
Total Income	(40,575)		93	(40,482)	(19,934)	(60,416)
Employee Expenses	11,309	6		11,315		11,315
Other Service Expenses	45,735	(2,509)	(136)	43,090	2,127	45,217
Depreciation, amortisation and Impairment		(566)	683	118	503	621
Interest Payments					120	120
Precepts & Levies					3,116	3,116
Payments to Housing Capital Receipts Pool					11	11
Total Expenditure	57,044	(3,069)	548	54,522	5,877	60,399
(Surplus) or deficit on the provision of services	16,469	(3,069)	640	14,040	(14,057)	(17)

24. 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 2010/11:

	Income £000	Expenditure £000	(Surplus)/Deficit £000	2009/10 £000
Direct Services				
Refuse Collection	(2,088)	2,087	(1)	(55)
Street Cleansing	(1,311)	1,391	80	72
Other Operational Accts	(2,502)	2,389	(113)	(118)
Overhead Accounts	(1,103)	1,073	(30)	(36)
	(7,004)	6,940	(64)	(137)

Other Operational Accounts include vehicle workshop and minibuses. 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	2009/10 £000
Direct Services				
Refuse Collection	(2,088)	2,107	19	(33)
Street Cleansing	(1,311)	1,404	93	88
Other Operational Acts	(2,502)	2,403	(99)	(108)
Overhead Accounts	(1,103)	1,073	(30)	(36)
	(7,004)	6,987	(17)	(89)

25. Members' Allowances

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

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	2010/11 £000	2009/10 £000
Allowances	**275**	237
Expenses	**16**	14
Total	**291**	251

26. 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						
2010/11	133,683		392	20,594	3,487	158,156
2009/10	129,112		305	20,909	10,064	160,390
Director of Community & Planning Services						
2010/11	112,300		275	16,830		129,405
2009/10	107,725		124	16,112		123,961
Director of Corp Resources						
2010/11	112,300		296	16,830		129,426
2009/10	105,106		124	16,112	1,986	123,328
Monitoring Officer						
2010/11	66,564	1,796	23	10,732		79,115
2009/10	65,125	3,095	69	10,711		79,000

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 **2010/11**	2009/10
£50,000 - £54,999	**6**	12
£55,000 - £59,999	**7**	4
£60,000 - £64,999	**4**	1
£65,000 - £69,999	**1**	-
£70,000 - £74,999	**2**	2
£75,000 - £79,999	**1**	1
£105,000 - £109,999	**-**	2
£110,000 - £114,999	**2**	-
£125,000 - £129,999	**-**	-
£135,000 - £139,999	**1**	1

27. 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.

	2010/11 £000	2009/10 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	**96**	92
Fees Payable to external auditors in respect of statutory inspections	**9**	9
Fees payable to external auditors for the certification of grant claims and returns	**26**	25
Fees payable in respect of other services provided by external auditors during the year	**-**	-
Total	**131**	126

28. Grant Income

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

	2010/11	2009/10
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Non-Domestic Business Rates (CLG)	**(5,543)**	(5,132)
Revenue Support Grant (CLG)	**(805)**	(1,184)
Travellers Site (CLG)	**(949)**	(17)
Disabled Facilities (CLG)	**(375)**	(396)
Regional Housing Pot (CLG)	**(326)**	(334)
Housing Planning Delivery Grant (CLG)	**-**	(128)
Licensing Partnership (TWBC,MBC)	**-**	(83)
Local Area Business Growth Incentives (CLG)	**-**	(75)
Playground Scheme (KCC)	**-**	(71)
Performance Reward Grant (CLG)	**-**	(40)
Area Based Grant (CLG)	**-**	(23)
Other grants	**(19)**	-
Total	**(8,017)**	(7,483)
Credited to Services		
Housing Benefit Administration (DWP)	**(674)**	(748)
Choosing Health PCT (West Kent PCT)	**(196)**	(199)
Communities against Drugs (KCC)	**(165)**	(243)
Concessionary Fares (DfT)	**(98)**	(239)
Air Quality	**(59)**	(9)
Homelessness (CLG)	**(47)**	(45)
Tax and Housing Benefits (DWP)	**(37)**	(28)
Housing Option – HERO (CLG)	**(36)**	(25)
Small Sites and Commons	**(24)**	(27)
Youth Support	**(19)**	(25)
Planning Policy (CLG)	**(16)**	(22)
Other	**(156)**	(148)
Total	**(1,526)**	(1,758)

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:

	2010/11	2009/10
	£000	£000
Travellers Site (CLG)	**(343)**	(1,292)
Regional Housing Pot (CLG)	**(92)**	(119)
Disabled Facilities (CLG)	**(51)**	(25)
Total	**(486)**	(1,436)

29. 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 effective control 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 23 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in note 28.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 25. During 2010/11 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 34.

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

- Sevenoaks Leisure Limited – management fee of £241,000. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited.
- 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.

30. 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, 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.

	2010/11	2009/10	2008/09
	£000	£000	£000
Opening Capital Financing Requirement	**-**	-	-
Capital Investment:			
Property, Plant & Equipment	**1,691**	992	614
Intangible Assets	**-**	-	7
Revenue Expenditure Funded from Capital under Statute	**1,095**	1,136	979
	2,786	2,128	1,600
Sources of Finance:			
Capital Receipts	**(140)**	(85)	(582)
Government Grants and other contributions	**(1,669)**	(901)	(567)
Sums set aside from revenue	**(977)**	(1,142)	(451)
	(2,786)	(2,128)	(1,600)
Closing Capital Financing Requirement	**-**	-	-

31. Leases

Authority as Lessee

Payments under operating leases during the year amounted to £94,000 (£126,000 in 2009/10) all relating to company cars.

Commitments under operating leases for company cars payable in 2011/12 amount to £61,000 of which £40,000 expires in that year and £21,000 in the following year.

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

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.

	31/03/11	31/03/10
	£000	£000
Gross Investment in the Lease	**405**	431
Estimated Residual value	**31**	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	**199**	204
Unearned Finance Income	**206**	227

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

	31/03/11	31/03/10
	£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	**262**	287
Total	**406**	431

32. Impairment Losses

During 2010/11, the Authority has recognised an impairment loss of £315,000 to its property, plant and equipment.

33. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £244,000. The majority of these were as a result of the budget savings agreed by Council on 16 December 2010.

34. 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	
	2010/11	2009/10
	£000	£000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
• Current Service Cost	**2,487**	1,227
• Past Service Cost	**(8,251)**	-
• Settlement and Curtailments	**36**	50
Financing and Investment Income & Expenditure		
• Interest Cost	**5,585**	4,902
• Expected return on scheme assets	**(3,613)**	(2,364)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(3,756)**	3,815
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
• Actuarial Gains/Losses	**(17,180)**	23,884
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(20,936)**	27,699
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	**3,756**	(3,815)
Actual Amount Charged against the General Fund Balance for pensions in the year:		
• Employer’s Contributions payable to scheme	**3,456**	3,365

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	
	2010/11	2009/10
	£000	£000
Opening Balance	**(109,566)**	(71,940)
Current service cost	**(2,487)**	(1,227)
Interest cost	**(5,585)**	(4,902)
Contributions by scheme participants	**(686)**	(705)
Actuarial gains/(losses)	**14,570**	(34,508)
Benefits paid	**3,652**	3,561
Past service costs	**8,251**	-
Losses on curtailments	**(36)**	(50)
Unfunded benefits paid	**201**	205
Closing Balance	**(91,686)**	(109,566)

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

	Local Government Pension Scheme	
	2010/11	2009/10
	£000	£000
Opening Balance	**50,662**	37,370
Expected rate of return on assets	**3,613**	2,364
Actuarial Gains and losses	**2,610**	10,624
Employer Contributions	**3,456**	3,365
Contributions by scheme participants	**686**	705
Benefits paid	**(3,853)**	(3,766)
Closing Balance	**57,174**	50,662

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 £4.442m (2009/10 £12.988m).

Scheme History

	2006/7	2007/8	2008/9	2009/10	**2010/11**
	£000	£000	£000	£000	**£000**
Present Value Liabilities	(83,470)	(73,520)	(71,940)	(109,566)	**(91,686)**
Fair Value of Assets	51,010	45,660	37,370	50,662	**57,174**
Surplus/(deficit) in the scheme	(32,460)	(27,860)	(34,570)	(58,904)	**(34,512)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £34.512m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £2m. 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 2012 is £2.765m.

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:

	2010/11	2009/10
Long-Term expected rate of return on assets in the scheme:		
Equity Investments	**7.4%**	7.5%
Gilts	**4.4%**	4.5%
Bonds	**5.5%**	5.5%
Property	**5.4%**	5.5%
Cash	**3.0%**	3.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	**19.8**	21.5
Women	**23.9**	24.4
Longevity at 65 for future pensioners		
Men	**21.9**	22.6
Women	**25.8**	25.5
Rate of Inflation	**(CPI) 2.7%**	(RPI) 3.9%
Rate of increase in salaries	**5.0%**	5.4%
Rate of increase in pensions	**2.7%**	3.9%
Rate for discounting scheme liabilities	**5.5%**	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:

	31/03/11	31/03/10
	%	%
Equity investments	**76**	74
Gilts	**1**	1
Bonds	**12**	14
Property	**9**	7
Cash	**2**	4
Total	**100**	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2006/07	2007/08	2008/09	2009/10	**2010/11**
	%	%	%	%	**%**
Differences between the expected and actual return on assets	(0.6)	(19.4)	(32.8)	21.0	**4.6**
Experience gains and losses on liabilities	0.2	2.0	0.0	0.4	**1.4**

35. 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.

36. Contingent Assets

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.

37. Impact of the Adoption of International Financial Reporting Standards

The statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are difference from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1st April 2009)

	Previous	Effect of Transition to IFRS				IFRS
	GAAP	Absences	Leases	Grants	Other	
Note ref:		1	2	3	4	
	£000	£000	£000	£000	£000	£000
Long Term Assets						
Property, Plant & Equipment	13,311				1,634	14,945
Investment Property	6,324		(256)		(4,800)	1,268
Long Term Investments	3,138				9,862	13,000
Long Term Debtors	409		212			621
Total Long Term Assets	23,182	-	(44)	-	6,696	29,834
Current Assets						
Short Term Investments	18,223				(18,223)	-
Cash and Cash Equivalents	41				8,361	8,402
Inventories	35					35
Short Term Debtors	2,619					2,619
Payments in Advance	192					192
Total Current Assets	21,110	-	-	-	(9,862)	11,248
Current Liabilities						
Receipts in Advance	(2,098)			1,748		(350)
Grants Unapplied						-
Short Term Creditors	(2,401)			194		(2,207)
Total Current Liabilities	(4,499)	-	-	1,942	-	(2,557)
Net Current Assets	16,611	-	-	1,942	(9,862)	8,691
Long Term Liabilities						
Long Term Creditors	(373)					(373)
Provisions	(2,445)	(146)				(2,591)
Grants Deferred Account	(138)			138		-
Net Pensions Liability	(34,570)					(34,570)
Capital Grants Receipts in Advance				(1,503)		(1,503)
Total Long Term Liabilities	(37,526)	(146)	-	(1,365)	-	(39,037)
Total Net Assets	2,267	(146)	(44)	577	(3,166)	(512)
Usable Reserves						
Usable Capital Receipts Reserve	353					353
Earmarked Reserves	13,182			439		13,621
General Fund	3,713					3,713
Unusable Reserves						
Capital Adjustment account	18,298		(210)	138	(3,090)	15,136
Revaluation Reserve	1,334		(46)		(76)	1,212
Accumulated Absences Account	-	(146)				(146)
Financial Instruments Adj Account	(106)					(106)
Collection Fund	(7)					(7)
Pensions Reserve	(34,570)					(34,570)
Deferred Capital Receipts	70		212			282
Total Reserves	2,267	(146)	(44)	577	(3,166)	(512)

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the End of the Latest Period Presented in the Most Recent Financial Statements Under Previous GAAP (31st March 2010)

	Previous	Effect of Transition to IFRS				IFRS
	GAAP	Absences	Leases	Grants	Other	
Note ref:		1	2	3	4	
	£000	£000	£000	£000	£000	£000
Long Term Assets						
Property, Plant & Equipment	14,337				1,211	15,548
Investment Property	6,652		(248)		(5,144)	1,260
Long Term Investments	739				13,000	13,739
Long Term Debtors	403		209		(1)	611
Total Long Term Assets	22,131	-	(39)	-	9,066	31,158
Current Assets						
Short Term Investments	18,667				(18,667)	-
Cash and Cash Equivalents	29				5,667	5,696
Inventories	22					22
Short Term Debtors	6,211					6,211
Payments in Advance	190					190
Total Current Assets	25,119	-	-	-	(13,000)	12,119
Current Liabilities						
Receipts in Advance	(2,295)			1,720		(575)
Grants Unapplied						
Short Term Creditors	(2,929)			278		(2,651)
Total Current Liabilities	(5,224)	-	-	1,998	-	(3,226)
Net Current Assets	19,895	-	-	1,998	(13,000)	8,893
Long Term Liabilities						
Long Term Creditors	(371)					(371)
Provisions	(2,469)	(152)				(2,621)
Grants Deferred Account	(289)			289		-
Net Pensions Liability	(58,904)					(58,904)
Capital Grants Receipts in Advance				(1,436)		(1,436)
Total Long Term Liabilities	(62,033)	(152)	-	(1,147)	-	(63,332)
Total Net Assets	(20,007)	(152)	(39)	851	(3,934)	(23,281)
Usable Reserves						
Usable Capital Receipts Reserve	537					537
Earmarked Reserves	13,954			562		14,516
General Fund	3,713					3,713
Unusable Reserves						
Capital Adjustment account	17,543		(202)	289	(3,027)	14,603
Revaluation Reserve	3,306		(46)		(907)	2,353
Accumulated Absences Account	-	(152)				(152)
Financial Instruments Adj Account	(211)					(211)
Collection Fund	-					-
Pensions Reserve	(58,904)					(58,904)
Deferred Capital Receipts	55		209			264
Total Reserves	(20,007)	(152)	(39)	851	(3,934)	(23,281)

Reconciliation to Total Comprehensive Income and Expenditure Under IFRS for the Latest Period in the Most Recent Annual Financial Statements (Year Ended 31st March 2010)

	Net Expenditure					
	Previous GAAP	Absences	Leases	Grants	Other	IFRS
Note ref:		1	2	3	4	
	£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations						
Central Services to the Public	3,468	1			1	3,470
Cultural, Environmental, Regulatory and Planning Services	9,618	4	18	(91)	(97)	9,452
Highways and Transport Services	(1,015)				6	(1,009)
Housing Services	1,959	1		718	(601)	2,077
Non Distributed Costs	50					50
Net Cost of Services	14,080	6	18	627	(691)	14,040
Other Operating Expenditure	2,716					2,716
Financing and Investment Income and expenditure	2,118		(22)		572	2,668
Taxation and Non Specific Grant Income	(18,540)			(901)		(19,441)
Surplus or Deficit on the Provision of Services	374	6	(4)	(274)	(119)	(17)
(Surplus) or Deficit on the revaluation of Property, Plant & Equipment Assets					(1,094)	(1,094)
Actuarial gains/losses on Pension Assets/Liabilities					23,884	23,884
Total Comprehensive Income and expenditure	374	6	(4)	(274)	22,671	22,773

Note 1: Short Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Note 2: Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The council has one property lease where the accounting treatment has changed following the introduction of the Code. The council leases the Black Boy Public House. The lease was previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

- The council has recognised an asset (the building) and a finance lease liability.
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

Note 3: Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

Note 4: Other Changes

The Property Plant and Equipment assets valued in 2011 were found to have been valued incorrectly in 2006. Revised 2006 valuations have been received and adjusted in the Balance Sheet for years ending 31st March 2009 and 2010.

There has been a change in the way investments have been split between Long Term Investments and Short Term Investments (now Cash and Cash Equivalents). Investments are now only classed as short term if they are held for up to three months regardless of when the investment matures.

Non Current Assets have been reclassified between Property, Plant & Equipment and Investment Property.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2010/11

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.

2009/10			**2010/11**	
£000		**Note**	**£000**	**£000**
	Income			
73,704	Council Tax	1		75,907
30,814	Non-Domestic Rates	2		30,090
281	Reduction in Bad and Doubtful Debts Provision			229
104,799				106,226
	Expenditure			
	Precepts:			
51,335	Kent County Council		52,836	
6,735	Kent Police Authority		6,993	
3,304	Kent Fire and Rescue Service		3,426	
11,958	Sevenoaks District Council (incl. Parishes)		12,445	75,700
	Non Domestic Rates:			
30,639	Payment to National Pool		29,914	
175	Cost of Collection Allowance		176	30,090
335	Bad and Doubtful Debts Provision			345
272	- Write Offs			92
-	Contribution towards previous year's Collection Fund surplus	3		-
104,753				106,227
46	(DEFICIT)/SURPLUS FOR YEAR	3		(1)
	COLLECTION FUND BALANCE			
(46)	Balance at beginning of year			-
46	(Deficit)/Surplus for year			(1)
-	Balance at end of year	4		(1)

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 2010/11 was calculated in January 2010 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	1,312.75	6/9ths	875.17
B	2,463.75	7/9ths	1,916.25
C	9,101.25	8/9ths	8,090.00
D	10,414.75	9/9ths	10,414.75
E	6,601.25	11/9ths	8,068.19
F	5,310.00	13/9ths	7,670.00
G	6,830.25	15/9ths	11,383.75
H	1,123.25	18/9ths	2,246.50
	43,159.75		50,666.00

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.	239.50
COUNCIL TAX BASE FOR 2010/11	50,426.50
COUNCIL TAX BASE FOR 2009/10	50,021.05

The tax rate for a band D property was £1,436.30 excluding Parish Council taxes (2009/10 = £1,403.74).

The Council Tax income of £75,907,000 for 2010/11 is receivable from the following sources:

Billed to Council tax payers £68,992,000 (2009/10= £67,192,000)
Council tax benefits £ 6,915,000 (2009/10= £6,512,000)

Note 2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (41.4p in 2010/11 and 48.5p in 2009/10) 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 2011 was £89,501,044 (31st March 2010 = £89,594,619). A revaluation of all non-domestic properties took effect from 1st April 2010.

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 2010, the estimated balance at 31st March 2010 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 2009/10 and taken into account by the respective authorities in the calculation of their council taxes for 2010/11.

The actual position at 31st March 2010 was a surplus of less than £1,000.

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.

	2009/10		**2010/11**	
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	16.5	0
Kent County Council	69.8	0	69.8	1
Kent Police Authority	9.2	0	9.2	0
Kent Fire and Rescue Service	4.5	0	4.5	0
Total	100.0	0	100.0	1

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.