

STATEMENT OF ACCOUNTS

2009/2010



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EXPLANATORY FOREWORD

1. The Council's accounts for the year 2009/2010 are set out on the following pages. They consist of:
 - Income and Expenditure Account – a summary of the resources generated and consumed by the Council during the year;
 - Statement of the Movement on the General Fund Balance – a reconciliation showing how the balances of resources generated and consumed in the year links in with statutory requirements for raising Council Tax;
 - Statement of Total Recognised Gains and Losses – bringing together all of the gains and losses for the year and showing the aggregate increase in the Council's net worth;
 - Balance Sheet - setting out the financial position of the Council on 31st March 2010. This statement includes balances, assets and liabilities;
 - Cash Flow Statement - summarising the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes during the year;
 - Collection Fund - reflecting the requirement to maintain a statutory fund separate from the main accounts of the Council and showing income for the year in respect of Council Tax and National Non-Domestic Rates.
2. These accounts are supported by the Statement of Accounting Policies and various explanatory notes to the accounts.
3. This foreword provides a brief explanation of the financial aspects of the Council's activities during the year and draws attention to the main characteristics of the Council's financial position.

Accounting Practice

4. The Council has always adopted best practice in the presentation of its accounts as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
5. These accounts also reflect the CIPFA "Best Value Accounting" code of practice and, in particular, the service spend analysis shown within the Income and Expenditure Account is based on this code.

Budget

6. The original budget approved by Council on 24th February 2009 included a General Fund (GF) deficit of £270,000. During 2009/10 a supplementary estimate of £12,000 was approved which resulted in a revised budget of a General Fund deficit of £282,000. The final outturn position is a surplus of £1.846m. This balance was

transferred to a Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund.

	£000	£000
Original budget: GF deficit		270
Supplementary estimates:		
Christmas car parking		12
Revised budget: GF deficit		282
(Favourable)/Adverse variance		(2,128)
Actual: deficit/(surplus)		(1,846)

This surplus has been transferred to a Budget Stabilisation Reserve.

7. The table below shows a comparison of budget and outturn figures in 2009/10.

	Original Budget £000	Revised Budget £000	Actual £000
Net service expenditure	16,031	16,043	15,970
VAT refund			(1,852)
Interest receipts	(602)	(602)	(540)
Government Support	(6,317)	(6,317)	(6,582)
Council Tax*	(8,842)	(8,842)	(8,842)
Contribution from/(to) GF reserve	270	282	-
Contribution from/(to) Budget Stabilisation Reserve	-	-	(1,846)
(Favourable)/Adverse variance			(2,128)

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

8. It was approved by Cabinet on 18th February 2010 that an ear-marked Budget Stabilisation Reserve would be created and funded from any surplus achieved on the 2009/10 budget instead of it being added to the General Fund Reserve.
9. The main areas of variance in the year were as follows:-
- a. **VAT refund** (£1.852m net income): This relates to VAT overpaid between 1990 and 1994 (including £1.1m of interest) in respect of sporting income. The Revenue's VAT policy in respect of sports admissions was found not to have been properly implemented in UK law for the period 1990 to 1994. The claim was submitted in March 2009 and has recently been assessed by HMRC who have now informed the Council of the amount to be repaid.
 - b. **Pay costs** were underspent due to the 2009 and backdated 2008 pay awards being agreed at 1.25% below the budget assumption.
 - c. **Direct Service Trading Accounts** show a surplus of £89,000 at the year end, which is £41,000 higher than the budgeted surplus.

- d. **Interest and Investment Income** was £62,000 worse than budget (excluding interest relating to the VAT refund). This was due to lower interest rates being received than assumed when setting the budget.
10. Capital expenditure in the year amounted to £2.1m on a cash basis compared with a budget of £3.6m. This underspent is mainly due to the delay in agreeing the work to be carried out at Hever Road gypsy site and some major vehicle purchases not taking place until 2010/11.
 11. About £0.9m of the capital spend was financed from grants and contributions, the balance from capital receipts and revenue. The details can be found in note 13 to the Core Financial Statements.
 12. At the end of the year, the Council held some £0.5m of capital receipts which could be used to finance future capital spending. The Council is debt-free.
 13. Earmarked reserves have increased by £0.8m leaving a balance of £14m. £1.8m of this is in the new Budget Stabilisation Reserve.

Assets

14. Expenditure on fixed assets during the year centred on IT equipment, Playground improvement programme and commercial vehicle replacements.

Pension Fund

15. These accounts fully comply with FRS 17 including appropriate adjustments to the Income and Expenditure Account and Balance Sheet. The pension liability based on FRS 17 is estimated at £58.9m at 31st March 2010, compared to £34.6m at 31st March 2009. The Council had £3.5m set aside in a reserve for this liability at 31st March 2010. Further details can be found in note 5.
16. The increase in pension deficit during the year has arisen principally due to the technical increase in the valuation of the liabilities. Accounting standard FRS17 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. The yield in excess of expected inflation (which in turn is based on gilt yields) from corporate bonds reduced from 3.7% to 1.5% during the year in part due to the impact of quantitative easing and other technical factors on bond and gilt markets. Had these markets remained at their 2009 levels then the pensions deficit would have been £34,508,000 less at £24,396,000. The assets of the Kent County Council Fund are invested for the longer term with only a small percentage invested in corporate bonds. The return earned by the Fund during the year was of the order of 35%.
17. FRS17 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). A triennial valuation is being carried out as at 31 March 2010 which will show a much lower level of deficit than shown by FRS17 due to the different measurement of the Fund's liabilities.

18. The last actuarial valuation of the pension fund was at March 2007. At that time the District Council's share of the overall deficit was £24.8m.

Changes in Accounting Policy

19. The 2009 SORP requires changes to the method of accounting for Council Tax and NNDR.
20. Sevenoaks District Council is a billing authority and acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances now need to be allocated between the billing authority and major preceptors.
21. The collection of National Non-Domestic Rates (NNDR) is carried out by the Council as an agent activity on behalf of central government and should now be accounted for accordingly.

Other Significant Items

22. 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%.

The Euro

23. The Council is monitoring progress of the Euro and indications from central government of the possibilities that the UK may or may not join.
24. The Council has made policy decisions with regard to the purchase of financial systems and coin operated machinery in use after 2003, specifying euro compatibility.

Further Information

25. Further information about the accounts is available from the Finance Section, Council Offices, Argyle Road, Sevenoaks, TN13 1HG. This is part of the Council's policy of providing full information about its affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

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 SORP').

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 SORP.

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 2010 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

11th June 2010

COUNCIL APPROVAL

Council Approval of the Statement of Accounts for the year ended 31st March 2010

The Performance and Governance Committee, at its meeting on 29th June 2010, approved the draft Statement of Accounts for the year ended 31st March 2010 in accordance with the Accounts and Audit Regulations 2003, this followed a review by the Finance Advisory Group at its meeting on 16th June 2010.

Signed:

Councillor C. Bruce
Chairman of the Performance and Governance Committee
29th June 2010

Councillor B. Ramsay
Chairman of the Finance Advisory Group
29th June 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVENOAKS DISTRICT COUNCIL

Opinion on the financial statements

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

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

Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and

of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

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

Henry Arthurs (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Lancaster House
7 Elmfield Road
Bromley
BR1 1LT

7 September 2010

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, we are satisfied that, in all significant respects, Sevenoaks District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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

Henry Arthurs (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Lancaster House
7 Elmfield Road
Bromley
BR1 1LT

7 September 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Background

The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the most senior Officer and the most senior Member as signatories;
- directors and management assigned with the ownership of risks and the delivery of services;
- the Section 151 Officer who is responsible for the accounting control systems, records and the preparation of the statement of accounts;
- the Monitoring Officer in meeting her statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit Function;
- Members (for example, through the scrutiny committees and the Performance and Governance Committee); and
- others responsible for providing assurance, for example Baker Tilly (as the Council's external auditors) and the Audit Commission.

Thus the AGS, as a corporate document, is owned by all senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging the whole authority within the process and encouraging a high quality of reflection and corporate learning. This increases the statement's significance and encourages people to objectively assess their responsibilities.

The AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management systems.

Although corporately owned, the AGS requires assessments/assurance statements from Heads of Service, Directors, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of the process.

2. Scope of Responsibility

Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Sevenoaks District Council seeks to conduct these responsibilities within the framework of achieving continuously improving, high quality service provision to enhance community wellbeing and engagement.

In discharging this overall responsibility, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the management of risk.

The roles of the Chief Executive (as Head of paid Service), the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within Part 13 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from our Audit & Efficiency team or via our website at www.sevenoaks.gov.uk/council_democracy__local_services/about_the_council/3887.asp. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sevenoaks District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

4. The Governance Framework

The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's objectives to March 2010 were established and set out in the Sevenoaks District Sustainable Community Action Plan 2007-10 and the Corporate Performance Plan. Both of these plans are subject to considerable

Member review and challenge by Cabinet, the appropriate Select Committee or the Performance and Governance Committee, the Finance Advisory Group and ultimately by the full Council. These plans are also cascaded to individuals within the Council through Service Plans and individual action plans through the appraisal process. Furthermore the Council has now adopted an approach whereby the appropriate Select Committee scrutinises key proposals prior to Cabinet making its decision.

- The Council's objectives looking forward are established within the Sevenoaks District Sustainable Community Action Plan 2010-13. The Plan was approved by full Council in March 2010. A subsequent service planning process has been facilitated to ensure the Council's strategic objectives continue to be translated into enhanced services for the community.
- Policy and decision-making is facilitated through reports from Officers to Cabinet. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Committees have the opportunity to 'call-in' the decisions of Cabinet and recommend changes to decisions or policies.
- The Council's Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:
 - a) **Internal Audit** – The Council's internal audit team works to an approved annual audit plan and undertakes that work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). Individual audit reports are produced for relevant management, with copies to the Chief Executive, Section 151 Officer and the relevant Director. Annual audit reports are made to the Performance and Governance Committee; this annual report evaluates the overall internal control environment as tested through audit work undertaken in the relevant year. The review of the effectiveness of Internal Audit was assessed in March 2010 as 'satisfactory' in meeting the requirements of an adequate and effective internal audit service.
 - b) **External Audit and Audit Commission** – External audit reports are sent to senior management and Members. Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations. The Council scored highly in all its recent audit and inspection reports.
 - c) **Financial Management** – A robust budgetary control system is in place and regular monitoring reports are produced for Heads of Services, Management Team, Cabinet, the Overview and Scrutiny Board and the Finance Advisory Group. Senior accountants conduct monthly client liaison meetings with responsible budget holders.
 - d) **Performance Management** – Monitoring of the achievement of the Council's objectives is undertaken through the Council's performance management system

which is developed through monthly monitoring with Head of Service commentaries. Strategic information is reported to Management Team, Cabinet Members and Select Committees.

- e) **Arrangements for Partnerships** – The Council believes that it can enhance value for money with service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. The Council has developed a comprehensive partnership toolkit to ensure that partnerships incorporate the Council’s culture and comprehensive approach to managing risk. Decisions to enter into partnership working are supported by business cases and cost-benefit analysis, and are subject to scrutiny and approval by Members.
- f) **Risk Management** – A risk management strategy is in place and corporate strategic risks have been identified and assessed. Relevant risk owners now manage these risks. Relevant training has been delivered to Members and Officers. Operational risk registers and action plans have been completed and are monitored. An Officer risk management group is also in place and operates effectively.
- g) **Relationships and Ethics** – Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Council’s Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.
- h) **Service Delivery by Trained and Experienced People** – The Council has a robust recruitment policy and procedures in place. The Council holds Gold status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in November 2009. The Council is the first local authority nationally to achieve this standard. Staff appraisals take place at least annually, including an annual review of service and training planning, training evaluation and recruitment and selection procedures.
- i) **Monitoring Officer** – The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. The Monitoring Officer reports to the Council’s Standards Committee. Regular meetings between the three statutory Officers (Chief Executive, Corporate Resources Director and Head of Legal Services) form part of the Council’s governance arrangements.
- j) **Anti-fraud and Corruption** – The Council has a fraud and corruption policy, including a whistle-blowing policy, published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a “fraud hotline”, available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. The risks of fraud and corruption have been assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Review of Effectiveness

- 5.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the Council's internal auditors and by Heads of Service who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates. The Council is keen to allow itself to be the subject of external scrutiny and challenge.
- 5.2 The Council's external auditors concluded that the Council "performs excellently" in the Comprehensive Area Assessment in 2009. Despite this assessment the Council continues to take appropriate steps to address any areas identified for further improvement within either internal or external reports.
- 5.3 The Council was one of 4 district councils within the country to achieve a score of 4 on the Use of Resources inspection in 2009. Additionally Sevenoaks District Council was the only council to achieve the highest score possible for financial management.
- 5.4 During the period the Council successfully obtained the new Gold Standard IIP New Choices and the Sunday Times LGA Management Award.
- 5.5 Annual internal audit reports are presented to the Performance and Governance Committee (which fulfils the requirements of an Audit and Risk Management Committee), giving the Audit and Efficiency Manager's opinion on the overall internal control and governance environment. Any internal audit review judged "unsatisfactory" or "unacceptable" is subject to timely action plan and follow-up audit.
- 5.6 The opinion of the Audit and Efficiency Manager in the Annual Audit Report to the Performance and Governance Committee for 2009/10 is that the Council's Internal Audit Service is "effective".
- 5.7 Baker Tilly issued an unqualified opinion on the 2008/09 Accounts. The Council is not aware of any material matters arising from the most recent work undertaken by its external auditors.
- 5.8 The Responsible Financial Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the various Codes of Conduct.
- 5.9 The Council has been advised on the implications of the result of the review of the effectiveness of the system of internal control and where appropriate, relevant actions to address weaknesses or areas for further development have been identified to ensure continuous improvement of the systems in place. No significant issues were identified which required inclusion in the Annual Government Statement.
- 5.10 The Council continues to review and improve its governance arrangements. Improvements during 2009/10 include the following:
- Review and update of the Council's Code of Corporate Governance;

- Review and update of the Council's Constitution;
- Review and update of the Council's risk management framework;
- The Strategic Procurement Group continues to work towards improving value for money and sustainable procurement in delivering the Council's Procurement Strategy;
- The development and testing of the Council's Business Continuity and Incident Management Plan; and
- Review of the work and performance of the Performance and Governance Committee and completion of a self-assessment of the Committee's performance, including an end of year report by the Chairman of the Committee.
- The Standards Committee, comprising of elected Members, independent representatives and Town and Parish Council governs the actions of the executive and ensures that Members adhere to the protocols of Conduct as set out in the Constitution.

6. Significant Governance Issues

There are no new significant governance issues arising during 2009/10.

..... Date:

Robin Hales
Chief Executive

on behalf of Sevenoaks District Council

..... Date:

Peter Fleming
Council Leader

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources
June 2010

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The statement of accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP).

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

2. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. 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 Income and Expenditure Account in the year the cost is incurred.

3. Tangible Fixed Assets

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

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

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

- land, operational properties and other operational assets - lower of net current replacement cost and net realisable value in existing use;
- non-operational assets, including investment properties and assets that are surplus to requirements - lower of net current replacement cost and net realisable value;
- infrastructure assets and community assets – depreciated historical cost.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: The values of assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

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

Disposals: When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. 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 or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

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

Depreciation is calculated on the following bases:

- newly acquired assets are depreciated from the year after acquisition;
- depreciation is calculated using the straight-line method;
- depreciation is charged over the following periods:
Buildings up to 60 years

Vehicles	up to 7 years
Equipment	up to 5 years

Revaluation gains are also depreciated, with the 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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

4. Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations.

5. 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 fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

7. Leases

The Council has no significant commitments under finance leases. Rentals payable under operating leases are charged to revenue on an accruals basis.

8. 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.

9. Stocks and Work in Progress

Stocks are valued at cost. This is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

10. 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 2008 (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.

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

11. Pensions or Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Kent County Council. The Local Government Scheme is accounted for as a defined benefits scheme. The Council fully complies with FRS 17 (Retirement Benefits) which has superseded the requirements of SSAP 24 (Accounting for Pension Costs). This requires the Council to account for retirement benefits when it is committed to giving them, for all future years where such a commitment is due.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year end.

Further details of the policy can be found in note 5 to the Core Financial Statements.

12. Interest

All interest receipts are credited to the General Fund.

13. Financial Assets

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 initially measured at fair value and carried at their amortised cost.

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.

14. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, these do not represent usable resources for the Council. Further details can be found in note 23.

15. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

16. Bad and Doubtful Debts

The Council makes provision for bad and doubtful debts in relation to Council Tax, Business Rates and other debts. The provisions are estimated, based on an aged-debt analysis and the likelihood of recovering debts accordingly.

17. Significant estimates included in debtors and creditors

With the exception of bad and doubtful debts provisions, as discussed above, there are no significant estimates included in debtors and creditors. All large sums are based on evidence backed analysis.

18. Value Added Tax (VAT)

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

19. Events after the Balance Sheet Date

The accounts were authorised for issue by Dr. Pav Ramewal, Deputy Chief Executive and Director of Corporate Resources on 23rd August 2010 and post balance sheet events were considered up to this date.

INCOME AND EXPENDITURE ACCOUNT

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

2008/09 Restated Net Expenditure £000	Note		2009/10 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		Central Services			
1,116		Central Services to the Public	1,814	(836)	978
2,369		Corporate & Democratic Core	2,497	(7)	2,490
3,485			4,311	(843)	3,468
		Cultural, Environmental, Regulatory & Planning Services			
1,531		Cultural & Related Services	1,724	(80)	1,644
5,718	30	Exceptional item – VAT refund	463	(2,315)	(1,852)
4,107		Environmental Services	6,623	(803)	5,820
11,356		Planning & Development Services	6,296	(2,290)	4,006
			15,106	(5,488)	9,618
		Highways & Transport Services			
(812)		Highways & Transport	1,597	(2,612)	(1,015)
1,950		Housing Services General Fund Housing	33,418	(31,459)	1,959
840		Non Distributed Costs	50	-	50
16,819	2,3	NET COST OF SERVICES	54,482	(40,402)	14,080
(263)	17	(Gain)/loss on the disposal of fixed assets			(274)
3,005		Parish Council precepts			3,116
(32)	4	Net (surplus)/deficit from trading undertakings			(137)
204	19	Interest payable and similar charges			120
22		Contribution of housing capital receipts to Government Pool			11
(1,538)		Interest and Investment income			(540)
1,830	5	Pensions interest cost and expected return on pensions assets			2,538
20,047		NET OPERATING EXPENDITURE			18,914
(11,387)		Demand on the Collection Fund			(11,958)
(1,060)	25	General Government grants			(1,450)
(5,517)		Non-domestic rates redistribution			(5,132)
2,083		(SURPLUS)/DEFICIT FOR THE YEAR			374

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

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

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve balance rather than Council Tax;
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

2008/09		2009/10
Restated		£000
£000		£000
2,083	(Surplus)/deficit for the year on the Income and Expenditure Account	374
(2,207)	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance for the year (see note on next page)	(374)
(124)	(Increase)/decrease in General Fund Balance for the year	-
(3,589)	General Fund Balance brought forward	(3,713)
(3,713)	General Fund Balance carried forward	(3,713)

Note of reconciling items for the Statement of Movement on the General Fund Balance

2008/09		2009/10	
Restated		£000	£000
£000	Note		
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:			
(7)	12		-
(995)	12	(1,629)	
(106)	19	(105)	
570		749	
(979)	3	(1,136)	
135		20	
263		274	
(82)		-	
(4,030)	5	(3,815)	
<u>(5,231)</u>			<u>(5,642)</u>
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:			
451	13	1,142	
(22)		(11)	
3,400	5	3,365	
<u>3,829</u>			<u>4,496</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:			
(805)	23		772
<u>(2,207)</u>			<u>(374)</u>
Net additional amount required to be debited/(credited) to the General Fund Balance for the year			

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008/09		2009/10
Restated		
£000		£000
2,083	(Surplus)/deficit for the year on the Income and Expenditure Account	374
(571)	(Surplus)/deficit arising on revaluation of fixed assets	(1,984)
6,080	Actuarial (gains)/losses on pension fund assets and liabilities	23,884
<u>7,592</u>	Total recognised (gains)/losses for the year	<u>22,274</u>

BALANCE SHEET

31 March 2009 Restated £000	Note	31 March 2010 £000 £000	
		Fixed Assets	
-	12		-
		Intangible Fixed Assets	
	3,12- 16	Tangible Fixed Assets	
		Operational Assets:	
10,837		Land & Buildings	11,689
2,091		Vehicles, Plant & Equipment	2,265
383		Community Assets	383
		Non-Operational Assets:	
2,668		Investment Properties	3,299
3,656		Surplus Assets held for disposal	3,353
<u>19,635</u>		Total Fixed Assets	
3,138	19	Long term Financial Assets – Loans and Receivables	20,989 739
70		Long term Debtors- Mortgages	55
339		- Other	348 403
<u>23,182</u>		Total Long Term Assets	
			22,131
		Current Assets	
18,223	19	Short term Financial Assets – Loans and Receivables	18,667
35		Stocks	22
2,619	20	Debtors	6,211
192		Payments in Advance	190
41		Cash in Hand – General Fund	29 25,119
<u>44,292</u>		Total Assets	
			47,250
	21	Current Liabilities	
(2,401)		Creditors	(2,929)
(2,098)		Receipts in Advance	(2,295) (5,224)
<u>39,793</u>		Total Assets less Current Liabilities	
			42,026
		Long Term Liabilities	
(373)		Deferred Creditors	(371)
(2,445)	22	Provisions	(2,469)
(138)		Grants Deferred Account	(289)
(34,570)	5	Liability related to defined benefit pension scheme	(58,904) (62,033)
<u>2,267</u>		Total Assets less Liabilities	
			(20,007)
	23	Financed by:	
70		Deferred Capital Receipts	55
1,334		Revaluation Reserve	3,306
18,298		Capital Adjustment Account	17,543
(106)		Financial Instruments Adj. Account	(211)
(7)		Collection Fund Adjustment Account	-
353		Capital Receipts Reserve	537
13,182		Earmarked Reserves	13,954
(34,570)		Pensions Reserve	(58,904)
3,713		General Fund	3,713
<u>2,267</u>	18	Total Net Worth	
			(20,007)

These financial statements replace the unaudited financial statements authorised at the meeting of the Performance and Governance Committee on 29 June 2010.

Dr Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources
23rd August 2010

THE CASH FLOW STATEMENT

2008/09 Restated £000	REVENUE ACTIVITIES	£000	2009/10 £000	£000
	<u>Cash Outflows</u>			
13,709	Cash paid to & on behalf of employees	14,453		
18,181	Other operating cash payments	17,603		
20,074	Housing Benefit paid out	23,806		
22	Payments to the Capital Receipts Pool	11	55,873	
51,986				
	<u>Cash Inflows</u>			
(8,463)	Council Tax receipts	(8,786)		
(5,642)	Non-domestic rate pool allocation	(4,604)		
(768)	Revenue Support Grant	(1,184)		
(26,547)	DWP grants for benefits	(30,119)		
(2,879)	Other government grants (note 28)	(1,518)		
(6,301)	Cash received for goods and services	(7,290)	(53,501)	
1,386	Net cash (inflow)/outflow from Revenue Activities (note 26)			2,372
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	<u>Cash Outflows</u>			
28	Interest paid		28	
	<u>Cash Inflows</u>			
(1,490)	Interest received		(1,633)	
(1,462)	Net cash (inflow)/outflow from Servicing of Finance			(1,605)
	CAPITAL ACTIVITIES			
	<u>Cash Outflows</u>			
184	Purchase of fixed assets	350		
78	Increase in long-term investments	-		
663	Other capital cash payments	9		
925			359	
	<u>Cash Inflows</u>			
(293)	Sale of fixed assets	(281)		
-	Decrease in long-term investments	(3,138)	(3,419)	
632	Net cash (inflow)/outflow from Capital Activities			(3,060)
556	Net cash (inflow)/outflow before financing			(2,293)
	MANAGEMENT OF LIQUID RESOURCES (note 27, 29)			
(666)	Net increase/(decrease) in short term deposits			1,183
160	Net increase/(decrease) in other liquid resources			1,122
50	Net (Increase)/Decrease in cash			12

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustments

The 2009 SORP requires changes to the method of accounting for Council Tax and NNDR.

Sevenoaks District Council is a billing authority and acts as an agent, collecting Council Tax on behalf of the major preceptors and itself. Council Tax transactions and balances now need to be allocated between the billing authority and major preceptors.

The collection of National Non-Domestic Rates (NNDR) is carried out by the Council as an agent activity on behalf of central government and should now be accounted for accordingly.

Extracts from the Core Financial Statements:

2008/09 (as published) £000	Income and Expenditure Account	2008/09 (as restated) £000
(11,469)	Demand on the Collection Fund	(11,387)
2,001	(Surplus)/Deficit for the year	2,083
Statement of the Movement on the General Fund Balance		
2,001	(Surplus)/Deficit for the year on the I&E Account	2,083
(2,125)	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance for the year	(2,207)
Statement of Total Recognised Gains and Losses		
2,001	(Surplus)/Deficit for the year on the I&E Account	2,083
82	Movement on the Collection Fund	-
Balance Sheet		
31 March 2009 (as published) £000		31 March 2009 (as restated) £000
3,737	Debtors	2,619
(2,475)	Creditors	(2,401)
(3,142)	Receipts in Advance	(2,098)
Financed by:		
-	Collection Fund Adjustment Account	(7)
(7)	Collection Fund	-

2008/09 (as published)	Cash Flow Statement	2008/09 (as restated)
12,331	Other operating cash payments	18,181
29,859	Non-domestic rates paid to national pool	-
50,214	Kent County Council precept	-
6,428	Kent Police Authority precept	-
3,199	Kent Fire and Rescue precept	-
3,005	Town and Parish Council precept	-
(65,005)	Council Tax receipts	(8,463)
(30,153)	Non-domestic rate receipts	-
1,546	Net cash (inflow)/outflow from Revenue Activities	1,386
716	Net cash (inflow)/outflow before financing	556
-	Net increase/(decrease) in other liquid resources	160

2. Capital Charges

The net cost of services in 2009/10 includes £1.0m of capital charges.

3. Revenue Expenditure Funded from Capital under Statute

Under guidance issued by CIPFA relating to capital accounting, these costs (capital expenditure which does not result in the acquisition, creation or enhancement of a physical asset owned by the Council) are charged to the Income and Expenditure Account as part of "Net Cost of Services". These costs are then written off to the Capital Adjustment Account immediately. The costs in 2009/10 relate to:

	2008/09 £000	2009/10 £000
Opening balance	-	-
Expenditure:		
Private Sector Improvement Grants	671	774
Housing	243	334
Highways	1	-
Parish projects	-	4
Sevenoaks Town Centre development	64	24
Total expenditure	979	1,136
Financed by:		
Current balances	(411)	(406)
Government grant	(568)	(730)
Closing balance	-	-

4. Trading Accounts

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 2009/10:

	Income £000	Expenditure £000	(Surplus)/Deficit £000	2008/09 £000
Direct Services				
Refuse Collection	(2,137)	2,082	(55)	107
Street Cleansing	(1,289)	1,361	72	57
Other Operational Accts	(2,525)	2,407	(118)	(155)
Overhead Accounts	(1,184)	1,148	(36)	(41)
	<u>(7,135)</u>	<u>6,998</u>	<u>(137)</u>	<u>(32)</u>

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 SORP (Statement of Recommended 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	2008/09 £000
Direct Services				
Refuse Collection	(2,137)	2,104	(33)	130
Street Cleansing	(1,289)	1,377	88	74
Other Operational Accts	(2,525)	2,417	(108)	(150)
Overhead Accounts	(1,184)	1,148	(36)	(41)
	<u>(7,135)</u>	<u>7,046</u>	<u>(89)</u>	<u>13</u>

5. Retirement Benefits (FRS17)

Participation in Pension Schemes

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

The Authority participates in the Local Government Pension Scheme, administered 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 pension liabilities with its assets.

Transactions Relating to Retirement Benefits

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

2008/09 £000	Income and Expenditure Account	2009/10 £000
	Net Cost of Services:	
(1,360)	Current Service Cost	(1,227)
(680)	Past Service Cost	-
(160)	Curtailments	(50)
	Net Operating Expenditure	
(5,060)	Interest Cost	(4,902)
3,230	Expected Return on Assets in the scheme	2,364
<u>(4,030)</u>	Net Charge to the Income and Expenditure Account	<u>(3,815)</u>

Statement of Movement in the General Fund Balance

4,030	Reversal of net charges made for retirement benefits in accordance with FRS17	3,815
	Actual amount charged against the General Fund Balance for pensions in the year:	
(3,400)	Employers' contributions payable to scheme	(3,365)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £23.884m (losses of £6.080m in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £37.351m.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2008/09 £000		2009/10 £000
(73,520)	Opening Balance	(71,940)
(1,360)	Current service cost	(1,227)
(5,060)	Interest cost	(4,902)
(650)	Contributions by scheme participants	(705)
6,160	Actuarial gains/(losses)	(34,508)
(680)	Past service costs	-
(160)	Losses on curtailments	(50)
200	Estimated unfunded benefits paid	205
3,130	Estimated benefits paid	3,561
<u>(71,940)</u>	Closing Balance	<u>(109,566)</u>

Reconciliation of fair value of the scheme assets:

2008/09 £000		2009/10 £000
45,660	Opening Balance	37,370
3,230	Expected return on assets	2,364
650	Contributions by scheme participants	705
3,400	Contributions by the employer	3,365
(12,240)	Actuarial gains/(losses)	10,624
(3,330)	Benefits paid	(3,766)
<u>37,370</u>	Closing Balance	<u>50,662</u>

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 £12.988m (2008/09 £-9.03m).

Scheme History (using FRS17 data)

	2005/06	2006/07	2007/08 Restated	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	(84,080)	(83,470)	(73,520)	(71,940)	(109,566)
Fair value of assets	47,620	51,010	45,660	37,370	50,662
Surplus/(deficit) in the scheme	(36,460)	(32,460)	(27,860)	(34,570)	(58,904)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £58.904m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £20m.

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

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2011 is £3.294m.

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 2007.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.5%
Gilts	n/a	4.5%
Bonds	5.4%	5.5%
Property	4.9%	5.5%
Cash	4.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.5
Women	24.4	24.4
Longevity at 65 for future pensioners:		
Men	22.6	22.6
Women	25.5	25.5
Rate of inflation	3.1%	3.9%
Rate of increase in salaries	4.6%	5.4%
Rate of increase in pensions	3.1%	3.9%
Rate for discounting scheme liabilities	6.9%	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:

	31/03/09	31/03/10
	%	%
Equity investments	66	74
Gilts	-	1
Bonds	17	14
Property	9	7
Cash	8	4
Total	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	15.7	(0.6)	(19.4)	(32.8)	21.0
Experience gains and losses on liabilities	(0.2)	0.2	2.0	0.0	0.4

6. Leased Assets

Payments under operating leases during the year amounted to £126,000 (£132,000 in 2008/09) all relating to company cars.

Commitments under operating leases for company cars payable in 2010/11 amount to £70,000 of which £45,000 expires in that year and £25,000 in the following year.

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

7. Officers' Remuneration

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

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000 - £54,999	6	12
£55,000 - £59,999	2	4
£60,000 - £64,999	-	1
£65,000 - £69,999	2	-
£70,000 - £74,999	3	2
£75,000 - £79,999	-	1
£90,000 - £94,999	1	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	2
£125,000 - £129,999	1	-
£135,000 - £139,999	-	1

Senior Officers Emoluments 2009/10

Post Title	Chief Executive	Deputy Chief Executive and Director of Community & Planning Services	Deputy Chief Executive and Director of Corporate Resources	Total
	£	£	£	£
Salary (including fees & Allowances)	129,112	107,725	105,106	341,943
Bonuses	-	-	-	-
Expense Allowances	305	124	124	553
Compensation for loss of office	-	-	-	-
Benefits in Kind	-	-	1,986	1,986
Other Payments	10,064	-	-	10,064
Total Remuneration excluding pension contributions 2009/10	139,481	107,849	107,216	354,546
Pension contributions	20,909	16,112	16,112	53,133
Total Remuneration including pension contributions 2009/10	160,390	123,961	123,328	407,679

Senior Officers Emoluments 2008/09

Post Title	Chief Executive	Deputy Chief Executive and Director of Community & Planning Services	Deputy Chief Executive and Director of Corporate Resources	Total
	£	£	£	£
Salary (including fees & Allowances)	123,773	100,238	96,523	320,534
Bonuses	2,763	2,248	2,248	7,259
Expense Allowances	265	232	267	764
Compensation for loss of office	-	-	-	-
Benefits in Kind	-	580	4,446	4,446
Other Payments	202	-	-	782
Total Remuneration excluding pension contributions 2008/09	127,003	103,298	103,484	333,785
Pension contributions	15,575	12,742	12,742	41,059
Total Remuneration including pension contributions 2008/09	142,578	116,040	116,226	374,844

8. Members' Allowances

The total amount of such allowances paid in 2009/10, excluding travel and subsistence reimbursement, was £237,000 (£218,000 in 2008/09).

9. Related Party Transactions

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Transactions with central government are included in the Income and Expenditure Account. Details of these transactions are set out in note 28.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 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 5.

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

- Sevenoaks Leisure Limited – management fee of £266,000. One member is a Sevenoaks District Council appointed director 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.

10. Audit Costs

The following fees were incurred relating to external audit and inspection:

	2008/09 £000	2009/10 £000
External audit services	90	92
Certification of grant claims and returns	25	25
Statutory inspection	7	9
Other services	-	-
Total	<u>122</u>	<u>126</u>

11. Post Balance Sheet Events

The actuarial valuation of the pension fund liability disclosed in the financial statements relies on a measure of price inflation to estimate the annual increase in pensions. In the recent budget the Government announced a move to using the Consumer Price Index (CPI), rather than the Retail Price Index (RPI), as has historically been used. CPI is generally lower than RPI. As a result, over an extended period, recalculated pension increases will be lower than might have previously been expected. The consequence of this is that the actuarial gross liability will reduce as will the net pension deficit on the balance sheet.

At this stage the financial effect cannot reasonably be estimated.

12. Movement in Fixed Assets

Movements in Intangible Fixed assets during the year were:

	Purchased software licences £000	Licences, trademarks and artistic originals £000	Patents £000	Total £000
Original cost	-	-	-	-
Amortisations to 01/04/09	-	-	-	-
Balance at 01/04/09	-	-	-	-
Expenditure in year	-	-	-	-
Written off to revenue in year	-	-	-	-
Balance at 31/03/10	-	-	-	-

Movements in Tangible Fixed Assets during the year were:

Operational Assets	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	TOTAL
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2009	11,201	5,209	383	16,793
Additions	17	975	-	992
Disposals	-	(203)	-	(203)
Impairments	(33)	-	-	(33)
Revaluations	1,037	-	-	1,037
At 31 March 2010	12,222	5,981	383	18,586
Depreciation and Impairments:				
At 1 April 2009	(364)	(3,118)	-	(3,482)
Charge for 2009/10	(175)	(800)	-	(975)
Disposals	-	203	-	203
Impairments	-	-	-	-
Revaluations	6	-	-	6
At 31 March 2010	(533)	(3,715)	-	(4,248)
Balance Sheet amount at 31 March 2010	11,689	2,266	383	14,338
Balance Sheet amount at 1 April 2009	10,837	2,091	383	13,311
Nature of Asset Holding:				
Owned	11,163	2,266	211	13,640
Leasehold	526	-	172	698
	11,689	2,266	383	14,338

The vehicle figures at 1 April 2009 have been restated following a thorough review of purchase prices.

Non-Operational Assets	Investment Properties	Surplus Assets held for Disposal	TOTAL
	£000	£000	£000
Cost or valuation:			
At 1 April 2009	8,362	3,704	12,066
Additions	-	-	-
Disposals	(3)	-	(3)
Impairments	(169)	(397)	(566)
Revaluations	804	104	908
At 31 March 2010	<u>8,994</u>	<u>3,411</u>	<u>12,405</u>
Depreciation and Impairments:			
At 1 April 2009	(5,694)	(48)	(5,742)
Charge for 2009/10	(31)	(24)	(55)
Disposals	-	-	-
Impairments	-	-	-
Revaluations	30	14	44
At 31 March 2010	<u>(5,695)</u>	<u>(58)</u>	<u>(5,753)</u>
Balance Sheet amount at 31 March 2010	<u>3,299</u>	<u>3,353</u>	<u>6,652</u>
Balance Sheet amount at 1 April 2009	<u>2,668</u>	<u>3,656</u>	<u>6,324</u>
Nature of Asset Holding:			
Owned	3,091	2,577	5,668
Leasehold	208	776	984
	<u>3,299</u>	<u>3,353</u>	<u>6,652</u>

13. Capital Expenditure and Financing

	2008/09 £000	2009/10 £000
Opening Capital Financing Requirement	-	-
Capital investment:		
Operational assets	614	992
Non-operational assets	-	-
Revenue expenditure funded from capital under statute	979	1,136
Intangible assets	7	-
	<u>1,600</u>	<u>2,128</u>
Sources of finance:		
Capital receipts	(582)	(85)
Government grants	(567)	(901)
Sums set aside from revenue	(451)	(1,142)
	<u>(1,600)</u>	<u>(2,128)</u>
Closing Capital Financing Requirement	-	-

14. Commitments under Capital Contracts

At 31st March 2010 the only significant sum outstanding on capital contracts was:

- Playground improvement programme with future costs of £60,000.

15. Information on Assets Held

Fixed assets owned by the Council include the following:

Operational Land & Building

Central Offices, Argyle Road
Swimming Pool/Sports Centre
- White Oak, Swanley
- Sevenoaks
- Edenbridge
Lullingstone Clubhouse/Pro. Shop
Dunbrik Depot, Sevenoaks
Pavilion/Toilets
- Holly Bush Lane Rec
Indoor Bowls Centre, Sevenoaks
Bus Facility, Sevenoaks
Indoor Bowls Centre, Swanley
Public Conveniences 12
Surface Car Parks 18
Stangrove Park, Edenbridge
Oxenhill Meadow/Shaw, Otford

Commercial Vehicles 114

Community Assets

Bishops Palace, Otford
Bradbourne Lakes, Sevenoaks
Sevenoaks Environmental Park
The Shambles, High Street, Sevenoaks
Bartholomew Way Town Park, Swanley

Non-Operational Assets

The Red Deer, Lullingstone Park
Cobden Centre, Sevenoaks
12 Knole Way, Sevenoaks
Land, Inglewood, Sevenoaks
Shoreham Woods/Timberden Farm
Glen Dunlop House, Sevenoaks
Stag Theatre, Sevenoaks
27-37 High Street, Swanley
Black Boy Public House, Blighs
66 London Road, Sevenoaks

Former Council Estate amenity land: 565 parcels totalling 26 hectares. These parcels of land are not included in the fixed assets total as individually they are very small. The external independent valuers value such amenity land at £15,000 per hectare and, on this basis, a reasonable estimate of the value of this land is £394,000. At 31/03/09 there were 571 parcels totalling 27 hectares with a value of £410,000.

16. Valuation Information

The following statement shows the progress on the Council's rolling programme for the revaluation of fixed assets:

	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Non Operational	TOTAL
	£000	£000	£000	£000	£000
Valued at historical cost	-	5,981	383	-	6,364
Valued at current value in:					
2009/10	1,953	-	-	4,417	6,370
2008/09	3,916	-	-	55	3,971
2007/08	3,819	-	-	1,954	5,773
2006/07	-	-	-	-	-
2005/06	2,534	-	-	382	2,916
Total	12,222	5,981	383	6,808	25,394

The above table shows the values provided by the independent valuer at the last valuation of each asset. This differs from the Net Book Value figures in note 12 – Movement in Fixed Assets, which takes account of depreciation since the last valuation.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 1st April 2009, by external independent valuers, I. Dewar FRICS IRRV MCI Arb, R. Messenger BSc FRICS IRRV MCI Arb, 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 non-operational 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.

17. Gain on the Disposal of Fixed 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, £206,000 (£260,000 in 2008/09).

Vehicles that had been fully depreciated were sold for £11,000. Other small areas of land were sold for £57,000.

18. Net Assets Employed

All net assets employed, as represented by the total net worth, relate to the General Fund.

19. 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.

The balance at the year end can be analysed as follows:

	2008/09 £000	2009/10 £000
Long-term Investments:		
Financial Institutions	-	739
Building Societies	3,138	-
	<u>3,138</u>	<u>739</u>
Short-term Investments:		
Financial Institutions	6,002	15,529
Building Societies	12,221	3,138
	<u>18,223</u>	<u>18,667</u>
Total Investments	<u>21,361</u>	<u>19,406</u>

Short-term investments mature within one year or are callable by the borrower each year. Long-term investments mature after one year and are not callable by the borrower each year.

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 31/3/10 for equivalent instruments,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31/3/09		31/3/10	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	21,361	21,399	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 authority.
- Liquidity risk – the possibility of service objectives not being achieved due to unplanned changes in funding sources.

- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rate movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides 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 Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum long term score of AA-. The Authority has the following policies:

- Investments are limited to 15% 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.

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%.

Given the current uncertainties in the financial sector, the Authority continues to review its investment strategy as necessary to mitigate the changing risks.

The following analysis summarises the Authority's potential maximum exposure to credit risk based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

The historical experience of default relates to the Landsbanki Islands hf investment. 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 therefore the figure adjusted for market conditions is 0%.

	Amount at 31/3/10	Historical experience of default	Historical experience adjusted for market conditions at 31/3/10	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31/3/09
	£000	%	%	£000	£000
Deposits with banks and financial institutions	18,648	0.71	0.00	0	0

Icelandic Bank Defaults							
	Date invested	Maturity date	Amount invested	Interest rate	Recoverable amount	Impairment	Principal default
			£000	%	£000	£000	%
Landsbanki	25/6/07	25/6/09	1,000	6.32	739	324	5

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

Market Risk

Upwards or downwards movements in interest rates may have a complex impact on the Authority. 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.

Icelandic Investment

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer & Friedlander (KS&F) went into administration. The authority had £1m deposited with Landsbanki at an interest rate of 6.32% and a maturity date of 25 June 2009.

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 authority 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 information available the authority considers that it is appropriate to consider an impairment adjustment for the deposit, and has taken the action outlined below. As the information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee.

Old Landsbanki's affairs are being administered under Icelandic law. The latest information indicates that recovery of between 90-100% could be achieved, and the authority has taken a mid point position and assumed recovery of 95% by 2018. The authority has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued.

The impairment loss recognised in the Income and Expenditure Account in 2009/10 of £120,000 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future 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 a sum of £120,000 has been transferred to the Financial Instruments Adjustment Account.

20. Debtors

	31/3/09 Restated £000	31/3/10 £000
Collection Fund (CF)		
Central Government (NNDR)	-	1,122
Council Tax Payers	696	809
Bad Debt provision	(308)	(319)
General Fund		
DWP – Housing Benefit Grant	488	824
Housing Benefit Overpayments	716	765
Performance Reward Grant	270	175
Moat Housing Association	127	-
VAT	227	2,332
Other	935	1,074
Bad Debt provision	(532)	(571)
	<u>2,619</u>	<u>6,211</u>

21. Current Liabilities

	31/3/09 Restated £000	31/3/10 £000
<u>Creditors</u>		
CLG Grants	118	118
Central Government (NNDR)	528	-
Deposits	182	183
Council Taxpayers	48	54
Capital	22	153
HMRC	285	517
Pension Fund	301	308
Other General Fund	917	1,596
	<u>2,401</u>	<u>2,929</u>
<u>Receipts in Advance</u>		
Collection Fund: Council Tax Payers	99	139
CLG Grants	1,365	1,347
General Fund	634	809
	<u>2,098</u>	<u>2,295</u>

The deposits figure includes £183,000 of developer contributions towards the costs of a Community Centre in Edenbridge.

22. Provisions

The following provisions have been made by the Council:

	Balance 31/3/09 £000	Draw downs £000	Increases £000	Balance 31/3/10 £000
First Time Sewerage Schemes	888	-	16	904
Edenbridge Relief Road	1,557	-	8	1,565
	<u>2,445</u>	<u>-</u>	<u>24</u>	<u>2,469</u>

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 24 for further information about the Edenbridge Relief Road.

23. Reserves

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

Reserve	Note	Balance 01/04/09 £000	Net Movement in Year £000	Balance 31/03/10 £000
Earmarked Reserves				
Asset Maintenance Reserve	a	5,087	(366)	4,721
Pension Fund Deficit Reserve	b	4,492	(981)	3,511
Budget Stabilisation Reserve	c	-	1,846	1,846
Housing Benefit Subsidy Reserve	d	561	290	851
Vehicle Renewal Reserve	e	630	(22)	608
Local Plan / LDF Reserve	f	337	201	538
Re-organisation Reserve	g	329	30	359
Action and Development Reserve	h	161	188	349
Vehicle Insurance Reserve	i	229	17	246
Carry Forward Items Reserve	j	265	(25)	240
Rent Deposit / Guarantee Reserve	k	161	17	178
Local Strategic Partnership	l	135	13	148
Transportation Reserve	m	-	80	80
District Elections Reserve	n	35	31	66
Capital Financing Reserve	o	631	(631)	-
Other Reserves (under £50,000)		129	84	213
Sub Total		13,182	772	13,954
Deferred Capital Receipts	p	70	(15)	55
Revaluation Reserve	q	1,334	1,972	3,306
Capital Adjustment Account	r	18,298	(755)	17,543
Financial Instruments Adjustment Account	s	(106)	(105)	(211)
Collection Fund Adjustment Account	t	(7)	7	-
Capital Receipts	u	353	184	537
Pensions Reserve	v	(34,570)	(24,334)	(58,904)
General Fund Reserve	w	3,713	-	3,713
Total		2,267	(22,274)	(20,007)

Purpose of reserves and detail of movements:

(a) Asset Maintenance Reserve

To fund future asset maintenance costs.

Movement in year	2008/09 £000	2009/10 £000
Expenditure on assets	(731)	(626)
Contribution to the fund	260	260
	(471)	(366)

(b) Pension Fund Deficit Reserve

To meet some of the future costs of the back funding element of the employers' superannuation contributions to the Kent Pension Fund. The movement in the year is the contribution to the fund.

(c) Budget Stabilisation Reserve

It was approved by Cabinet on 18th February 2010 that any favourable variance achieved on the 2009/10 budget would be put into a reserve to support the decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.

Movement in year	2008/09 £000	2009/10 £000
Contribution from revenue	-	1,846
	<u>-</u>	<u>1,846</u>

(d) Housing Benefit Subsidy Reserve

Provides a cushion against large movements in reclaimable sums in any year.

Movement in year	2008/09 £000	2009/10 £000
Difference between estimated and actual grant for year	157	290
Reduction in reserve requirement	(543)	-
	<u>(386)</u>	<u>290</u>

(e) Vehicle Renewal Reserve

Funding for future commercial vehicle replacements.

Movement in year	2008/09 £000	2009/10 £000
Depreciation contribution from revenue	484	478
Financing of vehicle purchases	(451)	(511)
Vehicle sale proceeds	3	11
	<u>36</u>	<u>(22)</u>

(f) Local Plan / Local Development Framework (LDF) Reserve

To help support the Local Plan and LDF.

Movement in year	2008/09 £000	2009/10 £000
Expenditure	(48)	(105)
Contribution from revenue	141	306
	<u>93</u>	<u>201</u>

(g) Re-organisation Reserve

To fund actions taken to achieve annual budget savings.

Movement in year	2008/09 £000	2009/10 £000
Expenditure	(30)	(28)
Contribution to the fund	160	58
	<u>130</u>	<u>30</u>

(h) Action and Development Reserve

To fund ad hoc expenditure, e.g. resulting from an emergency.

Movement in year	2008/09 £000	2009/10 £000
Contribution to the fund	11	188
	<u>11</u>	<u>188</u>

(i) Vehicle Insurance Reserve

Provides own damage cover on the Council's commercial vehicle fleet, which is only insured on a third-party basis.

Movement in year	2008/09 £000	2009/10 £000
Insurance premiums paid by Direct Svs	30	30
Insurance claims	(24)	(13)
	<u>6</u>	<u>17</u>

(j) Carry Forward Items Reserve

For specific items agreed by Cabinet, e.g. if a project has slipped between years.

Movement in year	2008/09 £000	2009/10 £000
New agreed items	158	117
Expenditure on previously agreed items	(150)	(142)
	<u>8</u>	<u>(25)</u>

(k) Rent Deposit Guarantee Reserve

To support the homeless etc, by providing their initial deposit and guarantee for a property.

Movement in year	2008/09 £000	2009/10 £000
Net (expenditure) / income	(8)	(3)
Contribution from revenue	81	20
	<u>73</u>	<u>17</u>

(l) Local Strategic Partnership

Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.

Movement in year	2008/09 £000	2009/10 £000
Expenditure	-	(7)
Contribution from revenue	135	20
	<u>135</u>	<u>13</u>

(m) Transportation Reserve

The Concessionary Fares function will be carried out by Kent County Council from 1st April 2011, it is uncertain what the effect on Government funding for this Council will be.

Movement in year	2008/09 £000	2009/10 £000
Contribution from revenue	-	80
	<u>-</u>	<u>80</u>

(n) District Elections Reserve

To finance local elections.

Movement in year	2008/09 £000	2009/10 £000
Contribution from revenue	15	31
	<u>15</u>	<u>31</u>

(o) Capital Financing Reserve

To part fund the capital programme.

Movement in year	2008/09 £000	2009/10 £000
Expenditure	-	(631)
Contribution to the fund	631	-
	<u>631</u>	<u>(631)</u>

(p) Deferred Capital Receipts

Amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses, which form the main part of mortgages under long-term debtors.

(q) Revaluation Reserve

This records the unrealised net gain from revaluations made after 1/4/07.

Movement in year	2008/09 £000	2009/10 £000
Revaluations	544	1,972
	<u>544</u>	<u>1,972</u>

(r) Capital Adjustment Account

This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account includes the balances previously held in the Fixed Asset Restatement Account and the Capital Financing Account.

Movement in year	2008/09 £000	2009/10 £000
Impairments	-	(599)
Depreciation	(995)	(1,030)
Revenue expenditure funded from capital under statute	(979)	(1,136)
Intangible assets	(7)	-
Revaluations	28	23
Non-specific capital grant	135	13
Capital expenditure financed from revenue	451	1,142
Capital expenditure financed from capital receipts	582	85
Capital grants written out	570	747
	<u>(215)</u>	<u>(755)</u>

(s) Financial Instruments Adjustment Account

This account provides a balancing mechanism between the different rates at which gains and losses are recognised under the Statement of Recommended Practice (SORP) and are required by statute to be met from the General Fund.

Movement in year	2008/09 £000	2009/10 £000
Investment impairment	(106)	(105)
	<u>(106)</u>	<u>(105)</u>

(t) Collection Fund Adjustment Account

A new account (see note 1) showing the Council's element of the Collection Fund surplus.

(u) Capital Receipts

Proceeds of fixed asset sales available to meet future capital investment.

Movement in year	2008/09 £000	2009/10 £000
New receipts in year	293	280
Previous creditors no longer required	-	-
Capital financing	(582)	(85)
Payable into Housing Capital Receipts Pool	(22)	(11)
	<u>(311)</u>	<u>184</u>

(v) Pensions Reserve

Balancing account to allow inclusion of the Pensions Liability in the Balance Sheet. See note 5 in the Core Financial Statements.

(w) General Fund Reserve

Acts as a working balance to meet unexpected items or planned deficits. See Statement of the Movement on the General Fund Balance.

24. Contingent Liabilities and Contingent Assets

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.

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.

25. General Government Grants

	2008/09 £000	2009/10 £000
Revenue Support Grant	768	1,184
Housing Planning Delivery Grant	-	128
Local Area Business Growth Incentives (LABGI)	-	75
Performance Reward Grant	269	40
Area Based Grant	23	23
	<u>1,060</u>	<u>1,450</u>

26. Cash Flow Statement: Reconciliation of Net Surplus/Deficit on Income & Expenditure Account to Net Cash Flow from Revenue Activities

2008/09 £000		2009/10 £000	2009/10 £000
	<u>(Surplus)/Deficit for the year:</u>		
2,083	Income & Expenditure Account		374
	<u>Non-Cash Transactions:</u>		
(2,214)	Non-cash amounts requiring exclusion from the Income & Expenditure Account (see Statement of the Movement on the General Fund Balance)	(673)	
829	Net contributions (to)/from provisions & reserves	<u>(796)</u>	(1,469)
	<u>Items on an accrual basis:</u>		
3	Increase/(Decrease) in Stock	(11)	
218	Increase/(Decrease) in Debtors	2,470	
32	Increase/(Decrease) in Payment in advance	(2)	
117	(Increase)/Decrease in Creditors	(398)	
(1,144)	(Increase)/Decrease in Receipts in advance	<u>(197)</u>	(1,862)
	<u>Items classified elsewhere on the cash flow statement</u>		
<u>1,462</u>	Servicing of Finance		<u>1,605</u>
<u>1,386</u>	Net cash (inflow)/outflow from revenue activities		<u>2,372</u>

27. Cash Flow Statement: Changes in Cash and Short Term Deposits

	£000
Short Term Deposits (Investments)	
as at 31st March 2010	19,406
less: as at 31st March 2009	<u>18,223</u>
	1,183
Cash in hand/overdrawn	
as at 31st March 2010	29
less: as at 31st March 2009	<u>41</u>
	<u>(12)</u>

28. Analysis of Other Government Grants

	2008/09	2009/10
	£000	£000
Housing Benefit Administration	681	748
Concessionary Fares	233	239
Community Development	51	142
Housing Planning Delivery Grant	92	128
Housing	1,428	80
Local Area Business Growth Incentives	-	75
Performance Reward Grant	270	40
Area Based Grant	23	23
Other	101	43
	<u>2,879</u>	<u>1,518</u>

29. Liquid Resources

The liquid resources of the Council are the items shown as Short-term Investments and Cash in Hand on the Balance Sheet.

30. Exceptional Item - VAT Refund

The Council received a payment in overpaid Value Added Tax resulting from a claim in relation to sporting income. HM Revenue and Customs had failed to properly implement in UK law, the policy in respect of sports admissions for the period 1990 to 1994. The total of the claim and simple interest less fees was £1.852m.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2009/10

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.

2008/09		Note	2009/10	
£000			£000	£000
	<u>Income</u>			
71,087	Council Tax	1		73,704
30,184	Non-Domestic Rates	2		30,814
224	Reduction in Bad and Doubtful Debts Provision			281
101,495				104,799
	<u>Expenditure</u>			
	Precepts:			
49,795	Kent County Council		51,335	
6,375	Kent Police Authority		6,735	
3,172	Kent Fire and Rescue Service		3,304	
11,375	Sevenoaks District Council (incl. Parishes)		11,958	73,332
	Non Domestic Rates:			
30,009	Payment to National Pool		30,639	
175	Cost of Collection Allowance		175	30,814
325	Bad and Doubtful Debts Provision			335
196	- Write Offs			272
592	Contribution towards previous year's Collection Fund surplus	3		-
102,014				104,753
(519)	(DEFICIT)/SURPLUS FOR YEAR	3		46
	COLLECTION FUND BALANCE			
473	Balance at beginning of year			(46)
(519)	(Deficit)/Surplus for year			46
(46)	Balance at end of year	4		-

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 2009/10 was calculated in January 2009 as follows:

Band	Estimated no. of taxable properties after the effect of discounts	Ratio	Band D equivalent dwellings
A*	1.50	5/9ths	0.83
A	1,304.00	6/9ths	869.33
B	2,463.25	7/9ths	1,915.86
C	8,978.50	8/9ths	7,980.89
D	10,390.75	9/9ths	10,390.75
E	6,557.25	11/9ths	8,014.42
F	5,305.50	13/9ths	7,663.50
G	6,747.00	15/9ths	11,245.00
H	<u>1,088.75</u>	18/9ths	<u>2,177.50</u>
	<u>42,836.50</u>		<u>50,258.08</u>

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.

	<u>237.03</u>
COUNCIL TAX BASE FOR 2009/10	<u>50,021.05</u>
COUNCIL TAX BASE FOR 2008/09	<u>49,705.82</u>

The tax rate for a band D property was £1,403.74 excluding parish Council taxes (2008/09 = £1,362.24).

The Council Tax income of £73,704,000 for 2009/10 is receivable from the following sources:

Billed to Council tax payers	£67,192,000 (2008/09= £65,237,000)
Council tax benefits	£ 6,512,000 (2008/09= £5,850,000)

Note 2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (48.5p in 2009/10 and 46.2p in 2008/09) 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 2010 was £74,517,501 (31st March 2009 = £74,979,270).

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 2009, the estimated balance at 31st March 2009 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 2008/09 and taken into account by the respective authorities in the calculation of their council taxes for 2009/10.

The actual position at 31st March 2009 was a deficit of approximately £46,000.

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.

Authority	2008/09		2009/10	
	% of Council Tax	Est. share of Balance £000	% of Council Tax	Est. share of Balance £000
Sevenoaks DC (incl. Parish and Town Councils)	16.1	7	16.5	0
Kent County Council	70.4	33	69.8	0
Kent Police Authority	9.0	4	9.2	0
Kent Fire and Rescue Service	4.5	2	4.5	0
Total	100.0	46	100.0	0

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.

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.

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.

National Non-Domestic Rate (NDR) 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.

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.

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.