

ACCOUNTING POLICIES	PURPOSE OF POLICY	IFRS IMPACT
Accounting Standards		
<p>The accounting policies of the Council are set out over the following pages. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with relevant Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRSs) that apply to Local Authorities.</p> <p>The net cost of services within the Income & Expenditure Account has been prepared in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP), and the Council's borrowing strategy complies with the CIPFA Code of Practice on Treasury Management.</p> <p>Three key accounting concepts are followed within these accounts:</p> <ul style="list-style-type: none"> Accruals <p>Whereby transactions are recorded in the period in which they occurred, not necessarily when a payment was made.</p> <ul style="list-style-type: none"> Going Concern <p>The authority has prepared its accounts on the assumption that it will continue in operational existence for the foreseeable future.</p> <ul style="list-style-type: none"> Primacy of Legislation <p>Accounting concepts in the above standards may not apply in all cases, to the degree that treatment is stipulated in law. "It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply." (SORP2008.)</p> <p>In any area where the above standards have not been followed, an explanation will be given in the notes to the accounts.</p> <p>Estimation techniques are methods adopted by the authority to arrive at an estimated value to ensure completeness of balances in the accounts. They are specifically used in the apportionment of support service costs, but could be used in other areas in the absence of known actual values.</p> <p>There are also qualitative aspects to financial information and the areas of relevance, reliability, comparability, understandability and materiality are considered in the accounting treatment of transactions.</p>	<p>The overarching accounting standards are the 'bread and butter' principles that underlies the financial policies. They are a common set of concepts that are fundamental to any set of accounts.</p>	<p>References will change to relevant Code and International Standards but the basic principles will remain the same.</p>
Valuation of Fixed Assets		
<p>All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.</p> <p>The current asset values used in the accounts at 31st March 2010 are based on a formal valuation certificate issued. The sources of information and assumptions made in producing the various valuations are set out in the valuation certificate and report. The current asset values used in the accounts are based upon a certificate issued by the Council's Director of Property and Assets as at 1 April 2009.</p> <p>Financial year 2009/10 was the fifth year of a 5-year rolling programme of asset revaluations. The de minimis level applied is £10,000. All valuations have been carried out by the Council's valuers, who are RICS qualified.</p> <p>Their bases for valuation are as follows: <u>Type of Asset - Basis of Valuation</u> Council Dwellings - Existing Use Value – Social Housing Other Land and Buildings: Operational - Net current replacement cost, using either the existing use value or the depreciated replacement cost (includes plant and machinery) Non-Operational - Open market value Infrastructure - Historic cost (where known) Vehicles, Plant & Equipment - Current written down value Community Assets - Historic cost (where known)</p>	<p>To identify the class of expenditure that is capitalised (added to fixed assets) and who provides the valuation certificate - the formal document that provides assurance on the carrying values of assets.</p>	<p>No impact on what can be capitalised or need for a formal valuation certificate but new requirement to apply a component aspect to assets i.e. each main part of an asset (e.g. roof, wall structure etc) with different life spans should be accounted for separately for depreciation purposes. This is subject to materiality.</p>
	<p>This indicates the type of valuation method that is applied to the relevant type of asset.</p>	<p>There will be some asset valuation method impact where assets are reclassified under more specific type.</p>
Intangible Assets		
<p>Intangible assets, mainly software licenses, are considered annually against capital materiality and the impact of non-inclusion on the balance sheet position. No intangible assets have been identified.</p>	<p>To state the position in respect of intangible assets.</p>	<p>None directly.</p>

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Financial Instruments		
<p>Investments have been valued at fair value through profit or loss using bid-market price information supplied by Investec or supplemented by reputable sources when not available. Standard market conventions have been used to calculate accrued interest due on securities.</p> <p>All realised and unrealised gains and losses, interest and other items of income and expense associated with financial assets and liabilities are taken to the Income and Expenditure Account.</p> <p>As a bad debt provision is made on aged trade debtors, which are typically not of material value in total, impairment has not been undertaken through the accounts. Trade debtors and creditors themselves are shown at fair value within the accounts.</p> <p>Further information on financial instruments can be found in note 24 of the accounts.</p>	<p>To provide information on the way in which financial instrument transactions are processed through the financial accounts.</p>	<p>The introduction of financial instruments accounting standards for local government in 2008/09 was a prelude to the IFRS agenda and will only be impacted on if current IFRSs are changed.</p>
Depreciation of Assets		
<p>FRS 15 requires that all operational assets be depreciated, unless the depreciation concerned is immaterial. Any asset not depreciated within the accounts is the subject of a formal impairment review and, where there is reason to believe that its value has changed materially during the accounting period, the valuation is adjusted. Examples of events and changes in circumstances that could indicate a reduction in value may include physical damage to a building or a decline in market value.</p> <p>The Council uses the straight-line method of calculating depreciation on all its Fixed Assets, with the exception of non-depreciable land, community assets, investment properties and vehicles. Straight-line depreciation is the method in which the cost of an asset is split equally over the period of its estimated useful life.</p> <p>Depreciation is charged in the year of acquisition but not in the year of disposal.</p> <p>Depreciation of assets is charged against relevant services to show the cost of their use of assets in provision of the service. This depreciation charge is reversed out in the I&E adjustment statement and subsequently has no impact on Council Tax levels.</p> <p>Due to the Right-to-Buy scheme where the stock is reducing each year, it is more appropriate for the Council to use the average value of the stock to calculate depreciation on Council Dwellings (as below).</p> <p>The following table summarises the estimated useful lives of the different asset classes:</p> <p>Type of Asset - Useful Life Council Dwellings - 70 years Operational Assets - 20-70 years dependant on the assessed expected useful life Infrastructure - 20 years Plant, Equipment & ICT - Normally 5 years dependent on the assessed expected useful life Vehicles - Based on an annual valuation of each vehicle</p>	<p>To state the way in which assets are depreciated. Depreciation is the value charged through revenue (which is reversed back out) to show the cost of holding/using fixed assets.</p>	<p>No change in depreciation requirement but may be impact on annual values through new requirement to split material items into major components and depreciate each component separately.</p>
	<p>This shows the basic life spans assumed on the type of assets. Assets are depreciated over their relevant useful life.</p>	<p>None - any change in useful life is a local decision as long as reasonable.</p>
Capital Receipts		
<p>Capital receipts are the monies received by the Council from the sale of land, buildings and other assets. These are available, subject to Government restrictions, to finance new capital schemes. The usable percentage for receipts arising from the sale of non-HRA land and property was 100%. A receipt under £10k from disposal of fixed assets is taken as revenue in line with the revaluation de minimis.</p> <p>The Local Government Act 2003 introduced the principle of 'pooling' HRA capital receipts with effect from 1 April 2004. Under this system, 75% of the capital receipt from the disposal of a dwelling from the Right-to-Buy scheme must be paid over to Central Government, with the remaining 25% being available to the Council to fund capital expenditure. With regards to the disposal of HRA land and surplus assets, the local authority can retain 100% of the capital receipt, providing the receipt is used to fund affordable housing.</p>	<p>By definition income from the sale of fixed assets are capital receipts and should be used only in the funding of new capital expenditure. Within that remit it is possible for immaterial amounts to be taken to revenue as the sold asset is not a significant capital asset. For ease, that value was aligned with the capitalisation de minimis.</p>	<p>None directly.</p>

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Disposal of Assets		
Surplus asset are revalued on identification and on their disposal their carrying value (Gross Book Value less Accumulated Depreciation) is written out to the I&E account. Sale proceeds from the disposal are also credited to the I&E to give a net profit or loss on disposal. These values are then transferred to the capital adjustment account via the Statement of Movement on General Fund Balance. Associated costs of disposal are contained within the net cost of services analysis, as part of apportioned central support costs.	Explains how values are taken out of the balance sheet when assets are disposed of.	None directly.
Capitalisation		
Per FRS15, interest costs in relation to a Capital Project which has a total projected spend in excess of £25m, will be capitalised until the year in which the asset comes into use. Individual contracts within the overall project value will be considered on a case-by-case basis	Explains that the interest of financing costs on long term major capital projects will be capitalised until the asset comes in to use.	None directly.
Revenue Funded from Capital		
There are certain costs of the authority that are classified as capital expenditure under statute that do not result in the creation or enhancement of a council asset. These costs are shown as revenue expenditure within the net cost of services but with a compensatory reversal through the statement of movement on general fund balance to capital accounts. This could include capital grants to third parties.	Explains that some spend on assets that are not the Council's (e.g. disabled facilities grants) but which are funded by capital under statute is shown through the revenue account	None directly.
Redemption of Debt		
Under the Prudential Code, local authorities are required to charge to their revenue account a minimum revenue provision (MRP) for debt redemption. Revised regulations applicable to 2007-08 and subsequent years replaced a detailed calculation based on 4% of the capital financing requirement with a requirement that local authorities calculate an amount of MRP that they consider to be prudent. One of the options the Prudential Code for Capital Financing recommends is linking the MRP to the useful life of the asset that is being funded. This is the approach the council has adopted for major capital schemes from 2007/08 onwards. The Council also now defers charging MRP until the year after an asset becomes operational, as allowed by the code.	This details why/how the Council needs to set aside revenue funding to repay its debt portfolio from borrowing.	None directly.
Premiums and Discounts		
The 2007 SORP introduced a change in accounting policy with regard to premiums and discounts whereby they were de-recognised and taken immediately to the Income and Expenditure account, other than where considered part of a debt restructuring exercise. The regulations and statutory guidance allow (or in the case of discounts require) any premiums and discounts arising from 1 April 2007 that are required under the SORP to be taken immediately to the Income and Expenditure account to be amortised to Revenue over the various periods specified in the regulations/guidance or in the case of premiums such shorter period as the authority may choose.	Explains the requirement that any premium or discount on borrowing costs should be taken through the income and expenditure account.	None directly.
Exceptional Items		
In the normal course of service provision income and expenditure can be classified to service streams or to corporate transactions. There are some situations that arise, however, where transactions are relatively unique and although should form part of the annual net cost of services would severely affect the usefulness and accuracy of year on year comparison. Such events are taken as being exceptional items and shown separately below service line but still within net cost of service totals.	This details that any non-routine expenditure related to services will be shown separately as an exceptional item. Such an item is usually so material that inclusion in a service line would distort the underlying routine service costs.	None directly.

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Leasing		
<p>The Council leases many items such as vehicles, plant and equipment from finance companies. Leases can be a finance lease, (one that transfers substantially the risks and rewards of ownership of a fixed asset to a Lessee (i.e. the Council) and would appear as an asset / liability on the balance sheet), or an operating lease, which are all other cases and constitute a revenue payment.</p> <p>The Authority classifies leases as per the requirements of SSAP 21 and FRS 5. For a finance lease to be classified substantially all the risks and rewards relating to the leased property should transfer to the Council, with the present value of the minimum lease payments worth 90% or more of the fair value of the leased asset. In this assessment the true substance of the transaction will also be considered.</p> <p>For leases that are not considered finance leases, a classification as an operating lease is given. The Council also has a number of premises it makes available on a lease basis as disclosed in note 18 to the financial statements.</p>	To explain how any leases entered into are classified.	Small changes in the underlying IFRS leasing standards in comparison to FRGSs have resulted in substantial review work being undertaken and tightening down of lease classification criteria. It is not expected that there will be material change to the accounts at the end of the process.
Value Added Tax (VAT)		
Swindon Borough Council complies with the statutory requirements of the VAT Act 1994. It seeks to maximise VAT recovery according to Section 33 of the Act, which includes Local Authorities and enables certain bodies to recover VAT on costs relating to non-business activities.	Explains the Council's position on VAT.	None directly.
Stocks and Work in Progress		
Stocks are valued at the lower of cost or net realisable value as required by SSAP 9. Work in Progress has been valued at the cost of labour, materials and other resources used, including the appropriate apportionment of indirect costs and overheads but excluding any profit.	States the valuation method for stocks held and work in progress.	None directly.
Debtors and Creditors (Accruals)		
<p>The Council's revenue and capital accounts are prepared on an accruals basis in accordance with the accounting conventions of FRS18. This means that amounts due to (debtors) or owed from (creditors) the Council in the financial year are accounted for whether or not the cash payment has been made. Where final invoices are not available, prudent estimates will be made in making debtor and creditor provisions.</p> <p>Where outstanding debtors are considered doubtful that they will be fully received, a prudent bad debt provision is provided for, which reduces the level of income expected in the accounts.</p> <p>As part of the accrual process a de minimis level of £200 is applied to year-end service accruals to reflect materiality thresholds. For cyclical periodic payments, such as utility bills, the accounts aim to reflect a full twelve months in the accounting year, which may not necessarily be April to March, but will reflect 12 months worth of costs.</p>	Explains how accruals (the recording of income/expenditure to the correct accounting period even if cash hasn't changed hands) are applied to the accounts.	None directly.
Pensions		
<p>Swindon Borough Council employees belong to one of two pension schemes:</p> <ul style="list-style-type: none"> • The Wiltshire Pension Fund, which is managed in accordance with the Local Government Pension Scheme, or, • The Teachers Pension Scheme. <p>Wiltshire County Council, on behalf of all the Local Authorities in Wiltshire, manages the Wiltshire Pension Fund. The Council's contribution to the Pension Fund has been determined on the basis that contribution rates are set to meet 100% of the liabilities of the Pension Fund over the longer term, in accordance with relevant Government Regulations and the requirements of the Fund Actuary.</p>	Indicates which pension schemes the Council employees belong to.	None directly.

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Government Grants Deferred Account		
<p>The Code of Practice requires fixed assets to be included in the balance sheet at their continuing value to the Council, even when grants or contributions have been received towards their financing. This account is therefore credited with the amounts of grants and contributions used in financing of capital expenditure. Amounts are released under the matching principal using the same lifespan as depreciation is calculated, thereby to offsetting depreciation charged to the revenue account, and are shown as credits to the revenue account and debited out through the Statement of Movement on the General Fund Balance.</p>	<p>Explains that grants used to fund asset spend will be released as income into the revenue account on the same basis as depreciation for the relevant asset.</p>	<p>This account will be removed from the balance sheet under IFRS as grants will either be taken in full to the capital adjustment account or will be recorded as creditors (if the grant may need repaying) or as receipts in advance (if there are no repayment clauses).</p>
Unapplied Grants and Contributions Account		
<p>This account shows amounts received to support capital enhancements but which are not yet applied to assets. Once applied to assets the contribution will be transferred to the government grants deferred account. The contribution is applied when the asset becomes operational.</p>	<p>Indicates that grants are held in this account until they are applied to assets.</p>	<p>This account will be removed under IFRS as per the government grants deferred account.</p>
Post Balance Sheet Events		
<p>Where a significant event occurs after the balance sheet date, prior to the year-end financial statements being authorised for publication, that has a bearing upon the financial position of the Council at the 31 March, the accounts are adjusted with details of the event set out in notes to the accounts. Significant non-adjusting events are also disclosed (note 28).</p>	<p>Explains the requirement for the accounts to reflect any significant event that happens between the 31 March and the date the accounts are authorised that has a bearing on the financial position of the council.</p>	<p>None directly.</p>
Landfill Allowance Trading Scheme (LATS)		
<p>The Waste and Emissions Trading Act 2003 placed a duty on waste disposal authorities (WDA) to reduce the amount of biodegradable municipal waste deposited within landfill sites. It also provides the legal framework for the LATS. The scheme allocates tradable landfill allowances to each WDA in England.</p> <p>The value of the LATS allowances has been determined based on the weighted average cost of trading volumes to date, previously confirmed by DEFRA, and is taken as nil due to limited trading.</p>	<p>Indicates that this scheme is in action and there is a required way to account for it. The market value of LATS has however been defaulted to zero as limited trading occurs.</p>	<p>None directly.</p>
Overheads		
<p>As recommended by the BVACOP, central support services' costs have been fully charged to other services and therefore appear within the net cost of services within the Income & Expenditure Account, as an expenditure item. Individual cost drivers have been identified for each support service, such as gross budget, floor space occupied, number of payslips raised and number of transactions, and these have been used to allocate costs broadly in line with usage.</p>	<p>Explains that corporate overheads are reapportioned across all services to show a 'total cost' of service.</p>	<p>None directly.</p>
Income Recognition		
<p>The Council receives income from many sources for a range of purposes, such as statutory service provision, recreation charges, planning fees etc. In order that the Council can account for this income correctly the following policy is adopted when key income is recognised:</p> <p>Income Source - Recognition</p> <p>Government Formula Grant - The Council is notified by central government of its level of grant due in the financial year. All income is budgeted for and recognised in the year it is due to the Council.</p> <p>Council Tax - Council Tax is typically collected from Borough taxpayers on a monthly basis. The amount recognised in the I&E is the amount due to the Council for that financial year. The amount is adjusted for in the balance sheet for any arrears, bad or doubtful debts.</p> <p>Other Government Specific Grants - Other government grants are given to the Council for specific uses or projects. The terms of the individual projects will dictate the precise requirements of the grant. However, if grant covers or spans more than one financial year, only the amount of grant that has been spent in the reporting year will be recorded as income, the remainder will be carried forward on an accruals basis.</p> <p>Fees for Goods & Services - Income from fees and charges are recognised at the point when goods or services are provided. Income received in one financial year relating to goods / services being provided in the next financial year, will be carried forward under the matching principle.</p> <p>Developer Deposits & Capital Receipts - Monies received from developers and capital receipts are recorded at the time that the contribution is received, but may be utilised at a later date.</p>	<p>Explains the major income streams and when they are shown in the revenue account.</p>	<p>None directly.</p>

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Collection Fund / Agency Arrangements		
<p>The Collection Fund is a separate account required through statute by billing authorities. It presents the amounts collected as income and the amounts paid out as precepts to precepting authorities (e.g. the Fire Authority). After changes in the accounting guidance, the Council will be recording on an agency basis only the amounts that relate to its own balances. Debtors / Creditors and other balances relating to preceptors are no longer recorded on the Council's balance sheet.</p>	<p>States how agency arrangements are dealt with in the council accounts.</p>	<p>None directly.</p>
Provisions, Reserves and Contingencies		
<ul style="list-style-type: none"> Provisions <p>Provisions are amounts set aside for losses or liabilities that are likely or certain to be incurred in future periods and where the financial effect can be assessed with reasonable accuracy. They are created by charging the revenue account and appear as charges within the net cost of services in the Income and Expenditure Account.</p> Reserves <p>Reserves are amounts set aside from the Council's General Reserves for specific purposes that fall outside the definition of provisions. Transfers to and from reserves fall outside the net cost of services and are shown within the Statement of Movement on the General Fund Balance.</p> <p>Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are highlighted in note 26.</p> Contingencies <p>In planning and budgeting for future financial years the Council has taken the prudent view to allow for contingencies. Such contingencies are to mitigate a range of risks of unknown value, and therefore cannot constitute provisions. They are also not for specific activities or events and therefore cannot constitute earmarked reserves. Contingencies are only budgeted for within a single financial year, and any element remaining at year-end would be reintegrated in to general reserves, unless satisfying criteria for transfer as a provision or earmarked reserve.</p> Insurance <p>To obtain insurance in the most cost effective manner, the Council has chosen to carry "excesses" in respect of property and other insurances, subject to annual stop-loss limits. A reserve has been created from the Council's internal funds with a view to covering uninsured risks. In addition, the Council also has provisions for earlier years' claims from which it will meet the cost of those claims, below the excess levels, that may arise in future years relating to incidents occurring since 2001/02.</p> 	<p>This section details provisions, reserves, contingencies and insurance funding. Provisions are required to be set up for specific, known events whilst reserve are set aside for less sure events i.e. where it is known that a cost will be incurred but not necessarily when or how much.</p>	<p>None directly.</p>

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Group Relationships		
<p>Swindon Borough Council, as sole shareholder and therefore parent organisation of Thamesdown Transport Limited (TTL) and Swindon Commercial Services Limited (SCSL), is required to produce group financial statements for the combined entities. In collation of these accounts it is necessary that the accounting policies of the parent be used for the Group as a whole. In the publication of the Group accounts it is also required that UK GAAP be the accounting standards that are followed, and the SORP has provided guidance to allow this.</p> <p>The main accounting policies for Group Accounts are those given previously, adapted for SORP interpretation of UK GAAP, with specific issues on consolidation disclosed below.</p> <p>The accounting policies that the group statements follow are those of the Authority, and the following have been the policy changes to align the subsidiary and parent undertakings:</p> <ul style="list-style-type: none"> • Fixed Asset Depreciation / Valuation <p>The straight-line method of depreciation is used. Useful life of assets has been considered as corresponding between parties. One new class of asset, namely buses, is disclosed for the group statements, using a 10-15 year basis.</p> <p>No other material policy adjustments are noted.</p> <p>Accruals and transactions between the group entities have been removed from the group statements using information from the subsidiary and authority records.</p> <p>As per the SORP, notes to the group accounts are only included where material amounts or details over the single entity accounts are witnessed.</p>	<p>States the entities considered as part of the group - those other organisations that fall under the Council's control - and any area where accounting policies required separate alignment.</p>	<p>None directly.</p>
PFI (Private Finance Initiative) and Similar Arrangements		
<p>Until the 2009/10 change in accounting standards the Council's PFI scheme was accounted for off-balance sheet as a revenue cost charged as incurred.</p> <p>The result of the accounting changes mean that PFI contracts are considered to be agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts, the council carries the fixed assets used under the contracts on the Balance Sheet.</p> <p>The original recognition of these fixed assets was balanced by the recognition of a finance lease liability for amounts due to the scheme operator to pay for the assets. For the PFI schools, the balance sheet finance lease liability was written down by an initial contribution of £10m, recognised at the latter of the payment being made or the assets coming into use. In a departure from the SORP, lifecycle costs are recorded through revenue as modelled, rather than carried forward as a payment in advance if renewal works have not been undertaken. This ensures a consistent flow through revenue and limits the impact of significant prepayment balances building up over the duration of the contract.</p> <p>Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council, and a valuation undertaken on a rolling 5-year cycle.</p> <p>The amounts payable to the PFI operators each year are analysed into five elements: Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account</p> <p>Finance cost – an interest charge of 13% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account</p> <p>Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account</p> <p>Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator</p> <ul style="list-style-type: none"> • Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet. <p>Though a change in policy requires restatement of prior period figures, there is no change to the Council Tax requirement, as changes to the minimum revenue provision are balanced out within the income and expenditure account, resulting in a net nil impact.</p> <p>PFI remains the significant arrangement of this type but similar arrangements would be accounted for along these lines if entered into.</p>	<p>To explain how assets that are not the Council's are required to be recorded on our balance sheet under certain situations in order to show to underlying benefits gained. It specifically focuses on PFI as the only identified arrangement of this sort.</p>	<p>This was an early adoption of an IFRS requirement but may ultimately include additional items as more specific classifications of other underlying standards come in to force.</p>