

SWANAGE TOWN COUNCIL



Financial Review Year Ended 31st March 2012

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1. Introduction & Overview

Since 2011 the Town Council's statutory statement of account has been the Annual Return, a format developed for the town and parish council sector and other 'smaller relevant bodies' (SRB) with annual income or expenditure of less than £6.5m. The Annual Return is published each year in line with the Accounts and Audit (England) Regulations 2011.

Given its wide-ranging role as one of the largest Town Councils in England, the Council has agreed that it should produce a separate review of the financial year, to provide a more detailed commentary on the Council's finances for the benefit of Councillors and officers, and to provide transparency for local residents. A financial summary is also included in the Council's Annual Report, delivered to every household.

2. Financial Review

Revenue Account/Service Provision

A summary of the Council's budgeted and actual net expenditure on the Income & Expenditure Account is given below.

	Budget	Actual	Variance
	£	£	+ve/(-ve)
Net Expenditure :-			£
Car Parks (incl. Co-op Management A/c)	400,460	417,868	17,408
Boat Park	22,115	27,478	5,363
Public Conveniences	(152,800)	(139,833)	12,967
Cemeteries	(2,400)	10,086	12,486
Parks and Operations (incl. CCTV)	(255,385)	(145,142)	110,243
Beach Gardens	(23,090)	(7,001)	16,089
Beaches & Foreshore	(25,275)	(29,992)	(4,717)
Beach Chalets/Bungalows	48,295	52,051	3,756
Publicity/Tourism	(93,025)	(78,237)	14,788
Allotments	1,125	5,861	4,736
General Buildings & Grounds	75,545	80,471	4,926
Grants & Donations	(10,000)	(9,526)	474
Central Administration	(388,160)	(312,518)	75,642
Democratic & Corporate Management	(120,135)	(90,264)	29,871
Loan Repayments, Interest Payable & Bank Charges	(18,715)	(14,743)	3,972
Investment Income	205,800	194,783	(11,017)
Net Expenditure	(335,645)	(38,658)	296,987
Transfer to Earmarked Reserves	(210,000)	(417,583)	(207,583)
Precept	594,150	594,150	0
Net Surplus on the General Fund	48,505	137,909	89,404

The Town Council's overall financial position was strengthened again during 2011/12, building on the improvements of the two previous financial years. The net operating surplus of £555,492 has enabled contributions of £417,583 to be made to earmarked reserves to ensure that funds are available to achieve the aims set out in the Council's Asset Management Plan. The net surplus on the General

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Fund of £137,909, when added to the balance brought forward of £252,191, has generated an overall General Fund Balance of £390,100. This is in line with the risk-assessed requirement for a General Fund Balance of between £367,000 and £435,000 to withstand the impact of the most serious risks identified in the Council's risk register being realised in the financial year ahead.

The Town Council has three principal income streams: the Council Tax Precept, car parking revenue and investment income. During 2011/12 these together generated income of £1.56 million, 74 per cent of the Council's total income of just over £2.1 million.

The Precept raised £594,150 during 2011/12. Although individual household bills were frozen, this represented an increase of £6,150 on the previous financial year due to an increased tax base. Car Parking performed marginally better than budget, despite a poor summer season. This was largely due to the Council's decision to extend the peak season charging from 30th September to 31st October.

Investment income was marginally below budget. This is the result of the range of investment options being reduced due to the ongoing volatile economic climate, during which the Town Council has placed the protection of its capital sum above increased yield. This stance is in-line with government guidelines and set out in the Council's Treasury Management Strategy Statement (see Treasury Management below).

Despite the poor summer weather the Council's other sources of seasonal income all out-performed budget. The sporting activities at Beach Gardens performed best, with putting fees showing the most noticeable increase. Both beach hut rentals and boat park fees were marginally above budget. Across all of these areas costs were kept down and there were a number of underspends. These included wages and hired services at Beach Gardens; repairs, utilities and refuse disposal at the Boat Park/Fishermen's Huts; and lower wages and materials costs in relation to Beach Huts.

The Council's Tourist Information Centre saw a small decline in all of its income streams, including agency ticket commission, advertising boards and stock sales. However, this was more than offset by strong budgetary control which saw reduced wages, printing and stationery, postage and telephone costs. The costs of maintaining the beach to blue flag standards were also over budget, principally due to the employment of an additional seasonal beach cleaner and increased frequency of seaweed collection. This was also the first year that costs associated with the installation of the safe bathing zone markers fell to the Town Council. This had formerly been funded in its entirety by Purbeck District Council, who this year met 50% of the cost as a transitional arrangement prior to withdrawing their funding fully in 2012/13.

In relation to community facilities, income from the cemetery and allotments was up against budget, whilst spending on wages, materials and hired services in these areas were all under budget. Spending on public conveniences was also under budget, principally in respect of repairs and maintenance and hygiene services. This more than offset the loss of income from the failure of a turnstile at the Heritage Centre Toilets during the peak summer season.

The Parks and Operations budget shows the greatest variance, of £110,000. Income increased due to the introduction of Dorset County Council's lengthsman scheme, the disposal of surplus equipment and a contribution to the De Moulham estate back roads maintenance fund. Employee costs were again under budget due to the deferral of recruitment of an officer to support the Operations Manager. The greatest contribution to the variance came from the deferral of maintenance projects across a wide range of the Council's operations. It is important that these budgets are thoroughly examined in the current financial year, and that the Council's capacity to undertake such work is reviewed to

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ensure that essential maintenance work is undertaken, in line with the Council's Asset Management Plan.

Central services and democratic and corporate management costs were also well below budget. Principal savings/underspends were due to the deferred recruitment of central services support staff (£29,600), renegotiation of the Council's insurance policy (£22,000), lower than anticipated legal and professional fees (£4,345) and election expenses (£3,306), and reduced internal and external audit costs (£25,000).

Finally, during 2011 the Town Council made the last repayment of its outstanding Public Works Loan Board debt of £8,283. This leaves the Town Council debt free at the end of the financial year, it having been consistently reduced from a peak of £1.26 million of borrowing in April 1997.

Capital Programme and Planning

The table below summarises the actual capital expenditure for the 2011/12 financial year.

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	External Funding £	Total Cost £
Land & Buildings				
Fisherman's Huts	22,950	-	-	22,950
Boat Park Refurbishment	17,894	-	-	17,894
Days Park-Pathway	9,210	-	-	9,210
Preliminaries-Seafront Stabilisation Scheme	11,113	-	-	11,113
TOTAL	61,167	-	-	61,167

The Town Council adopts an annual capital works programme as part of its budget setting process in January. These works are largely funded from reserves, either those earmarked for a specific project or the capital receipts reserve. The Town Council also included £100,000 in its 2011/12 revenue budget to fund capital works.

The programme for 2011/12 set out 13 priority schemes, only three of which were fully implemented in that financial year. The roofs of the fishermen's huts at Peveril Point were replaced as part of the Council's ongoing commitment to supporting the local fishing industry, and the adjoining boat park was improved through resurfacing and enhanced lighting. The footpaths in Day's Park were resurfaced as well, addressing a potential health and safety risk arising from deteriorating tarmac.

Expenditure was also made in respect of the seafront stabilisation scheme, which is likely to be the Council's most significant capital scheme of forthcoming years. A report was commissioned from the Council's structural engineers to provide options for future work to stabilise the sloping ground along the eastern edge of the Recreation Ground, at the rear of the Tourist Information Centre and Beach Huts. This scheme will progress further in 2012/13.

Three further schemes were delayed until the new financial year due to matters outside of the Town Council's control. Day's Park play area was replaced in May 2012 and in the same month work

commenced on the repair of the Town Hall roof. Refurbishment of the Town Council's principal seafront public toilets on Shore Road is scheduled for later in 2012.

Two of the capital projects have been deferred until 2013/14 due to the requirement for further project development work. The re-building of the public conveniences at Main Beach car park and construction of changing facilities for youth football teams have been one of the Town Council's longest-standing priorities. Matters were placed on hold whilst the Council examined the possibility of new facilities being provided in the vicinity of Days Park as part of the development of the new Swanage School. The Downs stabilisation scheme has also been deferred pending further technical reports.

Of the other four proposals, three lighting schemes are currently under review and the upgrade of electrics at Beach Gardens Pavilion was deemed unnecessary following recent improvement works by the Tennis and Bowls Clubs.

Treasury Management

In the 2011/12 financial year the Council's treasury management activity was played out against the backdrop of a continuously deteriorating economic environment. In its 2011/12 Annual Investment Strategy the Council set a minimum credit rating of A+ for its eligible counterparties. During the course of the year the counterparty list lessened as the credit ratings agencies downgraded many financial institutions. This combined with the shortening of maturities for new investments, as recommended by Arlingclose the Council's treasury advisors, resulted in a low rate of return on the Council's short term investments.

The net return on the Council's investments had been estimated at £205,800. At the end of the 3rd quarter the outturn had been revised down to £185,000, however, during the setting of the Council's treasury strategy for 2012/13 the Council reduced its minimum credit rating to A- with immediate effect. This brought back several institutions on to the Council's counterparty list. In the last quarter the maximum length for deposits was gradually lengthened, albeit still relatively short in duration. The longer term deposits returned a higher rate than had been anticipated with an actual outturn of £194,783 being realised at year end.

Throughout the year the Council diversified its short term investments with several counterparties in order to minimise risk. The Council utilised fixed term deposits and call accounts with UK banks systemically important to the banking system, Money Market Funds and an account with the Debt Management Office was also opened. This facility was used in December 2011 as the global economic situation worsened. The Council maintained its objective of the security of capital over yield.

The Council also has a long term investment of £2m with the CCLA LAMIT Property Fund. This fund has performed consistently well throughout the year, cushioning the Council against the low interest rates that are available on its short term investments. The Council also granted a loan of £100,000 to Swanage Sailing Club for the building of an extension to the existing club site on Buck Shore.

The Council's Annual Treasury Report 2011/12, which gives a more in depth review, has been published separately. A summary of investments at 31st March 2012 can be found on page 13.

Earmarked Reserves

The Council's Reserves and Balances Policy was reviewed and updated during the course of the 2011/12 financial year, with the adoption of a Public Conveniences Reserve. The Council's Earmarked Reserves were established in order to build up funds to meet anticipated future expenditure as identified in the Asset Management Plan and the Council's risk assessment.

In 2011/12 a net contribution of £417,583 was made from the general fund to the various earmarked reserves against an original estimate of £110,000. The favourable surplus on the general fund above estimate means that an additional £307,583 has been appropriated to the Council's reserves from the general fund, in line with its Policy. This sum includes £100,000 that was due to finance capital schemes and is the result of the delay in implementing some of the capital schemes whose costs were due to be met from revenue contributions. With an opening balance of £340,169, a net contribution in the year of £417,583 results in a balance of £757,752 being held at 31st March 2012.

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £127,961 in the year. The majority of this (£100,000) was used to finance the loan to Swanage Sailing Club, with a further £61,167 being used to finance capital expenditure. A net capital receipt of £33,206 was also received upon the disposal of the Herston Toilets site to the Emmanuel Baptist Church. The Council carries forward a balance of £6,248,690 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 10 to 12.

3. Accounting Statements

The Annual Return

The statutory statement of account is presented as the Annual Return, which has been published separately. The information contained within this report provides supplementary/supporting information to the Annual Return. The Annual Return consists of four Sections:

Section 1 – Accounting Statements

The accounting statements consist of a summary of the income and expenditure for the year, balances and reserves held by the council at year end, cash balances and short term investments, fixed assets and long term assets and total borrowings. This section standardises the presentation of the accounts into a simple and easily understandable format and must be certified by the Responsible Finance Officer.

Section 2 – Annual Governance Statement

This consists of nine statements where members give assurance that they have discharged their responsibilities in the proper governance of the body.

Section 3 – External Auditor’s certificate and opinion

This report is issued by the Council’s external auditor, appointed by the Audit Commission, and summarises the findings from the audit. It contains an opinion on the accounting statements and represents a limited level of assurance.

Section 4 – Annual internal audit report

This report reviews whether the systems of financial and other controls over the council’s activities and operating procedures are effective.

Accounting Policies

Section 1 of the Annual Return summarises the Council’s transactions for the 2011/12 financial year and its position at 31st March 2012. The statement of account has been prepared following guidance given in Part 3 of *Governance and Accountability for Local Councils: A Practitioners’ Guide 2010 (England)*.

4. Supplementary Information in Support of the Annual Return

The Annual Return - Income & Expenditure				
2010/11			2011/12	
£	£		£	£
	6,608,702	<i>Reserves & Balances brought forward - Box 1</i>		4,969,011
		Income		
	588,000	<i>Precept - Box 2</i>		594,150
510,656		Rental, Interest & Investment Income	519,650	
685,147		Charges made for Services	685,043	
253,815		Other Income or Contributions	305,821	
65,894		Capital Receipts/Capital Grants	33,206	
	<u>1,515,512</u>	<i>Total Other Receipts - Box 3</i>		<u>1,543,720</u>
		Expenditure		
		<i>Salaries and Wages</i>		
(468,567)		Direct Service Costs	(427,884)	
(236,358)		Democratic, Management and Civic Costs	(235,668)	
	<u>(704,925)</u>	<i>Total Staff Costs - Box 4</i>		<u>(663,552)</u>
	(18,594)	<i>Loan interest/capital repayments - Box 5</i>		(8,286)
		<i>Other Costs</i>		
(664,270)		Direct service costs	(690,348)	
(9,135)		Grant and donations	(9,526)	
(178,964)		Democratic, Management and Civic Costs	(177,460)	
(167,315)		Capital Expenditure	(61,167)	
(2,000,000)		Long Term Investments	(100,000)	
	<u>(3,019,684)</u>	<i>Total Other Costs - Box 6</i>		<u>(1,038,501)</u>
	<u><u>4,969,011</u></u>	<i>Reserves & Balances carried forward - Box 7</i>		<u><u>5,396,542</u></u>

Bank Reconciliation for year ended 31st March 2012			
	£	£	Note
Bank Accounts			
Current	94,046		
Deposit	117,883		
<i>less</i>			
unpresented cheques	(52,224)		
<i>add</i>			
uncleared payments	2,147		
<i>add</i>			
petty cash	455		
Total Cash and Bank		162,307	
Short Term Investments			
Lloyds TSB Term Deposit	2,000,000		
HSBC Term Deposit	1,500,000		
Lloyds Call Account	200,729		
MMFs	1,650,511		
Total Short Term Investments		5,351,240	7
Total Cash and Short Term Investments – Box 8		5,513,547	

Reconciliation of Cash to Reserves

Under the Annual Return the total cash and short term investments plus debtors, less creditors should equal the total of balances and reserves carried forward.

2010/11 £		Note	2011/12 £
5,150,845	Box 8 - Total cash and short term investments		5,513,547
141,883	(+)Debtors	1	144,692
(323,717)	(-) Creditors	2	(261,697)
4,969,011	(=) Box 7 - Balances carried forward		5,396,542

Tangible Fixed Assets and Long Term Investments

Tangible fixed assets and long term assets are treated the same under the annual return. When they are purchased the cost is expensed through total other payments (Box 6) and when they are sold the proceeds of the sale are received through total other receipts (Box 3). The book value of the sum of these assets is shown in Box 9 on the Annual Return.

Tangible Fixed Assets- Cost or Valuation	Operational Assets				Non-Operational Assets	Total
	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community	Investment Properties	
	£	£	£	£	£	
As at 1 April 2011	3,776,513	352,068	17,105	36,589	600,000	4,782,275
Additions/Enhancements	61,167	0	0	0	0	61,167
Donated Assets	0	0	0	0	0	0
Disposals	(20,000)	0	0	0	0	(20,000)
As at 31 March 2012	3,817,680	352,068	17,105	36,589	600,000	4,823,442
Long Term Investments- Cost						
As at 1 April 2011						2,001,528
Additions						100,000
Redeemed						0
As at 31 March 2012						2,101,528
Total Fixed Assets and Long Term Assets – Box 9						6,924,970

Long Term Borrowing

2010/11 £	Analysis of Loans by Type	2011/12 £
	Principal paid in year	
(8,283)	Public Works Loans Board (PWLB)	(8,283)
<u>(8,283)</u>	Total Outstanding	<u>0</u>
	Analysis of Loans by Maturity	
	Amount due to be repaid within:	
(8,283)	Less than 1 year	0
0	1 year +	0
<u>(8,283)</u>	Total Outstanding – Box 10	<u>0</u>
1 Loan		

The Council made a final payment of £8,283 on its one outstanding loan in July 2011, leaving the council debt free.

Notes

1. Debtors

2010/11		2011/12
£	Amounts falling due in one year :-	£
26,766	HMRC-VAT	18,812
113,631	Sundry Debtors	117,929
(10,304)	Provision for Bad/Doubtful Debtors	(9,777)
9,094	Payments in Advance	14,666
2,696	Stock	3,062
<u>141,883</u>	Total	<u>144,692</u>

2. Creditors

2010/11		2011/12
£		£
9,056	HMRC-VAT/Interest	10,530
11,027	HMRC PAYE/NI	9,880
192,767	Sundry Creditors	141,274
110,867	Receipts in Advance	100,013
<u>323,717</u>		<u>261,697</u>

Movement of Reserves				
	Balance 1 April 2011	Net movement in year	Balance 31 March 2012	Note
	£	£	£	
General Fund	252,191	137,909	390,100	3
Earmarked Reserves	340,169	417,583	757,752	4
Usable Capital Receipts Reserve	6,376,651	(127,961)	6,248,690	5
Total	<u>6,969,011</u>	<u>427,531</u>	<u>7,396,542</u>	

This table details changes during the year in the Council's reserves. It provides opening and closing balances and details of any movements on the reserve. The total of the reserves held differs from the Annual Return total in Box 7 due to the treatment of the £2m investment in the CCLA LAMIT Property Fund that is held by the Council. Under the Annual Return when any Long Term Investments are entered in to they are shown to be expensed through Box 6 thus reducing the total in

Box 7. However, under statute this investment is not classified as capital expenditure and is merely a movement of cash from a short term investment to a long term investment and as such has not been shown as being expensed from a reserve.

3. The General Fund

2010/11		2011/12
£		£
67,079	General Fund Balance brought forward	252,191
461,730	Net Surplus or (Deficit) for Year	555,492
(276,618)	Transfers (to)/from Earmarked Reserves	(417,583)
<u>252,191</u>	General Fund Balance carried forward	<u>390,100</u>

The general fund balance is the Council's "working balance" and states the cumulative surplus (or deficit) on the Council's income and expenditure account. The Council has seen an increase of £137,909 on the general fund in the year, comprising of a net operating surplus of £555,492 for the year and a transfer from the general fund to earmarked reserves of £417,583.

4. Earmarked Reserves

These reserves represent amounts that have been set aside in order to build up funds to meet future anticipated liabilities or to fund specific projects. Movements to/from the reserves have been made in line with the Council's Reserves & Balances Policy.

Earmarked Reserves	Balance 01-Apr-11 £	Contributions to/(from) Reserve £	Balance 31-Mar-12 £
Festive Lights	4,713	2,195	6,908
Vehicle & Plant Replacement	15,000	15,000	30,000
King Georges Play Area & Skate Park	11,000	11,000	22,000
Play Equipment-General Areas	15,000	15,000	30,000
Car Park Machines	10,000	10,000	20,000
Tennis Courts Refurbishment	6,805	*7,200	14,005
Repairs & Renewals Fund	144,263	170,000	314,263
Public Conveniences	100,000	70,000	170,000
King George's Changing Facilities	6,958	0	6,958
De Moulham Back Roads	16,430	7,188	23,618
Insurance & Contingency Reserve	10,000	110,000	120,000
Total	340,169	417,583	757,752

* Includes a contribution of £3,600 from the Tennis Club

5. Usable Capital Receipts Reserve

2010/11 £		2011/12 £
6,419,993	Balance brought forward	6,376,651
55,464	Capital receipts	33,206
	Less:	
(14,361)	Payment of Legal Fees-Indemnities	0
(84,445)	Capital receipts used for financing Assets	(161,167)
<u>6,376,651</u>	Balance carried forward	<u>6,248,690</u>

The UCRR holds the proceeds of the sale of fixed assets and can only be used in accordance with regulations. In 2011/12 the Council disposed of land at Herston to the Emmanuel Baptist Church for a net receipt of £33,206. The Council also utilised £61,167 in the course of the year to finance capital expenditure, with a £100,000 loan to Swanage Sailing Club also being financed from this reserve. Over the course of the year the Council saw a decrease in this reserve of £127,961.

6. Trust Funds – Box 11

The Council acts as Corporate Trustee for three Charitable Trusts. The Income & Expenditure for the year to 31st March 2012 for these trusts is:

	Income £	Expenditure £	Net Gain/(Loss) £
De Moulham Trust <i>Established in 1990 as a gift of land and holding of Trust land covenants</i>	80,550	(115,239)	(34,689)
James Day Trust (Day's Park) <i>Gift of pleasure grounds</i>	163	(193)	(30)
King George's Field <i>Deed of dedication entered into 5th May 1951</i>	0	0	0

Charitable Funds held by Trusts:

	Balance 1 April 2011 £	Net Contributions to/(from) Fund £	Balance 31 March 2012 £
De Moulham Trust	195,759	(34,689)	161,070
James Day Trust	932	(30)	902

7. Investments

The Council's investments are disclosed in the annual return at historic cost. All investments have been made in line with the Council's Annual Investment Strategy.

Counterparty	Principal	Duration	Maturity Date	Rate
Lloyds TSB Fixed Deposit	£2,000,000	3 months	25/06/2012	1.50%
HSBC Fixed Deposit	£1,500,000	6 months	22/05/2012	0.85%
Ignis Money Market Fund	£650,000	daily	n/a	v
Prime Rate Liquidity Fund Money Market Fund	£1,000,511	daily	n/a	v
Lloyds TSB Call Account	£200,729	daily	n/a	1.10%
Total Short Term Investments–(incl. in Box 8)	£5,351,240			
CCLA-LAMIT Property Fund	£2,000,000	n/a	n/a	v
Swanage Sailing Club Loan	£100,000	15 yrs EIP	24/01/2027	5.78%
Consolidated Stock	£62	n/a	n/a	2.50%
War Stock	£1,466	n/a	n/a	3.50%
Total Long Term Investments–(incl. in Box 9)	£2,101,528			
Total Investments held @ 31st March 2012	£7,452,768			

The Council had five short term investments held with Lloyds TSB, HSBC, Ignis Money Market Fund and Prime Rate Liquidity Money Market Fund at 31st March 2012. The investments held with Lloyds and HSBC have a guaranteed return and the MMF has a variable rate of return. All five investments return the capital sum invested plus interest. The Council has a long term investment of £2m held with CCLA and the Council expects to see capital growth over the term of the investment. The Council also entered into a loan agreement with Swanage Sailing Club during the course of the year. Two investments with HM Treasury, in war and consolidated stock, totalling £1,528 are also held.

8. Pensions

Swanage Town Council participates in the Local Government Pension Scheme (LGPS). This is classified as a 'defined benefits pension scheme' i.e. the cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within the Income & Expenditure account. The fund is administered by the Dorset County Council Pension Fund in which Swanage Town Council is pooled as a 'small scheduled body'.

In 2011/12 the Council paid an employer's contribution of £89,207 (£94,432 in 2010/11) representing 19.6% of employees' pensionable pay into the Dorset County Council superannuation fund. This fund provides members with benefits based on pay and service.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded to former employees who have retired early, together with the related increases. In 2011/12 these amounted to £2,929 (£2,930 in 2010/11), representing 0.64% of pensionable pay.

9. Grants & Donations

The following grants and donations were issued in 2011/12.

	£
Section 19- Misc. Provisions Act	
S.Town & Herston Football Club (Vodafone)	3,750
Section 137	
Jurassic Coast Trust	250
Girl Guides	500
South Purbeck Task Group	300
Dorset Blind Association	250
Swanage In Bloom	200
Mayors' Charity	266
Blues Roots-Donation-Blues Festival	500
DCC - School Crossing Patrol	3,510
Total	9,526

10. Audit Fees

BDO LLP has been appointed by the Audit Commission as the Council's external auditors.

2010/11		2011/12
£		£
6,000	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	3,500
420	Adjustment on previous years audit fees	(2,000)
<u>6,420</u>		<u>1,500</u>

11. Items for Consideration

Any events after the year end, 31st March 2012, have been considered up to the date of the Annual Return, 28th May 2012. The following items have been considered in the preparation of the Annual Return however no financial adjustments have been made within the statement of accounts due to the uncertainty of the outcome of the matters.

Indemnities in Business Sale Agreement for Swanage Bay View Holiday Park

The business sale agreement between the Council and Kleinwort Benson (Guernsey) Limited contained indemnities protecting the buyer from any loss suffered as a result of any action or omission by the Council in respect of future pitch fee increases. The maximum exposure is £600,000 which decreases by £150,000 after the first year and then £100,000 each year until 14th October 2014, when all indemnities will cease. A further £50,000 indemnity was entered into in respect of costs and expenses incurred in disputes with an Owners' Association. No progress has been made on this matter during the course of the financial year with the Council's position remaining unchanged from 31st March 2011.

Commission on Caravan Sales at Swanage Bay View Holiday Park

The Town Council has received objections from a number of caravan owners in relation to the commission charged in respect of the sale of their caravans at Swanage Bay View Holiday Park between 2006 and 2009. This matter was referred to Dorset Trading Standards who informed the Council in April 2010 that they did not believe that it would be in the public interest to pursue the matter further. A small number of owners are nevertheless continuing to pursue this matter. The Council has taken appropriate legal advice and carried out a financial risk assessment as part of the annual budget setting process.

VAT on Car Parking Income

The Council first lodged a claim for VAT in respect of Car Parking income in 2002. Since this time the Council has either submitted a Voluntary Disclosure of Errors on VAT returns or has appealed a Notice of Assessment for the payment of VAT relating to Off Street Car Parking. The total VAT under dispute for the period to 31st March 2012 was £1,314,589. The Council continues to appeal all Assessments received from HMRC. All appeals made to a Tribunal will be stood over until such a time as the Isle of Wight case is finalised.