

## Overview of Statement of Accounts 2005/06

The Statement of Accounts 2005/06 consists of, amongst other things, five financial statements and associated notes; the consolidated revenue account; the collection fund; the consolidated balance sheet; the cash flow statement; and the statement of total movement in reserves.

1) Explanatory Foreword (Pages 1 to 4)

The foreword provides a brief summary of the revenue and capital outturn for the year ended 31 March 2006, highlights any major events or changes in presentation or accounting that impact on the Accounts and possible issues for the future. Issues referred to here include the Pooling of Housing Capital Receipts and income received under the Local Authority Business Growth Incentive Scheme.

2) Statement on Internal Control (Pages 5 to 9)

The purpose of the Statement is to assess and demonstrate that there is a sound system of internal control throughout the organisation.

3) Statement of Responsibilities for the Statement of Accounts (Page 10)

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer.

4) Accounting Policies (Pages 11 to 14)

This section details the accounting policies adopted in the preparation of the Accounts, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs.

5) Consolidated Revenue Account (Pages 15 to 23)

This is the Council's main revenue account for the year covering income and expenditure on all services. The Consolidated Revenue Account is fundamental to an understanding of the Authority's activities, in that it reports the net cost for the year of the major functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers. It brings together expenditure and income relating to all the local authority's functions.

The Consolidated Revenue Account is sub-divided into four sections, Net Cost of Services, Net Operating Expenditure, Amount to be met from Government Grant and Local Taxpayers and Surplus or Deficit for the Year. It is in effect a different way of presenting the summary page of the Revenue and Capital Outturn booklet.

The Account shows the income and expenditure for the year which resulted in the need to draw down £244,000 from the General Revenue Reserve.

In order to reflect the cost of utilising assets in the provision of services, the Net Cost of Services includes capital charges comprising depreciation and a capital financing charge and the write-off of deferred charges (capital expenditure where no asset is created). However, these charges are not intended to impact on the budget and council tax requirement and, therefore, are offset by contributions from the asset management revenue account and capital financing account.

Similarly, the cost of retirement benefits is included in the Net Cost of Services in accordance with Financial Reporting Standard (FRS) 17. Any mismatch between that charged under FRS 17 and actual employers' superannuation contributions is dealt with by an equivalent contribution from a pension reserve.

6) Collection Fund (Pages 24 to 27)

This reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions in relation to business rates and council tax and illustrates how the demands on the Fund from Kent County Council, Kent Police Authority, Kent and Medway Towns Fire Authority and the Borough Council General Fund have been satisfied. The Collection Fund is consolidated with the other accounts of the billing authority within the Consolidated Balance Sheet.

7) Consolidated Balance Sheet (Pages 28 to 41)

This sets out the financial position of the Council on 31 March 2006. This statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Authority's disposal and its long term indebtedness, the net fixed and current assets employed in its operations, and summarised information on the fixed assets held.

The value of land and buildings has increased by more than £2.5m due to the revaluation of Council Offices in 2005/06. Other movements in fixed assets reflect the Council's capital programme and depreciation.

The Council's cash and bank balances have moved by £1.2m largely as a result of monies held in respect of NNDR which is due to be paid to the NNDR Pool.

The movement in debtors is largely due to the fact that for 2005/06 the Council owes money to the NNDR Pool whereas in 2004/05 the Council was owed money from the NNDR Pool.

The movement in creditors is largely due to the fact that for 2005/06 the Council owes money to the NNDR Pool whereas in 2004/05 the Council was owed money from the NNDR Pool offset by a reduction in council tax and NNDR prepayments.

The Council's Reserves stand at £28.38m at 31 March 2006 comprising:

Revenue Reserve for Capital Schemes	£20.28m
Building Repairs Reserve	£0.25m
Other Specific Earmarked Reserves	£2.12m
General Revenue Reserve	£5.73m

8) Cash Flow Statement (Pages 42 to 44)

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement summarises in simple terms where the money came from and how it was spent. The statement shows that there was a net cash inflow of £1.2m.

9) Statement of Total Movement in Reserves (Pages 45 to 48)

This brings together all the recognised gains and losses of the authority during the period and identifies those which have not been recognised in the Consolidated Revenue Account. The statement separates the movement between revenue and capital reserves.

10) Independent Auditor's Report (Page 49)

The Council's external auditors provide an independent opinion on whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year, and review the Statement on Internal Control.

11) Glossary of Financial Terms (pages 50 to 52)

A glossary of financial terms used in the Statement of Accounts.