Overview of Statement of Accounts 2006/07

The Statement of Accounts 2006/07 consists of, amongst other things, the following financial statements and associated notes; the Income and Expenditure Account and Statement of Movement on the General Fund Balance; the Statement of Total Recognised Gains and Losses; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Explanatory Foreword (Pages 1 to 5)

   The foreword provides a brief summary of the revenue and capital outturn for the year ended 31 March 2007, highlights any major events or changes in presentation or accounting that impact on the Accounts and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 6)

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

3) Accounting Policies (Pages 7 to 10)

   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.

4) Income and Expenditure Account and Statement of Movement on the General Fund Balance (Pages 11)

   The Income and Expenditure Account is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all of the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

   It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

   The first section provides segmental accounting information on the costs of the local authority's continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

   The second section comprises items of income and expenditure relating to the local authority as a whole. When added to the net cost of services these give the local authority's net operating expenditure.

   The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

The Account shows a net deficit for the year of £3,421,000.

The Statement of Movement on the General Fund Balance reflects those amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund.

For example, in order to reflect the cost of utilising assets in the provision of services, the Net Cost of Services includes a depreciation charge and the write-off of deferred charges (capital expenditure where no asset is created). 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.

These charges are not intended to impact on the budget and council tax requirement and, therefore, are reflected in this Statement.

5) Statement of Total Recognised Gains and Losses (Page 12)

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 Income and Expenditure Account.

The recognised gain / loss reflects the increase or decrease in the Council's total equity. The gain of £8.4m is largely as a result of the revaluation of the Council's car parks and actuarial gain in respect of the pension fund offset by the deficit on the Income and Expenditure Account.

6) Balance Sheet (Page 13)

This sets out the financial position of the Council on 31 March 2007. 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, following the revaluation of the Council's car parks (£7.3m) in 2006/07, has seen a net increase of £6.8m. Other movements in fixed assets reflect the Council's capital programme and depreciation.

The balance sheet reflects the change in the Council's Treasury management and Investment Strategy where part of our funds are now invested in longer term fixed interest deposits.

The Council's cash and bank balances have reduced by £1.5m largely as a result of monies paid to the NNDR Pool in respect of 2005/06.

The movement in debtors is largely due to a reduction in the amounts owed by Government Departments and NNDR arrears offset by an increase in accrued interest.

The movement in creditors is largely due to the reduction in the amounts owed to the NNDR Pool in 2006/07 compared with 2005/06.

The Council's Reserves stand at £25.6m at 31 March 2007 comprising:

Revenue Reserve for Capital Schemes	£18.5m
Building Repairs Reserve	£0.2m
Other Specific Earmarked Reserves	£2.2m
General Revenue Reserve	£4.7m

7) Cash Flow Statement (Page 14)

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 outflow of £1.5m.

8) Notes to the Accounts (Pages 15 to 35)

These are the notes to the core financial statements.

9) Collection Fund and Associated Notes (Pages 36 to 38)

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 Balance Sheet.

10) Statement on Internal Control (Pages 39 to 44)

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

11) Independent Auditor's Report (Pages 45 to 47)

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.

12) Glossary of Financial Terms (pages 48 to 50)

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