

## Overview of Statement of Accounts 2007/08

The Statement of Accounts 2007/08 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 10)

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year ended 31 March 2008, highlights any major events or changes in presentation or accounting that impact on the Accounts, a review of the year and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 11)

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

3) Accounting Policies (Pages 12 to 15)

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 16 to 17)

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 £3.3m.

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 in determining a local authority's budget requirement.

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 18)

A statement showing how the movement in the net worth of the Council, as shown in the Balance Sheet, links to the surplus or deficit in the Income and Expenditure Account and to other gains and losses.

The recognised gain / loss reflects the increase or decrease in the Council's total equity. The gain of £6.1m is largely due to the revaluation of the Council's leisure premises and actuarial gain in respect of the pension fund offset by the deficit on the Income and Expenditure Account.

6) Balance Sheet (Page 19)

This sets out the financial position of the Council as at 31 March 2008. 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 the net fixed and current assets employed in the delivery of services.

The value of land and buildings, following the revaluation of the Council's leisure premises has seen a net increase of £5.7m. Other movements in fixed assets reflect the Council's capital programme, disposal of assets and depreciation.

The Council's cash and bank balances have increased by £1.5m largely due to an increase in sums owed to major contractors, retailers under the car parking agreements and to bus operators in respect of the concessionary fares scheme as at 31 March 2008, coupled with an increase in prepayments by National Non-Domestic Rate Payers.

The increase in debtors is largely due to grant owed under the Local Authority Business Growth Incentive scheme and an increase in amounts owed by Council Tax Payers offset by a reduction in amounts owed by Government Departments and National Non-Domestic Rate Payers.

The increase in creditors is largely due to amounts owed to major contractors, retailers under the car parking agreements and to bus operators, coupled with an increase prepayments / overpayments by Council Tax Payers and National Non-Domestic Rate Payers offset by the National Non-Domestic Rate Pool owing the Council money.

The Council's Reserves stand at £23.3m at 31 March 2008 comprising:

Revenue Reserve for Capital Schemes	£16.6m
Building Repairs Reserve	£0.2m
Other Specific Earmarked Reserves	£2.1m
General Revenue Reserve	£4.4m

7) Cash Flow Statement (Page 20)

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 £1.5m.

8) Notes to the Accounts (Pages 21 to 46)

These are the notes to the core financial statements.

9) Collection Fund and Associated Notes (Pages 47 to 49)

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) Annual Governance Statement (Pages 50 to 55)

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

11) Independent Auditor's Report (Pages 56 to 57)

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 Annual Governance Statement.

12) Glossary of Financial Terms (pages 58 to 60)

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