

## Overview of Statement of Accounts 2009/10

The Statement of Accounts 2009/10 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 2010, 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 16)

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 17 to 18)

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 £2.5m compared to a deficit of £2.8m for 2008/09. The movement is largely due to a reduction in the net cost of services offset by lower investment income than in the previous year and the exceptional item relating to a VAT claim in 2008/09.

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 revenue expenditure funded from capital under statute. 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 19)

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 loss of £27.1m is largely due to actuarial losses on the pension fund and the deficit on the income and expenditure account.

6) Balance Sheet (Page 20)

This sets out the financial position of the Council as at 31 March 2010. This statement is fundamental to the understanding of the Council's year-end financial position. It shows the Council's assets and liabilities, and its balances and reserves.

The Council revalues its property assets on a five-year rolling programme. This revaluation is carried out at the end of each year after accounting for acquisitions, improvements, depreciation and disposals. As at 31 March 2010 the total value of the Council's fixed assets was £52.0m and as at 31 March 2009 was £52.7m. Movements in fixed assets reflect the Council's capital programme, disposal of assets and depreciation.

The movement in debtors is largely due to a reduction in the amounts owed by Central Government primarily in respect of VAT owed to the authority at

the end of 2008/09 and paid in 2009/10 offset by amounts owed in respect of National Non-Domestic Rates.

The movement in creditors is largely due to a reduction in the amount owed to Central government in respect of National Non-Domestic Rates.

The Pensions Liability as at 31 March 2010 was £59.9m and as at 31 March 2009 £34.9m. The explanation provided by the Actuary for this notable increase was that it was principally due to the technical increase in the valuation of the liabilities under Financial Reporting Standard (FRS) 17 in part due to the impact of quantitative easing and other technical factors on bond and gilt markets. Had these markets remained at their 2009 levels then the pensions deficit would have been £35.7m less at £24.2m. FRS 17 does not have any impact on the actual level of employers' contributions paid. Employers' contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy rather than being based on corporate bond yields.

The Financial Instruments Adjustment Account reflects the impairment of the £1m deposited with the Icelandic Bank Landsbanki. On the assumption that local authority deposits do have priority status and other relevant information the impairment assumes a recoverable amount of around 95% could be achieved over the period October 2011 to October 2018. However, the extent to which this will impact on the Council's reserve balance in due course depends on the eventual level of repayment.

The Council's Reserves stand at £22.4m at 31 March 2010 comprising:

Revenue Reserve for Capital Schemes	£13.0m
Building Repairs Reserve	£0.3m
Other Specific Earmarked Reserves	£2.8m
General Revenue Reserve	£6.3m

7) Cash Flow Statement (Page 21)

This summarises the inflows and outflows of cash for both revenue and capital purposes. The statement shows that there was a net cash inflow of £0.5m.

8) Notes to the Accounts (Pages 22 to 55)

These are the notes to the core financial statements.

9) Collection Fund and Associated Notes (Pages 56 to 59)

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 60 to 66)

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 67 to 68)

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010, and review the Annual Governance Statement.

12) Glossary of Financial Terms (pages 69 to 71)

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