

## Overview of Statement of Accounts 2011/12

The Statement of Accounts 2011/12 consists of, amongst other things, the following financial statements and associated notes; the Movement in Reserves Statement; the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Explanatory Foreword (Pages 1 to 11)

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year ended 31 March 2012; highlights any major events or changes in presentation or accounting that impact on the Accounts; and a review of the year and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 12)

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

3) Movement in Reserves Statement (Page 13)

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus / (deficit) on provision of services shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting. The net increase / (decrease) before transfers to or from earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

4) Comprehensive Income and Expenditure Statement (Page 14)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Statement is divided into five distinct sections.

The first section provides segmental accounting information on the costs of the Council'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 Council as a whole and not to any individual service, e.g. parish council precepts.

The third section comprises items of income and expenditure arising from financing and investment activities, e.g. investment income.

The fourth section shows the income from local taxation, general government grants and all capital grants and contributions in the period, to give the net deficit or surplus on provision of services for the year.

The final section shows other items that have contributed to the movement in the net worth of the Council, e.g. increase / decrease in the value of its assets, to give a total comprehensive income and expenditure for the year.

The total comprehensive income and expenditure for the year is £18.5m compared to £(28.3)m for 2010/11. The movement of £46.8m is largely due to:

- Actuarial losses of £15.9m in respect of the Pension Fund arising from the current economic conditions and volatility in the global financial markets compared to actuarial gains of £22.4m in 2010/11.
- The one-off reduction in the pension liability in 2010/11 following the announcement by the Government that future pension increase will be in line with the consumer prices index rather than the retail process index.

5) Balance Sheet (Page 15)

This sets out the financial position of the Council as at 31 March 2012. The Balance Sheet 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 2012 the total value of the Council's non-current assets was £54.3m and as at 31 March 2011 was £55.7m. Non-current assets now include the asset class, Heritage Assets. Movements in non-current assets reflect the Council's capital programme and revaluation, depreciation, impairment and disposal of assets.

The movement in debtors (money owed to the Council) is largely due to an increase in the amounts owed by major precepting authorities in respect of the Collection Fund and amounts owed in respect of housing benefit overpayments.

The movement in creditors (money owed by the Council) is largely due to an increase in amounts owed to Central Government in respect of National Non-Domestic Rates offset by a reduction in the amounts owed to Central Government in respect of housing benefit and council tax benefit subsidy.

The Pensions Liability as at 31 March 2012 was £45.8m and as at 31 March 2011 £30.1m. The increase is largely due to the current economic conditions and volatility in the global financial markets.

The Council's Reserves stand at £18.6m at 31 March 2012 comprising:

Revenue Reserve for Capital Schemes	£10.1m
Building Repairs Reserve	£0.1m
Other Specific Earmarked Reserves	£2.1m
General Revenue Reserve	£6.3m

6) Cash Flow Statement (Page 16)

This summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes. The statement shows that there was a net cash inflow of £1.3m.

7) Notes to the Accounts (Pages 17 to 62)

These are the notes to the four core financial statements detailed above.

8) Collection Fund and Associated Notes (Pages 63 to 66)

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.

9) Annual Governance Statement (Pages 67 to 72)

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governance is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

10) Independent Auditor's Report (Pages 73 to 74)

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 2012 and its income and expenditure for the year ended 31 March 2012, and review the Annual Governance Statement.

11) Glossary (pages 75 to 78)

A glossary of terms used in the Statement of Accounts.