

## Annex 1

### Overview of Statement of Accounts 2015/16

The Statement of Accounts 2015/16 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) Narrative Report (Pages 1 to 13)

The report provides a brief explanation of the financial aspects of the Council's activities for the year ended 31 March 2016; 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 14)

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

3) Movement in Reserves Statement (Page 15)

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 16)

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 -£8.0m compared to £8.8m for 2014/15. The movement of £16.8m is largely due to:

- Decrease of £1.1m in cost of services largely due to reversal of prior year impairment following revaluation of Poult Wood Golf Centre.
- Gains of £3.5m following the revaluation of the Council's land and buildings compared to a gain of £6.8m in 2014/15.
- Actuarial gain of £5.0m in respect of the Pension Fund. This compares to actuarial loss of £11.7m in 2014/15.

#### 5) Balance Sheet (Page 17)

This sets out the financial position of the Council as at 31 March 2016. 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.

As at 31 March 2016 the total value of the Council's non-current assets was £76.1m (£72.3m at 31 March 2015). Movements in non-current assets reflect the Council's capital programme and revaluation, depreciation, impairment and disposal of assets.

In accordance with the rolling programme council offices were the subject of revaluation. In addition to council offices the Council's larger car parks and leisure premises were also the subject of revaluation. The revaluation resulted in a net gain of £3.7m, of which £3.5m is recognised in the revaluation reserve and a net £0.2m, representing largely the reversal of revaluation losses in previous years, is recognised in cost of services in the Comprehensive Income and Expenditure Statement. Investment property

experienced an increase in fair value of £435,000 which is recognised in the Comprehensive Income and Expenditure Statement.

The downward movement in debtors is largely due to the reduction in the amount owed under the Business Rates Retention Scheme including the safety net payment and in respect of housing benefit subsidy. In addition, the safety net payment has been reclassified as a local authority debt.

The upward movement in creditors is largely due to the increase in the amount owed to central government and local authorities under the Business Rates Retention Scheme and increase in other creditors largely as a result of a payment due to Sainsbury's PLC in respect of car park refunds and payments due to trade suppliers.

The upward movement in Provisions is largely due to the increase in the provision to meet our share of the cost arising from successful appeals by business ratepayers.

The Pensions Liability as at 31 March 2016 was £58.4m and as at 31 March 2015 £61.9m. The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a small improvement in the funding position compared to the previous year.

The Council's Reserves stand at £16.6m at 31 March 2016 comprising:

Revenue Reserve for Capital Schemes	£6.6m
Building Repairs Reserve	£0.4m
Other Specific Earmarked Reserves	£4.5m
General Revenue Reserve	£5.1m

Included in Other Specific Earmarked Reserves is a Business Rates Retention Scheme reserve in the sum of £2.3m established, in the main, to take account of accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year.

#### 6) Cash Flow Statement (Page 18)

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 £3.1m largely as a result of monies held for the outcome of future appeals by business ratepayers.

7) Notes to the Accounts (Pages 19 to 64)

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

8) Collection Fund and Associated Notes (Pages 65 to 68)

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, Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of council tax and Central Government, Kent County Council, Kent & Medway Fire and Rescue Authority and the Borough Council General Fund in respect of business rates 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 69 to 71)

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 72 to 73)

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 2016 and its income and expenditure for the year ended 31 March 2016, and review the Annual Governance Statement.

11) Glossary (pages 74 to 77)

A glossary of terms used in the Statement of Accounts.