

## Overview of Statement of Accounts 2017/18

The Statement of Accounts 2017/18 consists of, amongst other things, the following financial statements and associated notes; the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

1) Narrative Report (Pages 1 to 15)

The report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2017/18; a review of the year; and possible issues for the future.

2) Statement of Responsibilities for the Statement of Accounts (Page 16)

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

3) Comprehensive Income and Expenditure Statement (Page 17)

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 -£9.0m compared to -£3.1m for 2016/17. The movement of £5.9m is largely due to:

- Actuarial gain of £3.0m in respect of the Pension Fund. This compares to actuarial loss of £3.3m in 2016/17.

5) Movement in Reserves Statement (Page 18)

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.

6) Balance Sheet (Page 19)

This sets out the financial position of the Council as at 31 March 2018. 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 2018 the total value of the Council's non-current assets was £87.0m (£82.1m at 31 March 2017). 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 leisure premises were the subject of revaluation. In addition to leisure premises, car parks and council offices were also the subject of revaluation. The resulting revaluation was a net gain of £7.56m, of which £7.54m is recognised in the revaluation reserve and a net £0.02m, representing the reversal of revaluation losses in previous years, is recognised in cost of services in the Comprehensive Income and Expenditure Statement.

The upward movement in the gross value of debtors of £2.0m is primarily due to Housing Benefit subsidy owed by the Department for Work and Pensions offset by a reduction in payments owed under the Business Rates Retention Scheme and sums owed by business ratepayers.

The downward movement in creditors of £1.2m is largely due to Housing Benefit subsidy is owed by the Department for Work and Pensions and a

reduction in the amounts owed to retail stores in respect of car park ticket refunds for prior years offset by an increase in the amount owed to central government in respect of the Business Rates Retention Scheme.

The downward movement in provisions of £0.06m is due to the decrease in the provision to meet our share of the cost arising from successful appeals by business ratepayers.

The Pensions Liability as at 31 March 2018 was £61.8m and as at 31 March 2017 £63.1m. 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 decrease in the pension fund deficit compared to the previous year.

The Council's Reserves stand at £18.0m at 31 March 2018 comprising:

|                                     |       |
|-------------------------------------|-------|
| Revenue Reserve for Capital Schemes | £6.8m |
| Building Repairs Reserve            | £0.5m |
| Property Investment Fund Reserve    | £0.5m |
| Other Specific Earmarked Reserves   | £3.6m |
| General Revenue Reserve             | £6.6m |

7) Cash Flow Statement (Page 20)

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 largely as a result of an increase in cash flow investments as opposed to short term deposits and a net cash inflow on operating activities.

8) Notes to the Accounts (Pages 21 to 66)

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

9) Collection Fund and Associated Notes (Pages 67 to 70)

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.

10) Annual Governance Statement (Pages 71 to 74)

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.

11) Independent Auditor's Report (Pages 75 to 76)

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 2018 and its income and expenditure for the year ended 31 March 2018, and review the Annual Governance Statement.