

## Overview of Statement of Accounts 2013/14

The Statement of Accounts 2013/14 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 2014; 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 (£1.8m) compared to (£3.2m) for 2012/13. The movement of £1.4m is largely due to:

- Gains of £3.7m following the revaluation of the Council's land and buildings compared to a gain of £8.3m in 2012/13; off-set by
- Reduction of £1.4m in cost of services which is largely due to the capitalised gain on the pension fund in respect of the Leisure Services Business Unit;
- Increase of £1.3m in the fair value of investment properties; and
- Increase of £0.6m in taxation and non-specific grant income primarily due to New Homes Bonus monies.

5) Balance Sheet (Page 15)

This sets out the financial position of the Council as at 31 March 2014. 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 2014 the total value of the Council's non-current assets was £67.2m (£62.3m at 31 March 2013). 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 properties for community use were the subject of revaluation. In addition, the asset class car parks, council offices and major leisure premises were also the subject of revaluation, together with heritage assets and investment property. The revaluation resulted in an overall gain of £3.8m excluding investment

property of which £3.7m is recognised in the revaluation reserve and £0.1m in the Comprehensive Income and Expenditure Statement representing the reversal of revaluation losses in previous years. Investment property experienced an increase in fair value of £1.3m which is recognised in the Comprehensive Income and Expenditure Statement.

The upward movement in debtors is largely due to the introduction of the Business Rates Retention scheme in 2013/14 comprising a safety net payment due to the Council, sums owed by the other participants in the scheme representing their share of the deficit at the year-end and our share of sums owed by business ratepayers; increase in the amount owed in respect of housing benefit overpayments; and severe weather grant funding due to the Council.

The upward movement in creditors is largely due to the introduction of the Business Rates Retention scheme in 2013/14 representing our share of sums owed to business ratepayers; and sums owed to major precepting authorities in respect of their share of the council tax surplus at the year-end offset by a decrease in amounts owed to central government in respect of prior years' business rates and housing benefit and council tax benefit subsidy.

The increase in Provisions is largely due to the introduction of a NNDR Appeals provision to meet our share of the cost arising from successful appeals by business ratepayers.

The Pensions Liability as at 31 March 2014 was £48.8m and as at 31 March 2013 £47.8m.

The Council's Reserves stand at £17.1m at 31 March 2014 comprising:

Revenue Reserve for Capital Schemes	£7.5m
Building Repairs Reserve	£0.02m
Other Specific Earmarked Reserves	£3.7m
General Revenue Reserve	£5.9m

Included in Other Specific Earmarked Reserves is a Business Rates Retention Scheme reserve in the sum of £1.5m 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 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 £0.2m.

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, 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 67 to 70)

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 71 to 72)

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 2014 and its income and expenditure for the year ended 31 March 2014, and review the Annual Governance Statement.

11) Glossary (pages 73 to 76)

A glossary of terms used in the Statement of Accounts.