

Foreword

The purpose of this Statement of Accounts (Accounts) is to summarise the financial performance for the year 2008-09 and the overall financial position of the Council. This foreword aims to give a general guide to the main features of the information reported within the rest of the Accounts and provides a summary of the Council's overall financial position.

The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Accounting Standards Board and the Government.

The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. These Accounts are presented as simply as possible whilst recognising that it is necessary for some technical terminology to be used. To help you understand the Accounts, the main statements are supported by explanatory notes and a glossary of terms used is shown on pages 80 and 81.

The Accounts consist of:

- An Income & Expenditure account, page 17, which shows income and expenditure for all services.
- A Statement of the Movement on the General Fund Balance on page 18.
- A Statement of Total Recognised Gains and Losses, page 19.
- The Balance Sheet, pages 20 and 21, which sets out the financial position of Kent County Council as at 31 March 2009.
- The Cash Flow Statement which summarises the inflows and outflows of cash, page 22.
- Notes to support the above primary statements pages 23 to 65.
- The Pension Fund Accounts - an extract from the more detailed published statement, pages 66 to 79.

Revenue Budget and Outturn

In February 2008 the Council approved a net revenue budget for 2008-09 of £857.018m. In addition £7.889m of 2007-08 underspending was rolled forward and added to the budget and we have also received further allocations of Area Based Grant throughout 2008-09 amounting to £0.539m. The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed.

PORTFOLIO	Budget £000's	Outturn £000's	Variance £000's
Operations, Resources & Skills (CFE) - (Non Delegated)	-806,128	-803,847	2,281
Children, Families & Educational Achievement	129,339	126,680	-2,659
Kent Adult Social Services	324,800	324,128	-672
Environment, Highways & Waste	144,360	141,428	-2,932
Regeneration & Supporting Independence	9,647	8,620	-1,027
Communities	53,202	53,413	211
Public Health	949	824	-125
Corporate Support & External Affairs	32,375	31,600	-775
Policy & Performance	1,674	1,680	6
Finance	104,618	102,814	-1,804
	-5,164	-12,660	-7,496
Delegated Schools Budgets:			
Operations, Resources & Skills (CFE) - (Delegated Schools)	870,610	886,786	16,176
	865,446	874,126	8,680
FUNDED BY:-			
Reserves (rolling budget reserve)	7,889	7,889	0
Formula Grant	259,366	259,366	0
Council Tax	536,572	536,572	0
Area Based Grant	61,619	61,620	-1
Total Funding	865,446	865,447	-1
NET OUTTURN POSITION	0	8,679	8,679

The net underspending within the portfolios of £7.496m (excluding £16.176m delegated schools overspend) has been carried forward and will be added to the 2009-10 budget to support the re-scheduling of projects and to focus upon achieving the Council's key priorities and service improvements.

Schools

In total, schools overspent against their delegated budgets by £16.176m. This includes £15.663m of overspending of delegated schools budgets, and £0.513m of overspending on the unallocated schools budget, largely in respect of a £2m payment towards the costs of the Kent Public Services Network, which will deliver broadband connectivity to schools and a £1.5m clawback of schools reserves following the introduction of the balance control mechanism. This is being held in the unallocated schools budget awaiting Schools Forum agreement to how this will be utilised. The closure of schools during the year, with an overall net surplus balance, resulted in the transfer of £0.014m from the delegated schools revenue budget reserves to the unallocated schools budget. Schools now have some £51.950m of revenue reserves and there is £11.234m of unallocated schools budget reserves.

Revenue Reserves

The general reserve position at 31 March 2009 is £25.835m, which is unchanged from the position as at 31 March 2008.

Investments in Iceland

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority has £50.35m deposited across 3 of these institutions, £16m invested on behalf of the Pension Fund and £1.3m on behalf of the Kent and Medway Fire Authority. A detailed note on the impact of this event on the Accounts can be found on pages 63 to 65.

Capital

Capital expenditure is defined as expenditure on purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £309.4m. The expenditure analysed by portfolio was:-

PORTFOLIO	Budget £'000s	Outturn £'000s	Variance £'000s
Operations, Resources & Skills (CFE)	151,959	150,750	-1,209
Children, Families & Educational Achievement	2,040	1,609	-431
Adult Social Services	6,128	4,136	-1,992
Environment, Highways & Waste	73,131	69,939	-3,192
Regeneration & Supporting Independence Communities	12,154	10,516	-1,638
Corporate Support & External Affairs	11,791	7,694	-4,097
Policy & Performance	9,663	8,000	-1,663
Finance	512	427	-85
	4,668	4,044	-624
	<u>272,046</u>	<u>257,115</u>	<u>-14,931</u>
Devolved Capital to Schools	60,955	51,486	-9,469
	<u>333,001</u>	<u>308,601</u>	<u>-24,400</u>
Property Enterprise Fund 1		593	593
Property Enterprise Fund 2		174	174
		<u>767</u>	<u>767</u>
TOTAL	<u><u>333,001</u></u>	<u><u>309,368</u></u>	<u><u>-23,633</u></u>

Expenditure excluding that incurred by schools under devolved arrangements and the Property Enterprise Fund was £14.931m less than cash limits. The underspend reflected re-phasing of capital expenditure plans across all services. These unspent capital resources will be carried forward into 2009-10 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2008-09 was £51.486m and at 31 March 2009 schools have in hand some £9.469m of devolved capital funding, which will be carried forward to 2009-10 as part of the overall schools reserves position.

The original Property Enterprise Fund (PEF1) was established in 2006-07 with an approved maximum permitted deficit of £10m to be funded by temporary borrowing, but is expected to be self-funding over a period of 10 years. Non earmarked receipts are accounted for through this fund and the proceeds are used for the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income.

In September 2008 the County Council agreed to a second Property Enterprise Fund (PEF2) with a maximum overdraft of £85m to be funded by prudential borrowing. This was required to support the capital programme where falling land and property values were impacting on our ability to raise the £180m of capital receipt funding assumed in the 2008-11 programme. This fund differs from PEF1 as only earmarked receipts are accounted for through PEF2 with the sole purpose of supporting the capital programme. Property Group negotiate a value for an earmarked property with the holding directorate and provide them with guaranteed funding from prudential borrowing to support their programme. The earmarked property is then held corporately until the time is right to realise the capital receipt. This enables the Authority to take a longer term view on getting the best value from our assets. The financial objective of PEF2 is to broadly break even over a rolling five-year cycle.

In 2008-09, £0.593m was spent through the original Property Enterprise Fund (PEF1). In addition, PEF1 was earmarked to fund £4.781m of capital spend in 2008-09 on the completion of a regeneration project in East Kent (Eurokent Access Road) due to be refunded by East Kent Opportunities LLP, (£4.194m, within Regeneration and Supporting Independence portfolio) and the Gateway programme (£0.587m, within Corporate Support & External Affairs portfolio), together with £0.7m of budgeted funding support to the Medium Term Plan. Therefore, total costs to be met from PEF1 were £6.074m. Due to the slowdown in the property market, capital receipts generated through PEF1 from the disposal of non-operational property were only £1.668m, therefore £4.406m required funding from the approved £10m temporary borrowing facility. When this is added to the £0.828m deficit brought forward from 2007-08, the deficit on PEF1 at the end of 2008-09 was £5.234m.

Details of the main items of capital expenditure are shown on page 38, and details of the financing of capital expenditure are on page 37.

Capital Reserves

At 31 March 2009 the Council has earmarked and other capital reserves of £84.5m as shown on page 21.

Insurance Fund

Financial Reporting Standard (FRS) 12 requires that full provision should be made for all known insurance claims.

Based on current estimates of the amount and timing of fund liabilities the insurance provision at 31 March 2009 is established at a level sufficient to meet all known insurance claims where the likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of FRS 12. Details can be found on page 42.

Pension Fund

Local Authorities are required to comply with the disclosure requirements of FRS 17 - Retirement Benefits. Under FRS 17, the Authority is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. FRS 17 is based on the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Income and Expenditure Account, the Balance Sheet and the Statement of Movement in Reserves.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2008-09, earlier years and for future years. The balance currently stands at £998.4m as shown on the balance sheet on page 20.

Future capital expenditure will be financed from borrowing, revenue contributions, sale of surplus fixed assets, capital grants and contributions, and relevant funds within earmarked reserves.

Further information about the Accounts can be obtained from Cath Head, Chief Accountant.

Telephone Maidstone (01622) 221135 or e-mail cath.head@kent.gov.uk.

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 30 June 2009 on behalf of Kent County Council.

Councillor Chairman of the Governance and Audit Committee

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this Statement of Accounts, the Director of Finance has:

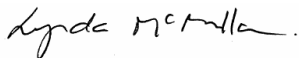
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director of Finance

I certify that the Statement of Accounts set out on pages 17 to 79 present fairly the financial position of Kent County Council at 31st March 2009 and its income and expenditure for that year.



Director of Finance

Scope of responsibility

Kent County Council ("KCC" or "the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, KCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

In 2004 KCC approved and adopted a code of corporate governance, which is consistent with the principles of governance set out in the CIPFA *Good Governance Standard* (2004). This is included in the Constitution and is available on our website. KCC is in the process of updating the code of governance so that it explains how KCC has complied with CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how KCC has complied with the CIPFA SOLACE Framework, identifying areas in which our governance arrangements can be strengthened. This statement also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts. The governance framework is aligned with the principles of good governance set out in CIPFA SOLACE Governance Framework (*Delivering Good Governance in Local Government*, 2007). The Council is committed to fulfilling its responsibilities in accordance with the highest standards of good governance, underpinned by the ethical behaviour of officers and members.

The Governance Framework

Fundamental to the success of the Council is engagement with citizens and service users in the development of the Council's vision, priorities and intended outcomes. The Council's vision was developed in consultation with over 40 partners, including district councils and local businesses. It is comprised of nine themes, each with its own vision and monitored through a number of targets which links the vision to corporate and directorate plans and strategies, including Kent Agreement (the Public Service Agreement) and its 12 'stretching targets'. The Council will report on progress towards the vision annually and during this process will take the opportunity to consider whether the vision needs to be refreshed. It is agreed that the vision is likely to be refreshed on a five year cycle.

The Council has a Residents Panel, runs campaigns on local issues and regularly consults with its service users and stakeholders. Consultation takes place at many levels including corporate consultation, directorate and service specific consultation and consultation with partners. Also, the Council has a Customer Care charter which is in the process of being reviewed, following feedback from customers.

The Council and the Leader are responsible for ensuring Best Value throughout the Council. The objectives and targets through which this will be achieved have been set out each year in the 'Annual Plan'. Council-wide and directorate specific processes are in place to monitor progress against the objectives and targets on a regular basis.

The Comprehensive Performance Assessment (CPA) process brings together a range of performance management information to provide a corporate assessment of the Council's performance. The Council is rated 4 Star by the Audit Commission and assessed as 'improving strongly'. The Council's management team is working towards achieving the best possible assessment score under the new Comprehensive Area Assessment (CAA) in 2009.

Annual Governance Statement

As part of their use of resources assessments, the external auditors will consider the arrangements in place to enable the preparation of the annual governance statement, including the degree to which the Council recognises the corporate ownership of its governance arrangements

The Constitution of Kent County Council sets out the roles and responsibilities of: the Overview and Scrutiny Committees; the Standards Committee; the Executive and the Council. It also sets out functions delegated by the Council to Committees and Officers and includes the Member and Officers Code of Conduct.

The Members Code of Conduct sets out the obligations of Members, how personal and prejudicial interests should be managed and 10 general principles governing Members' conduct. On election (mostly in 2005) Members were made aware of the Code of Conduct during their induction process. It has since been revised and was communicated to Members.

The Code of Conduct for Employees is available on the Council's intranet site and is included in the Constitution. It explains that citizens and service users expect high standards of conduct of all Council employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the corporate induction process.

The Standards Committee is responsible for ensuring that decisions are made with consideration of appropriate ethical standards.

The Constitution contains a statement on Resource Management Responsibilities which includes the Council's Financial Regulations such as its Standing Orders and the Scheme of Financial Delegation. These are prepared and maintained by the Director of Finance and Chief Executive and endorsed by the Leader and the Governance and Audit Committee.

The Governance and Audit Committee is comprised of 13 Members representing the 3 main political parties. Its' responsibilities are set out in the Constitution and include:

- Monitoring the Council's compliance with key controls and relevant standards
- Ensuring all Best Value processes comply with legal and audit requirements
- Discussing the basis of the annual audit with the external auditors and Cabinet
- Receiving reports from the external auditor on their work
- Overseeing the work of Internal Audit
- Overseeing the Council's complaints procedure and receiving reports from the Complaints Ombudsman
- Agreeing the risk management policy and monitoring the effectiveness of risk management.

The Governance and Audit Committee meets four times annually to discharge its responsibilities.

2008 saw the launch of the 'Strategy for Staff' which was developed with the objective of enabling staff to feel pride in themselves and the work they do at the Council, thus achieving their full potential and providing excellent customer service. Progress has been made in this respect in 2008-09 in the development of an excellent workforce; continuous improvement; providing excellent management and inspirational leadership; facilitating open communication and engagement with staff and provision of a rewarding career structure and remuneration package. The Council is committed to providing a healthy, lively and vibrant work environment where staff feel supported and enabled to work effectively, safely and with fun.

The Council's Whistleblowing Policy was launched by Personnel and Development in April 2006 and is available on the Council's intranet site. It encourages members of staff to raise concerns if they become aware of behaviour which is likely to breach legislation, including health and safety legislation. The policy explains how members of staff can raise concerns internally and externally and steps that will be taken by the Council after an individual has 'blown the whistle'. It has been reviewed by the Governance and Audit Committee during 2008-09 and updated.

Annual Governance Statement

The Council has dedicated considerable resources to implementing a robust structure of partnership governance. In April 2007 partnership guidance was approved, providing definitions and classifications of key partnerships and setting out the fundamental considerations when establishing and managing a partnership. Measures introduced included partnership risk management, as well as the establishment of partnership registers at directorate level. Following its inaugural work on partnership governance in 2007-08, Internal audit undertook further work in 2008-09 providing assurance on the governance arrangements of ten significant partnerships across the Council.

The report concluded that there was there was substantial assurance that risks that could prevent achievement of business objectives pertaining to the audited system were managed effectively. The following four recommendations were made:

- Directorates were encouraged only to list their significant partnerships on the register, so as not to impair its overall effectiveness
- Some aspects of the risk management process at partnership level were not wholly embedded. For example, in three of the ten partnerships reviewed, the extent of structured and regular financial monitoring was judged to be inadequate. One of these partnerships and two others did not yet have partnership risk registers in place
- It is best practice for the partnership agreement to include a clause providing the Council with access to the partnership's records. However in four of the partnerships reviewed, there was insufficient provision to facilitate such access
- Financial reporting to the governing boards and committees was neither structured nor regular in four of the partnerships reviewed.

Whilst overall partnership governance arrangements were found to be largely appropriate, there are clearly issues still to be addressed and the Council remains committed to developing further its partnership risk assessment procedures.

Internal control environment

The internal control environment is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has demonstrated its commitment to improving system and processing controls as well as general risk management awareness and effective governance arrangements. Management has accepted and implemented a number of key Internal Audit recommendations and engaged in open and challenging discussions about points raised in Internal Audit reports and other assurance reports. All these points are indicative of an improving internal control environment.

Overall, there are no significant weaknesses in the overall system of internal control and controls are generally in place and operating effectively, however there are some areas where improvements are required and the Council is committed to delivering these improvements over the next year. The areas include:

- The process around recruitment and CRB checks. Audits were undertaken in the previous year in Chief Executive's Department, Kent Adult Social Services, Communities and Children Families & Education on recruitment and CRB checks. Although some areas had good controls in place, there were other areas where the relevant checks were not being carried out, in particular on volunteers. In addition, processes were not always in place to follow up staff where CRB checks were required. Senior management, including the Chief Executive and Director of Personnel and Development have personally overseen the implementation of recommendations. Measures have been put in place within the Communities Directorate to rectify weaknesses and these have led to an assessment of substantial assurance at the follow-up audit.

Annual Governance Statement

- Business Continuity Planning and Disaster Recovery was raised in the 2007-08 Annual Governance Statement. Although individual Business Continuity Plans were being completed and tested, there was still further work required to embed the principles fully across the Council. In 2008-09, the Emergency Planning Team was assigned responsibility for providing guidance on the Business Continuity Planning strategy. Although some progress has been made, there is still a need to create plans to ensure the continuation and restoration of the key business processes within the timescales required following an operational failure or major disaster. In 2008-09 the corporate focus of attention moved away from separate Business Continuity planning for individual services towards developing a 0-7 day Business Impact Analysis Statement for the whole Council. Officers drew on lessons learnt during preparation for a possible fuel delivery strike during the summer of 2008 and work needs to be undertaken in 2009-10 to embed these principles.
- Kent Adult Social Services (KASS) has been working to overcome a number of operational challenges with regard to the SWIFT system. These included inherent weak security (password) controls within the system and limited audit trails being available to monitor user activity. The Directorate's Strategic Management Team will continue to play a major role in closely overseeing the development now that SWIFT is bedding down and the Corporate Board is to monitor regularly. There is a robust risk plan within the project, which is reviewed and updated regularly and shared with the Strategic Management Team
- The KASS 'Client Billing' project implemented in November 2008 has seen the calculation of service users' charges transfer from the current COLLECT system, to SWIFT. This has resulted in the charges being automatically generated based upon the service/provision data held within SWIFT. A formal post implementation review has been commissioned to help the Directorate learn any lessons from the implementation and also to identify any areas where processes could be improved. The accuracy of SWIFT data has therefore become even more important, as both payments to domiciliary providers (TDM) and the charges to service users are being created using the same base information
- Environmental Highways and Waste (EHW) have to replace the operational finance system MIDAS, which is a major task. Risk management will be an integral part of the delivery programme. In addition, implementation of an improved highway asset management policy and strategy is also required.
- To strengthen children's trust arrangements at the local level, the Council introduced 23 Local Children's Services Partnerships ("LCSPs") from September 2008. The objectives of these local partnerships is to focus on improving outcomes for local children and young people within the framework of the Kent Children and Young People's Partnership. The local partnerships will promote integrated working and processes and bring together professionals from across children's services. They will also have a key role to ensure active participation of children, young people and families in identifying needs, developing and evaluating services. LCSPs have built on the previous school clusters theme and continue to provide a full range of Council services on a locality basis. An external inspection undertaken by Ofsted, published in December 2008, scored the Council as a Grade 3 with overall effectiveness of Children's services judged as Good. An overarching commissioning framework has been developed to enable integrated planning, delivery and evaluation of services for children's young people and families.

The framework sets out principles, definitions and values to underpin all integrated commissioning activity. Arrangements that are in place to develop commissioning models and guidance will be carefully managed to ensure that we continue to deliver effective and efficient services, and improve outcomes for Children and young people and their families.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Committees and management with responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.

In recent years Internal Audit has reviewed Council-wide governance arrangements or specific elements of the Council's governance arrangements. In 2008-09 Internal Audit reviewed the Council's governance arrangements against the requirements of the CIPFA SOLACE Governance Framework. It found that overall governance arrangements are appropriate and made a number of minor recommendations for improvement.

Annual Governance Statement

The Governance and Audit Committee has an ongoing role in the review of the effectiveness of the Council's governance framework. Throughout the year it has received and considered reports regarding the work of Internal Audit and External Audit and on Risk Management, Complaints, Treasury Management and Value for Money. In September, the committee self-assessed its effectiveness using an Audit Committee effectiveness questionnaire provided by the Head of Audit and Risk. The results of this exercise were reported to the Governance and Audit Committee in December. Strengths included the frank open working relationship with Directors, independence and clarity in its terms of reference. Development areas included measures to be taken to ensure ongoing personal development of committee Members and enhancing their understanding of key financial issues and how assurance is gained.

From 2008-09 onwards, the Governance and Audit Committee has maintained a specific focus on key risks. Briefings now take place at each meeting on mitigating controls and on management actions being taken to strengthen these controls and to provide assurance that they are operating effectively.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Members of the Council. It endeavours to address any concerns regarding Members conduct and will deal with any reports from the Standards Board of England. During 2007-08 the Standards Committee considered the appointment of independent members from other Standards Committees to deal with specific allegations or complaints, considered the findings of the Internal Audit on Ethical Standards and resolved that the proposed new Code of Conduct for Members be recommended to the Council for adoption.

The Cabinet Scrutiny Committee meets monthly to scrutinise the decisions taken by Cabinet or individual Cabinet Members. The Committee Chair and Spokesmen decide which decisions require scrutiny and decisions that are not in accordance with the approved policy or budget are automatically referred for scrutiny.

Committee Members scrutinise decisions by questioning the relevant Cabinet Member and Managing Director. Local taxpayers and stakeholders can participate in this process by: attending meetings as they are held in public; suggesting decisions for scrutiny and submitting written comments on decisions already called in for scrutiny.

Significant governance issues

There are no significant governance issues. However, the review of our governance arrangements has enabled us to identify elements of the governance framework which we are committed to strengthen further, such as:

- Further embedding of and engagement with the Council's risk management framework
- Management of risk with partners
- Training and development opportunities for Members, particularly those Members who are new to the Council, following election in June 2009
- Continued improvement to the internal control environment, with specific focus on the areas detailed above

Additionally, we recognise that we need to complete the revision of the Code on Governance and publish it as soon as is possible.

We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of [the Council]

**Darren Wells
District Auditor
Audit Commission
16 South Park
Sevenoaks
Kent TN13 1AN**

General

The Accounts of Kent County Council have been compiled in accordance with the 2008 Code of Practice on Local Authority Accounting, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) relevant to local authorities.

Basis on which creditors and debtors at year end are included in the Accounts

Kent County Council's Accounts are kept on an accruals basis, in accordance with the Code of Practice.

In order to account for expenditure and income attributable to the financial year in respect of goods and services received or rendered, amounts are included in the Accounts based on actual invoices received or raised after the end of the financial year. Where actual amounts are not known estimates are included based on a professional assessment of the value of goods and services received or rendered, calculated using best available information regarding the prices or rates applicable.

Provisions and Reserves

It is the policy of Kent County Council to make provisions in the Accounts where there is a legal or constructive obligation to make a payment but the amount or timing of the payment is uncertain. The most significant provision made is for insurance claims and details of the Insurance Fund can be found on page 42 of the Accounts. In addition, provision is made for outstanding income where there is doubt as to whether it will be realised.

Kent County Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

In the Income and Expenditure Account, expenditure met from reserves is included in the cost of services. Transfers to and from reserves are shown in the Statement of Movement on the General Fund balance. Details of the Authority's reserves are shown in the notes to the Accounts on pages 43-47.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. In this context enhancement means work that has substantially increased the life, value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction". Assets acquired under finance leases that have been capitalised are included in the Balance Sheet together with the outstanding obligation to make future rental payments.

Valuation of Fixed Assets

The Authority has a policy in place to revalue 20% of its assets each year. All assets will therefore be revalued at least every five years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Properties held for disposal will also be revalued on an annual basis to reflect changes in market conditions. Revaluation gains are written to the Revaluation Reserve and revaluation losses will be written to the Income and Expenditure Account as impairment where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Statement of Movement on the General Fund Balance so that there is no impact on council tax. Impairment caused by a clear consumption of economic benefits e.g. physical damage, is recognised in the service revenue account, so is charged against net cost of services. It is then removed through the Statement of Movement on the General Fund Balance so that it does not have an impact on council tax.

Accounting Policies

Assets are valued as follows: -

- Non operational property is valued on the basis of open market value and is included in the balance sheet at the lower of net current replacement cost or net realisable value.
- Operational property is included in the balance sheet at historical cost until it is revalued. It is then valued at the lower of net current replacement cost or net realisable value in existing use.
- Vehicles, plant and equipment are valued at the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure, community assets and work in progress are valued at depreciated historical cost.

Gains and Losses on Disposal of Fixed Assets

These amounts comprise the difference between the capital receipt from the sale of a fixed asset and the carrying amount of the asset on the asset register after identified costs have been removed. Items that are not held on the balance sheet e.g. strips of land, will be recognised as a gain, and assets that are removed from the asset register for nil consideration e.g. transferred assets or assets that are demolished will be shown as a loss in the income and expenditure account. Gains and losses on the sale of vehicles, plant and equipment will be recognised in the income and expenditure account.

Depreciation

Depreciation is calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- 60 years
Vehicles, plant and equipment	- 3-15 years
Temporary classrooms	- 20-25 years
Roads & other highways infrastructure	- 20 years
Community assets	- nil
Work in progress	- nil
Surplus & non operational property	- nil

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation and the depreciation that would have been chargeable based on their historical cost .

Capital receipts

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Account. Conditional receipts are not included in these figures until it is prudent to do so.

Accounting for financial assets and liabilities

FRS 25, 26 and 29 require Authorities to recognise and de-recognise their financial assets and liabilities. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Accounting Policies

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Support service and central department costs

The cost of support services and central department costs are allocated to services on the following basis in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP):

- Office accommodation - on the basis of floor area used by various services
- All other support costs - on the basis of time spent in the delivery of services to other departments or in accordance with other measures which reflect the level of service provided.

Stocks and stores

Stock is valued at the lower of cost or net realisable value. Spending on consumable items is accounted for in the year of purchase.

Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute represents expenditure which may be properly capitalised, but does not result in the creation of tangible assets. The expenditure incurred during the year has been written off as expenditure to the relevant service revenue account. Capital expenditure on assets that do not belong to the council such as Voluntary Aided schools are charged here and are written out in the year. These charges are reversed out to the Capital Adjustment Account through the Statement of Movement on the General Fund Balance to mitigate any impact on council tax.

Intangible Assets

Assets that do not result in the creation of a tangible asset, but are identifiable and are controlled by the Council, e.g. software licences, are classified as intangible assets. This expenditure is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the life of the asset. For software licences this is normally between 3 to 5 years.

Accounting for Value Added Tax

VAT is separately accounted for in accordance with SSAP 5 and is not included as income or expenditure of the County Council, except where it is not recoverable, e.g. on the purchase of motor cars where there is an element of private use by staff.

Government grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a government grants deferred account if appropriate. Capital grants not put to the government grants deferred account are added to the individual service lines that they relate to on the income and expenditure account and are then removed through the Statement of Movement on the General Fund Balance to negate the effect on council tax. Amounts are released from the government grants deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate over the useful economic life of the asset.

If a specific revenue grant is not spent within the year it is allocated, and is not available for use on services other than those which it was intended for, then it is normally treated as a receipt in advance. However, if it is available for use on other services and not time limited, it is treated as an underspend.

Leasing

Finance and operating lease rentals paid during the year and the undischarged operating lease obligations are shown in Note 9 to the Income and Expenditure Account and within Note 17 to the Balance Sheet. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. Operating lease rentals are charged as revenue expenditure in the year to which the rental relates.

Pensions

The Council participates in two different pension schemes. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- Teachers

The Authority contributes to the Teachers' Pension Scheme at rates set by the scheme actuary and advised by the Scheme Administrator. The scheme pays benefits on the basis of pre-retirement salaries of teaching staff. While the scheme is of the Defined Benefit type, it is accounted for as a Defined Contribution Scheme under the requirements and exemptions of Financial Reporting Standard 17, 'Retirement Benefits' (FRS 17).

- Other employees

Subject to certain qualifying criteria, non-teaching employees of the Council are eligible to join the Local Government Pension Scheme.

The pension costs that are charged to the Council's Accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for employees.

Statutory provisions limit the Council to raising council tax to cover the cash payable to the pension fund in the year. Therefore, an appropriation is made in the Statement of Movement on the General Fund Balance to/from the Pensions Reserve to remove the notional debits and credits for retirement benefits.

Investments

The investments in the County Council's accounts are shown at cost. The policy on investments relating to the Pension Fund can be found on page 67.

PFI Accounting Policy

The County Council has several long term PFI contracts including Westview and Westbrook which are two recuperative care facilities, Swan Valley Community School, a contract for the refurbishment and redevelopment of six schools and a contract to provide a form of social housing. It is our policy to write out the proportion of the assets that have been transferred and create a prepayment to recognise this transfer of our assets. This is then written down over the life of the contract. We also create a long term debtor to recognise the residual value of the asset returning to us at the end of the contract, which is built up over the life of the contract. Where buildings transferred are demolished, these are written out as a disposal and the loss charged to the Income and Expenditure Account.

The transactions relating to PFI contracts have been accounted for in accordance with the requirements of 'Application Note F - Private Finance Initiative and similar contracts as an amendment to FRS5 (Reporting the substance of transactions)'.

Income and Expenditure Account

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes transactions measuring the value of fixed assets consumed i.e. depreciation and the real projected value of retirement benefits earned by employees in the year.

	Notes	Year ended 31 March 2009			2007-2008
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Service					
Regulatory Services and Emergency Planning		10,286	3,255	7,031	6,554
Court Services		3,089	386	2,703	2,869
Arts & Libraries		32,916	2,956	29,960	26,692
Waste Management		62,725	5,002	57,723	55,328
Environmental, Planning and Other Services		55,100	27,686	27,414	42,830
Children's and Education Services		1,487,280	1,300,132	187,148	119,935
Highways, Roads and Transport Services		113,816	8,475	105,341	92,441
Adult Social Care		471,859	140,949	330,910	286,535
Corporate and Democratic Core		26,149	15,335	10,814	12,675
Non Distributed Costs		32,040		32,040	17,283
Net Cost of Services	1	2,295,260	1,504,176	791,084	663,142
Gain on the disposal of fixed assets				-6,091	65,165
Precepts and Levies	2			591	570
Net Surplus on trading accounts	3			-6,454	-4,617
Interest payable and similar charges				56,316	55,591
Contribution by Medway to Loan Debt-Principal & Interest				-5,008	-5,337
Interest and Investment Income				-14,799	-16,352
Impairment on Icelandic Investments	34			10,646	
Interest Receivable on Icelandic Investments	34			-2,565	
Pensions interest cost and expected return on pensions assets	4			36,900	15,000
Net Operating Expenditure				860,620	773,162
This was financed by:					
General Government Grants				-268,424	-228,685
Area Based Grant				-61,619	
Non-Domestic Rates Redistribution				0	0
Demand on Collection Fund				-536,572	-513,044
Net General Fund Surplus(-)/ Deficit				-5,995	31,433

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- Loss/gain on disposal of fixed assets.

The General Fund Balance compares the council's spending against the council tax it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure account and the General Fund Balance.

Notes	At 31 March 2009 £'000	At 31 March 2008 £'000
(Surplus)/deficit on the Income & Expenditure Account	-5,995	31,433
Amount required by statute to be debited/(credited) to General Fund	5,995	-31,433
Increase in General Fund balance for the year	0	0
General Fund balance brought forward	-25,835	-25,835
General Fund balance carried forward	-25,835	-25,835

Reconciling Items for the Statement of Movement on the General Fund

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

Amortisation of intangible assets		-1,360	-1,441
Depreciation and impairment of fixed assets		-138,450	-112,002
Government Grants deferred		18,659	16,857
Government Grants and Contributions received		142,863	96,432
Write down of revenue expenditure funded from capital under statute		-58,964	-34,836
Net gain on sale of fixed assets		6,091	-65,165
Differences relating to changes in Financial Instruments (impairment and interest)		-117	48
Changes in Financial Instruments re: Icelandic Investments		-8,081	0
PFI adjustments re transfer of assets		3,581	3,134
Net charges made in accordance with FRS17	4	-102,400	-80,100
		-138,178	-177,073

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year

Provision for the payment of external loans		42,032	40,051
Direct revenue financing		16,266	13,396
Contributions to/(from) the Pension Reserve	4	86,300	82,500
		6,420	-41,126

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

Net transfer to/(from) earmarked reserves		-425	9,693
Net additional amount required to be debited/(credited) to General Fund Balance		5,995	-31,433

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	At 31 March 2009 £'000	At 31 March 2008 £'000
(Surplus)/deficit for the year on the Income and Expenditure Account	-5,995	31,433
(Surplus)/deficit arising on revaluation of fixed assets	-62,505	-87,117
Actuarial (gains)/losses on pension fund assets and liabilities	154,252	-71,040
(Surplus)/deficit arising on revaluation of loans and receivables	-1,286	811
Movement of deferred premiums in line with regulations.		20,040
Total recognised (gains)/loss for the year	84,466	-105,873

Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

	Notes	31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	18		3,551		3,629
Tangible fixed assets					
Operational assets					
Land and buildings		1,470,089		1,443,378	
Vehicles, plant and equipment		28,811		21,576	
Roads and other highways infrastructure		606,431		568,640	
Community assets		8,505		8,047	
Non-operational assets					
Investment property		6,624		6,588	
Assets under construction		327,734		256,871	
Surplus and non-operational property		99,869		81,737	
Total tangible assets	17		<u>2,548,063</u>		<u>2,386,837</u>
Total fixed assets			<u>2,551,614</u>		<u>2,390,466</u>
Long-term investments			96,267		134,547
Long-term debtors	19		54,712		56,533
PFI debtor	19		<u>8,167</u>		<u>3,933</u>
Total long-term assets			<u>2,710,760</u>		<u>2,585,479</u>
Current assets					
Stocks and work in progress		5,937		5,390	
Debtors	19	205,106		177,518	
Investments		262,949		264,121	
Total current assets			<u>473,992</u>		<u>447,029</u>
Current liabilities					
Temporary borrowing		-60,641		-35	
Creditors	20	-298,747		-266,688	
Cash balances overdrawn		<u>-103,339</u>		<u>-108,383</u>	
			<u>-462,727</u>		<u>-375,106</u>
Total assets less current liabilities (Net assets employed)	21		<u>2,722,025</u>		<u>2,657,402</u>
Long-term liabilities					
Long-term borrowing		-998,427		-1,017,200	
Deferred liabilities		-255		-535	
Deferred credit - Medway Council		-51,249		-53,385	
Provisions	22	-14,489		-14,636	
Government grant deferred account		-196,454		-196,381	
Liability related to defined benefit pensions schemes - KCC	24	-739,900		-569,300	
- DSO	24	-2,199		-2,447	
			<u>-2,002,973</u>		<u>-1,853,884</u>
Total assets less liabilities			<u><u>719,052</u></u>		<u><u>803,518</u></u>

Balance Sheet

Revaluation reserve	23	-131,912	-72,530
Capital adjustment account	23	-1,081,188	-1,071,609
Financial instruments adjustment account	23	27,715	20,803
Earmarked capital reserve	23	-70,144	-52,436
Usable capital receipt reserve	23	-14,379	-7,825
Pensions reserve			
- KCC	24	739,900	569,300
- DSO	24	2,199	2,447
Earmarked reserves	23	-102,002	-86,015
General fund balance	23	-25,835	-25,835
Schools reserves	23	-63,183	-79,360
Surplus on trading accounts	25	-223	-458
Total net worth		<u>-719,052</u>	<u>-803,518</u>

Cash Flow Statement

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	Notes	2008-2009		2007-2008
		£'000	£'000	£'000
Revenue Activities				
Cash outflows				
Employee costs		1,135,940		1,102,988
Other operating costs		1,013,762		955,129
Precepts and levies paid		591		570
			2,150,293	
Cash inflows				
Dedicated Schools Grant		-773,916		-751,846
Precepts on Collection funds		-536,572		-513,044
Area based grant		-61,619		
Revenue support grant and PRG		-268,424		-228,685
Other government grants	29	-430,678		-419,827
Cash received for goods and services		-164,117		-255,478
Other operating cash receipts		-8,977		-10,413
Net cash inflow revenue activities	30		-94,010	-120,606
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest paid		57,883		54,191
Interest element of finance lease rental		25		30
Cash inflows				
Interest received		-18,615		-10,969
			39,293	43,252
			-54,717	-77,354
Capital Activities				
Cash outflows				
Purchase of fixed assets		263,187		215,253
Expenditure on deferred charges		39,381		28,560
Purchase of long-term investments		60,000		58,000
Cash inflows				
Sale of fixed assets		-24,735		-28,749
Capital grants received	29	-147,760		-109,499
Other capital cash receipts		-16,645		-18,390
			173,428	145,175
Net cash outflow before financing			118,711	67,821
Management of Liquid Resources				
Net increase/decrease(-) in short term investments			-87,554	58,487
Financing				
Cash outflows				
Repayments of amounts borrowed		205,703		184,872
Capital element of finance lease rentals		145		202
Repayment of credit liability		7,445		4,144
Cash inflows				
New loans raised		-245,470		-235,100
Discounts Received		-4,024		
			-36,201	-45,882
Net decrease/increase(-) in cash	31		-5,044	80,426

1. Net Cost of Services

The figures included in the Accounts reflect expenditure and income on services rather than departmental or portfolio structures. This is in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP).

2. Precepts

The following precepts were paid:

	2008-09	2007-08
	£000's	£000's
Environment Agency	331	325
Kent and Essex Sea Fisheries Committee	232	217
Sussex Sea Fisheries Committee	28	28
	<hr/>	<hr/>
	591	570

3. Trading Operations

The results of the various trading operations for 2008-09 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-) 2008-09	Surplus/ Deficit(-) 2007-08
	£'000	£'000	£'000	£'000
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly	37,701	36,161	1,540	1,121
Facilities & Technical Services Provision of a wide range of Facilities & Staff Care Management, and Maintenance of buildings and equipment including IT	5,236	4,823	413	-14
Brokerage Services Procurement and distribution of Services, including Laser energy buying group, community equipment service, and the specification and control of transport for CFE, E&R & KASS	250,768	248,880	1,888	966
County Print Graphic design and general printing	2,583	2,575	8	45
Transport Services Provision of lease cars, minibuses, ambulances and lorries, plus vehicle maintenance and repairs. Provider of bus services, including school transport	20,744	18,767	1,977	1,921
Landscape Services Grounds maintenance including constructing and safety Inspection Services for electrical and fire fighting equipment	8,181	7,531	650	567
Oakwood House Conference centre	2,058	2,080	-22	11
Total surplus	327,271	320,817	6,454	4,617

4. Pension Costs

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when they are paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost is reversed out of the Reconciling Items for the Statement of Movement on the General Fund.

Under the requirements of FRS17, the council is required to show the movement in the net pensions deficit for the year. This can be analysed as follows:

	Local Government Pension Scheme	
	2008-09	2007-08 As restated
	£000's	£000's
Net Cost of Services:		
• Current service cost	-47,700	-62,800
• Past service costs and curtailments	-17,800	-2,300
Net Operating Expenditure:		
• Interest cost	-119,200	-96,600
• Expected return on assets in the scheme	82,300	81,600
Net charge to the Income and Expenditure Account	-102,400	-80,100
Statement of Movement on the General Fund Balance:		
• Reversal of net charges made for retirements benefits in accordance with FRS17	102,400	80,100
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	-86,300	-82,500

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £154,252k were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Gains and Losses is £205,590k which includes an element of the DSO fund.

Teachers

In 2008-09 Kent County Council paid £58.7m (£57.2m in 2007-08), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 14.1% of teachers' pensionable pay. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2008-09 these amounted to £4.3m (£4.4m in 2007-08), representing 1.0% (1.1% in 2007-08) of pensionable pay.

Other Employees

Other employees of the County Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme.

In 2008-09 Kent County Council paid an employer's contribution of £86.3m (£82.5m in 2007-08) into the Pension Fund, representing 24% (24.2% in 2007-08) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2008-09 was based on the review carried out as at 31 March 2007. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

In addition Kent County Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. However, Medway Council is required to contribute towards the liabilities incurred prior to reorganisation on 1 April 1998. Kent County Council is required to disclose the capital cost of the discretionary pension payments it has made using a formula recommended by CIPFA. The capital value of new discretionary increases in pension payments (i.e. discretionary added years) agreed by the council in 2008-09 is £70k (£654k in 2007-08). The capital value of payments agreed in earlier years is £117m (£126m in 2007-08).

An actuarial valuation was carried out on the fund as at 31 March 2007. The actuary has estimated that based on current contribution rates the deficiency on the Pension Fund at 31 March 2004 would be recovered over a period of 20 years.

Other Notes to the Income and Expenditure Account

5. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2008-09 are as follows

		Central Expenditure	Individual Schools Budget	Total
		£'000	£'000	£'000
A	Final DSG for 2008-09			773,916
B	Brought forward from 2007-08			10,466 *
C	Carry Forward to 2009-10 agreed in advance			<u>0</u>
D	Agreed budgeted distribution in 2008-09	116,654	667,728	784,382
E	Actual central expenditure	-91,159		-91,159
F	Actual ISB deployed to schools		-678,388	-678,388
G	Local Authority contribution for 2008-09			<u> </u>
H	Carry Forward to 2009-10	25,495	-10,660	14,835 **

Notes

*

The 2007-08 Statement of Accounts shows this figure as £8.412m. This is made up of a central expenditure carry forward of £3.428m and an Individual Schools Budget (ISB) carry forward of £4.984m. The ISB carry forward figure included the net movement in schools' revenue reserves. The recent publication of the CIPFA statement of recommended practice has clarified how this note should be completed by confirming that the movement in schools reserves should be excluded. Therefore the total DSG carry forward amount from 2007-08 has been recalculated as £10.466 which represents a carry forward of £3.428m on the central expenditure and £7.037m on the schools' unallocated budget.

**

The total carry forward to 2009-10 of £14.835m represents a carry forward of £5.835m on the centrally retained DSG budget and £9.000m on the schools' unallocated budget.

6. Publicity

Publicity is defined by the Local Government Act 1986 as any communication, in whatever form, addressed to the public at large or to a section of the public. However, a number of areas are exempt from inclusion in the account e.g. statutory publications. Kent County Council's expenditure on publicity was:

	2008-09	2007-08
	£'000	£'000
<u>Kent County Council - non schools</u>		
Recruitment advertising	748	768
Other Advertising		
- Campaign to reduce levels of waste	624	596
- Campaign to increase take-up of funded places for 3 and 4 year olds	243	222
- Promoting the Library and Archive service	35	31
- Promote Tour de France in Kent	0	27
- Promoting greater participation in sport	48	26
- Promoting public health	66	0
- Other advertising	316	280
Total of other advertising	1,332	1,182
Other Publicity		
- Corporate communications team and activity	807	863
- Promoting tourism	462	479
- Supporting Produced in Kent	150	158
- Publicity for European regional development fund projects	0	84
- Other publicity	225	254
Total of other publicity	1,644	1,838
Total KCC spend - non schools	3,724	3,788
<u>Schools</u>		
Schools recruitment advertising (see note 1)	2,261	1,895
Total KCC including schools	5,985	5,683

Notes:

1) Recruitment costs in schools has increased as a direct result of schools increasing spend on teachers and support staff, where costs have increased by 6% from 2007-08 (£41m in cash)

7. Members Allowances

Members allowances paid in 2008-09 totalled £1,757,065 (£1,770,436 in 2007-08).

8. Local Authority (Goods and Services) Act 1970

Under the Local Authority (Goods and Services) Act the Council provides goods, materials and professional services to other public bodies, including other local authorities, health bodies, charities and voluntary organisations.

Income from the provision of professional services amounted to £32.0m (£ 31.0m in 2007-08). Supplies of goods and services totalled £24.7m (£24.6m in 2007-08). External business represented 43.1% (46.4% 2007-08) of the turnover of Commercial Services department.

9. Leases

Kent County Council has made use of leases to acquire vehicles and equipment. Lease rentals paid during the year in respect of current operating leases in respect of vehicle plant and equipment amounted to £6.13m and in respect of land and buildings amounted to £5.611m. A further £0.303m was paid in respect of finance leases.

The Council was committed at 31 March 2009 to making payments of £11.186m under operating leases, comprising the following elements:

	Land and Buildings	Vehicle Plant and Equipment
	£000's	£000's
Leases expiring in 2009/10	427	625
Leases expiring between 2010/11 and 2013/2014	3,828	5,004
Leases expiring after 2014/2015	1,271	31
	<u>5,526</u>	<u>5,660</u>

The Authority as Lessor - the Authority receives an amount of approximately £684k in rental income in relation to a number of properties.

10. Related Party Transactions

During the financial year 2008-09 there were no material transactions between Kent County Council and its Members and Chief Officers, other than payment of salaries and Members' allowances.

Related party transactions with central government departments and other bodies are listed below:-

- Kent County Council received a number of general and specific grants from central government totalling £530.6m.
- Kent County Council received Dedicated Schools Grant of £773.9m.
- Precepts amounting to £0.6m were paid to the Environment Agency, Kent and Essex Sea Fisheries Committee and Sussex Sea Fisheries Committee.
- Payments to other local authorities and health bodies, excluding precepts, totalled £15.8m.
- Receipts from other local authorities and health bodies totalled £62.5m.
- In addition, payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Income and Expenditure Account, note 4 on pages 25 and 26 of these Accounts.
- Payments made to Kent Top Temps Ltd amounted to £10.7m.

11. Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2008 to 31 March 2009

This note shows the number of employees whose total remuneration in the financial year 2008-09, was £50,000 or more.

Remuneration includes:-

a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice;

b) expense allowances chargeable to tax i.e. the profit element of car allowances; and

c) the money value of benefits such as leased cars and health insurance.

Remuneration (£)	Total number of employees			
	Non-Schools 31 March 2009	Schools 31 March 2009	Non-Schools 31 March 2008	Schools 31 March 2008
50,000 - 59,999	290	535	261	458
60,000 - 69,999	110	149	78	127
70,000 - 79,999	27	52	17	54
80,000 - 89,999	13	42	12	28
90,000 - 99,999	13	16	11	16
100,000 - 109,999	9	8	17	5
110,000 - 119,999	6	2	2	2
120,000 - 129,999	1	2	2	1
130,000 - 139,999	2	0	2	0
140,000 - 149,999	3	0	1	0
150,000 - 159,999	1	0	1	0
160,000 - 169,999	1	0	0	0
170,000 - 179,999	2	0	1	0
180,000 - 189,999	0	0	0	0
190,000 - 199,999	1	0	0	0
200,000 - 209,999	0	0	0	0
210,000 - 219,999	0	0	1	0
220,000 - 229,999	0	0	0	0
230,000 - 239,999	0	0	0	0
240,000 - 249,999	1	0	1	0
300,000 - 309,999	1	0	0	0
370,000 - 379,999	1	0	0	0
Total	482	806	407	691

The two employees who received over £300k (as shown in the above table) both left the Authority during 2008-09. The amount paid to those two staff includes salary during their employment and their termination payment. The Chief Executive's remuneration is in the band £240,000 - £249,999, the same as in 2007-08.

12. Audit Costs

In 2008-09 the following fees were paid relating to external audit and inspection :

	2008-09	2007-08
	£'000	Restated £'000
Fees payable for external audit services carried out by the appointed auditor	367	428
Fees payable to the Audit Commission in respect of statutory inspection	4	5
Fees payable to the appointed auditor for the certification of grant claims and returns	27	62
Fees payable in respect of other services provided by the appointed auditor	6	32
	404	527

13. Subsidiary Undertakings

Kent Top Temps LTD (KTT) is a wholly owned subsidiary of Kent County Council. Kent County Council holds the only share. It commenced trading on the 4th April 2005. KTT is a recruitment business that focuses on the supply of both temporary and permanent placements to KCC, other public sector bodies and the private sector. KTT has specialist desks for the supply of temporary labour to the following sectors; administration, care, supply teachers, drivers and industrial, catering, interpreters and translation and professionals. The permanent appointment desk operates via the name of KTT Appointments. It also operates buses for contract and private hire trading as Kent Top Travel. KTT had a turnover in 2008-09 of £14.4m with a net profit of £0.34m before tax, £0.25m after tax (estimated). In 2007-08 its net assets were £0.47m and in 2008-09 they are £0.62m. The indebtedness between the authority and KTT is £0.74m.

Kent County Facilities Limited was trading as InsideOut (from September 2007) but is now trading as Facilities Management (from January 2009). Kent County Council holds the only share. It undertakes building repair and maintenance contracts to the public and private sector. Facilities Management had a turnover of £0.82m and a net profit of £0.04m. In 2008-09 its net assets were £0.004m. The indebtedness between the authority and InsideOut is £0.21m.

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Park. A Member Agreement was signed on the 22 August 2008 and a joint venture vehicle was set up, the East Kent Opportunities LLP (EKOLLP), which was incorporated on the 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint venture. KCC and TDC contributed 38 acres of land each to EKOLLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution). The powers used are the 'well-being powers' provided to local authorities in Part I of the Local Government Act 2000. In 2008-09, the net assets of the joint venture are £3.9m and the funds carried forward are £139.8k.

Collectively these subsidiaries do not have a material impact on Kent County Council's accounts and therefore it is not necessary to produce group accounts in 2008-09. This situation is reviewed on an annual basis.

Copies of these accounts can be acquired through Companies House with none being qualified.

Notes to the Core Financial Statements

14. NHS Act 2006 - Section 75

Under Section 75 of the above Act, the Authority has entered into a number of agreements with Primary Care Trusts (PCT) and a Social Care Partnership Trust. These comprise the Kent Drug and Alcohol Action Team (KDAAT), which is responsible for the effective management and commissioning of drug and alcohol related services throughout Kent. It's objectives are to help young people resist drug misuse, protect our communities from drug related anti-social behaviour, provide treatment services to both adults and young people and to stifle the availability of illegal drugs on our streets. Registered Nursing Care Contribution (RNCC) in Care Homes; Westbrook/Westview and Gravesham Place Integrated Care Centres, providing nursing, respite and recuperative care to Older People; Integrated Community Equipment Store (ICES), provision of equipment to people with a Physical Disability to enable them to live independently in their own homes; and Learning Disability Integrated Staffing, which has established joint structures to support closer partnership working.

KDAAT	2008-09 £'000	2007-08 £'000	RNCC	2008-09 £'000	2007-08 £'000
Gross Funding			Gross Funding		
West Kent PCT	2,581	2,531	Eastern & Coastal Kent PCT	4,006	3,924
National Treatment Agency	6,464	6,808	West Kent PCT	4,025	3,548
KCC	1,651	1,639			
Total Funding	10,696	10,978	Total Funding	8,031	7,472
Expenditure	10,696	10,978	Expenditure	8,031	7,472
Net	0	0	Net	0	0

Westbrook/West View PFI	2008-09 £'000	2007-08 £'000	ICES	2008-09 £'000	2007-08 £'000
Gross Funding			Gross Funding		
Eastern & Coastal Kent PCT	2,929	2,768	Eastern & Coastal Kent PCT	607	569
Kent Adult Social Services	3,532	3,370	West Kent PCT	164	140
PFI Credits	1,355	1,379	Medway PCT	0	15
			Medway Council	28	45
			Kent Adult Social Services	480	580
Total Funding	7,816	7,517	Total Funding	1,279	1,349
Expenditure	7,816	7,517	Expenditure	1,279	1,349
Net	0	0	Net	0	0

Gravesham Place PFI	2008-09 £'000	2007-08 £'000	LD Integrated Staffing	2008-09 £'000	2007-08 £'000
Gross Funding			Gross Funding		
West Kent PCT	2,508	2,481	Eastern & Coastal Kent PCT	1,857	1,535
Kent Adult Social Services	4,562	2,637	Kent & Medway NHS & Social Care Partnership Trust	1,437	1,403
			Kent Adult Social Services	3,504	3,275
Total Funding	7,070	5,118	Total Funding	6,798	6,213
Expenditure	7,070	5,118	Expenditure	6,798	6,213
Net	0	0	Net	0	0

15. Long Term Contracts**PFI****Westbrook and West View**

In 2008-09 the authority made payments of £3.4m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Authority is committed to making payment of £3.2m for 2009-10 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract which will run until April 2033.

Gravesham Place

In 2009-10 the authority is committed to making payments estimated at £2.2m per year under a contract with Land Securities for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, and is also dependent on the performance of Land Securities in delivering the services under the contract (£2.2m was paid in 2008-09). The contract will run until April 2036.

Swan Valley and Craylands and 6 new schools

On 24 May 2001, the Council contracted with New Schools (Swanscombe) Ltd to provide Swan Valley Secondary School and Craylands Primary School under a Private Finance Initiative (PFI). The schools opened in October 2002. Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The unitary charge commenced in October 2002, PFI credits were received from April 2003 and were backdated to October 2002. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £65.5m over the 25 year (termination end of September 2027) contract period.

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College, The North School, Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddles both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08 (Ellington School for Girls, The Malling and Aylesford). The unitary charge commenced in November 2006, PFI credits commenced in June 2007 and were backdated to November 2006. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £373.9 million over the 28 year contract period.

Under the terms of the PFI, the design and build of the school facilities and their subsequent maintenance are the responsibility, and risk, of the PFI provider. These assets will then transfer to the Council at nil cost at the end of the contract. Any differences between the residual value and the fair value of the assets will be accounted for in future years. As a result of the treatment of the assets, there is no obligation on the Council to provide credit cover for the construction of the schools.

These PFI schemes have been classified as "off balance sheet", and payments to contractors will be treated as revenue expenditure.

Central Government provides a grant to support the PFI schemes. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval, and amounts to £11.62m of credits for Swan Valley and Craylands and £80.75m for the 6 schools. This approval triggers the payment of a Revenue Support Grant over the life of the schemes of 25 and 28 years respectively. This grant amounts to just under £23m and just over £177m over the respective periods.

Better Homes Active Lives PFI

In October 2007 the authority signed a PFI contract with Kent Community Partnership (a wholly owned subsidiary of Housing 21) to provide 357 units of which 275 units are Extra Care accommodation, 75 units for people with learning difficulties and 7 units for people with mental health problems. The construction phase will last for two years and the contract for the provision of services will last until 2038-39. In 2008-09 the authority will pay £66k to the contractor as two of the buildings were completed and ready for occupation. More of the buildings will be completed during the following year and it is anticipated that the authority will pay £3.8m under this contract during 2009-10.

16. Landfill Allowance Trading Scheme

The Authority has received allowances for the year 2008-09 for 331,434 tonnes. The estimated BMW landfill usage is 241,492 tonnes, It does not buy or sell any allowances in the year or during the reconciliation period. DEFRA has advised that the average traded value of 2008-09 has been £26.

Notes to the Balance Sheet

17. Movement on Fixed Assets

	Land and buildings	Vehicles, plant and equipment	Roads and other Highways Infrastructure	Community assets	Assets Under Construction	Surplus, non-operational and investment property	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2008	1,522,259	51,754	976,800	8,047	256,871	88,720	2,904,451
Additions	30,778	14,822	66,012	458	156,462	105	268,637
Donations							0
Disposals	-15,673	-947				-8,105	-24,725
Reclassifications	-1,273					1,287	14
Revaluations	29,605	297				27,437	57,339
Transfer from/to WIP	37,660	13	20,619		-58,292		0
Transfer from WIP to revenue					-20,429		-20,429
At 31 March 2009	1,603,356	65,939	1,063,431	8,505	334,612	109,444	3,185,287
Depreciation and Impairments							
At 1 April 2008	-78,881	-30,178	-408,160			-393	-517,612
Charge 2008/09	-73,584	-7,711	-48,840		-6,878	-1,437	-138,450
Depreciation to Landscape Services	-55						-55
Disposals	419	878				26	1,323
Reclassification	307	-117				-321	-131
Revaluations	18,527					-826	17,701
At 31 March 2009	-133,267	-37,128	-457,000	0	-6,878	-2,951	-637,224
Balance Sheet amount at 31 March 2009	1,470,089	28,811	606,431	8,505	327,734	106,493	2,548,063
Balance Sheet amount at 1 April 2008	1,443,378	21,576	568,640	8,047	256,871	88,327	2,386,839
Nature of asset holding							
Owned	1,456,417	28,555	606,431	8,505	307,099	106,493	2,513,500
Finance Lease		256					256
PFI/Academies	13,672				20,635		34,307
	1,470,089	28,811	606,431	8,505	327,734	106,493	2,548,063

Valuations of Fixed Assets carried at current value

The following statement shows the progress of Kent County Council's rolling programme for the revaluation of fixed assets. The valuations were carried out by Nigel Godden MRICS and Steve Conrathe MRICS of Mouchel, Peter Constable MRICS and David Parry FRICS of Cluttons, Jason Kirkaldy MRICS of Savills, Marcus Gordon MRICS of Altus Edwin Hill, Simon Williams MRICS for Glenny and Tom Dowman MRICS and Richard Haynes MRICS of King Sturge. The basis for valuation is set out in the statement of accounting policies, and further explained below.

	Land and buildings £'000	Investment Properties £'000	Total £'000
Valued at current value in:			
2004/05	1,275,765		1,275,765
2005/06	549,970	960	550,930
2006/07	840,189	0	840,189
2007/08	189,011	0	189,011
2008/09	511,346	1000	512,346

Basis of valuation

All valuations of land and buildings were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. In 2008-09 Communities land and buildings have been valued as well as those properties with a life more than 50 years and non operational assets requiring a new market valuation. For each operational asset an Existing Use Value (EUV) was provided. In the case of specialised properties, that is, those properties which are rarely, if ever, sold for existing use on the open market, the valuation basis used is Depreciated Replacement Cost (DRC). For each non operational asset a Market Value was provided.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Assets held under finance leases

Included within the totals for vehicles, plant and equipment are assets that have been acquired under finance leases. Values are as follows:

	At 31 March 2009 £'000	At 31 March 2008 £'000
Gross Book Value	8,091	8,091
Accumulated Depreciation	-7,836	-7,556
Value at 31 March 2009	255	535

Outstanding commitments in relation to finance leases at 31 March are as follows:

	2008-09 £'000	2007-08 £'000
Less than one year	292	303
Between 2-5 years	2	293
	294	596

Aggregate finance charges allocated for the period up to the 31 March 2009 are £0.04m in respect of finance leases. Depreciation charges in 2008-09 were £279k and in 2007-08 were £422k.

Capital Expenditure and Financing

Capital expenditure was financed as follows:

	2008-09	2007-08
	£000's	£000's
Opening Capital financing requirement	1,071,090	1,010,127
Write back of Westerham funded from Prudential		-465
Capital investment		
Fixed Assets	269,684	219,100
Intangible assets	303	339
Deferred charges	39,381	28,560
	1,380,458	1,257,661
Sources of finance		
Capital receipts	10,503	23,819
Government grants and other contributions	144,318	109,498
Revenue contributions (including MRP)	58,105	53,254
Closing Capital Financing Requirement	1,167,532	1,071,090
Movement	96,442	60,963
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	24,081	12,168
Increase in underlying need to borrow (unsupported by Government financial assistance)	72,361	48,795
Increase/(decrease) in Capital Financing Requirement	96,442	60,963

Capital expenditure 2008-09

The main items of capital expenditure during the year were:

Highways Schemes	£'000	£'000
Bridge Strengthening / Maintenance Schemes	32,999	
Integrated Transport schemes	12,061	
Ashford Ring Road	6,354	
Eurokent	4,368	
Improving Roads & Footpaths	3,397	
Kent Highway Services Accommodation	3,168	
Arts and Business Centre - Folkestone	2,223	
Ashford New Town Improvement	1,807	
Fort Hill	1,614	
Major Scheme Design	1,497	
Everard Link	1,320	
Sittingbourne Northern Relief Road	1,181	
Gravesend Community Project	<u>1,103</u>	
		73,092
 Education Schemes		
Building Schools for the future	37,034	
Special Schools Review	18,901	
Children's Centres	11,402	
Dartford Campus	10,516	
Academies	8,490	
Modernisation Programme	6,868	
Harnessing Technology	5,587	
The Bridge Primary	3,799	
Archbishop Courteney	3,519	
Surestart	2,927	
Primary Pathfinder Programme	2,679	
Ashford Oaks and Horizon	2,660	
St James the Great	2,364	
Greenfields	2,173	
Astor of Hever	1,927	
Castle Hill Primary	1,804	
Tonbridge Girls Grammar	1,493	
Vocational Education Programme	<u>1,206</u>	
		125,349
 Chief Executive's Schemes		
Sustaining Kent - Kent Public Services Network	5,124	
Commercial Services VPE	2,170	
Gateway one stop shops	1,723	
		<u>9,017</u>
		207,458
Capital Devolved to Schools		51,486
Projects less than £1m		50,424
Total Capital Expenditure		<u><u>309,368</u></u>

Notes to the Core Financial Statements

Future capital expenditure commitments

At 31 March 2009 contractually committed capital expenditure to be incurred in 2009-10 and later years includes the following major projects:

	£'000
Highways Schemes	
Surfacing Works	850
Education Schemes	
New Line Learning Academy	20,498
St Georges School	15,287
Dane Court Grammar School	15,138
Herne Bay High School	14,408
Northfleet School for Girls	12,579
Community College, Whitstable	11,353
Charles Dickens School	10,634
King Ethelbert School	10,029
The Manor School	5,686
Grange Park School	4,837
The Bridge School	4,396
Rowhill School	3,582
Oakfield Primary School	3,085
Valence School	2,753
Castle Hill School	1,838
Lawn House at Valence School	1,219
Meadowfield School	1,066
Swanscombe at Swan Valley	754
Milestone School	739
St James the Great School	622
Leysdown Warden Bay	585
Briary Primary School	581
Priory Infant School	546
Callis Grange School	535
Lawn Primary School	482
Chief Executives	
Sustaining Kent - Kent Public Services Network	6,375
Communities	
Turner Gallery	14,049
Total Commitments	<u>164,506</u>

Analysis of major operational asset holdings

	At 31 March 2009	At 31 March 2008
Schools (excludes voluntary aided schools and academies)	478	483
Libraries, adult education, discovery and youth centres	112	114
Smallholdings	7	5
Homes and day centres for the elderly	18	18
Facilities for children and their families	47	49
Facilities for people with disabilities	12	12
Recreation sites	30	30
Household Waste sites	18	18
County roads	8,423km	8,403km
County offices	6	10

18. Movement in intangible assets

	Purchased Software licences £000s	Total £000s
Original cost	12,008	12,008
Amortisation to 1 April 2008	-8,379	-8,379
Balance at 1 April 2008	3,629	3,629
Expenditure in year	1,282	1,282
Written off to revenue in year	-1,360	-1,360
Balance at 31 March 2009	3,551	3,551

Software licences were purchased for Central and Kent Adults Social Services systems and various Commercial Services replacement systems. The cost is being written off over the life of the licences; between 3 and 5 years.

19. Amounts owed to the Council by debtors

	At 31 March 2009 £000's	At 31 March 2008 £000's
Long Term debtors:		
Housing Act advances (mortgages)	2	14
Medway Council (transferred debtor)	51,249	53,385
Public bodies	2,717	3,009
Other (incl PFI debtor)	8,911	4,058
	62,879	60,466
Other debtors:		
Staff advances	54	58
Government Departments	47,474	48,744
Payments in advance (incl PFI)	35,039	31,250
General debtors	122,539	97,466
	205,106	177,518

Capital debtors amounting to £18.5m are included in the Accounts at 31 March 2009 (£20.9m in 2007-08). Capital debtors relate to grants towards capital expenditure incurred in 2008-09 which had not been received by 31 March 2009.

PFI

	At 31 March 2009 £000's	At 31 March 2008 £000's
Long term PFI debtors		
Long term prepayment	-385	-385
Long term debtor in relation to residual value	8,552	4,318
	8,167	3,933

PFI Prepayment

	At 31 March 2009 £000's	At 31 March 2008 £000's
Short term PFI Prepayment	15,368	16,020
	15,368	16,020

20. Amounts owed by the Council to creditors

	At 31 March 2009 £000's	At 31 March 2008 £000's
Kent and Essex Sea Fisheries	781	701
Receipts in advance	65,393	63,034
General creditors	209,707	182,192
Other local authorities	5,245	2,827
Deferred capital receipts	2	14
Deferred income	2,785	2,116
Government departments	14,834	15,804
	298,747	266,688

Capital creditors amounting to £50.3m are included in the Accounts at 31 March 2009 (£43.5m in 2007-08).

21. Net Assets Employed

Net assets analysed between Kent County Council and trading operations.

	At 31 March 2009 £'000	At 31 March 2008 £'000
General Fund	2,715,880	2,651,757
Trading Accounts	6,145	5,645
	2,722,025	2,657,402

22. Provisions

The Council has made a provision for insurance claims. The Council's Insurance arrangements involve both internal and external cover. For internal cover an Insurance fund has been established to provide cover for property, combined liability and motor insurance claims. The fund comprises a Provision for all claims notified to the Council at 31 March each year and a Reserve for claims not yet reported but likely to have been incurred.

	Balance at 1 April 08 £'000	Movement in year £'000	Balance at 31 March 09 £'000
Insurance Provision	-10,846	36	-10,810
Other Provisions	-3,790	111	-3,679
	-14,636	147	-14,489

The £3,679k in other provisions comprises some 17 provisions ranging from just over £890k to £6k.

23. Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2008 £'000	Net Movement in year £'000	Balance 31 March 2009 £'000	Purpose of Reserve
Revaluation Reserve	-72,530	-59,382	-131,912	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-1,071,609	-9,579	-1,081,188	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	20,803	6,912	27,715	Movements in fair value of assets and premiums
Usable Capital Receipts	-7,825	-6,554	-14,379	Proceeds of fixed assets available to meet future capital investment
Pensions Reserves				Balancing account to allow inclusion of Pensions
- KCC	569,300	170,600	739,900	Liability in Balance Sheet
- DSO	2,447	-248	2,199	
General Fund	-25,835	0	-25,835	Resources available to meet future unforeseen events
Earmarked Capital Reserve	-52,436	-17,708	-70,144	See note below
Earmarked Reserves	-86,015	-15,987	-102,002	Note (pages 44-46)
Schools Reserve	-79,360	16,177	-63,183	Note on page 47
Surplus on Trading Accounts	-458	235	-223	Note on page 52
Total	-803,518	84,466	-719,052	

Earmarked capital reserves of £70,144k as at 31 March 2009 includes schools capital reserves of £9,469k. This has reduced from the £16,981k held by schools as at 31 March 2008.

Earmarked Reserves

The following describes each of the Earmarked Reserve accounts where the balance is in excess of £0.5m either on 31 March 2008 or 31 March 2009, the sum of which are shown in the table on page 46.

Vehicles, plant and equipment

This is a reserve for the replacement and acquisition of vehicles, plant and equipment.

Special funds

These are reserves held primarily to facilitate the implementation of economic development and tourism initiatives and policy and regeneration expenditure.

Office strategy

This is a reserve to support the implementation of major office strategy projects.

Kings Hill development smoothing reserve

Comprises the County Council share of distribution from proceeds of the Kings Hill development received in accordance with the terms of the Development Agreement. These distributions can vary considerably from year to year so this reserve is used to smooth the impact on the revenue budget over the medium term. In the current economic climate, sale of development land has declined considerably, we are therefore currently holding a deficit balance on this reserve but it is expected that it will go back into surplus once the economic situation improves.

Swanscombe School PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments for the Swanscombe School PFI scheme. The reserve will comprise of contributions from the Education revenue budget and a proportion of grant funding received from the government.

Westview and Westbrook PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, Section 31 pooled budget contributions and government grant funding for the Westview and Westbrook PFI scheme.

Better Homes Active Lives PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments, contract management costs and government grant funding for the Better Homes Active Lives scheme.

Reserve for projects previously classified as capital but now considered to be revenue

This has been established to cover the costs of projects which were included in the capital programme but further details are now available which have made it apparent that these costs are revenue. By switching around funding within the existing capital programme, so that revenue contributions to capital made in 2008-09 have been switched with other capital funding sources, we have been able to create this reserve to manage these revenue costs over the medium term.

Supporting People reserve

This is unspent grant from previous years which will be used to smooth out the loss of grant funding in future years.

Every Child Matters Contact Point reserve

This is unspent Contact Point grant from the DCSF to support the implementation of the Information Sharing Index in all authorities. There have been national delays in the implementation of this system.

Environmental Initiatives reserve

This reserve represents funds in hand relating to a variety of environmental initiatives involving other partners.

Rolling budget reserve

This reserve represents the roll forward of funds to cover re-scheduling of revenue expenditure from previous years.

Economic Downturn Reserve

This reserve is to cover the impact of the economic downturn which cannot be covered within normal revenue budget allocations.

Asylum reserve

A reserve to cover the impact of any shortfall in grant funding.

Emergency Conditions reserve

This reserve is to cover the cost of emergencies which cannot be accommodated within normal revenue allocations, such as the costs associated with severe weather conditions.

Elections reserve

This reserve is to cover the costs of the County Council elections, which occur every 4 years, and bi-elections. A contribution is made to the reserve each year in order to even the impact upon the council tax.

Dilapidations reserve

This reserve is to provide for the potential dilapidation costs that the Council faces when existing leases for office accommodation cease.

Workforce reduction reserve

This reserve is to provide for the redundancy and other costs of potential staffing reductions required to achieve budget savings.

South East Improvement and Efficiency Partnership reserve

This is unspent grant from the DCLG to fund the administration of the South East Improvement and Efficiency Partnership, which is undertaken by KCC.

IT Asset Maintenance reserve

This reserve will contribute to the funding of the IT refresh programme which will give the Council ongoing and sustainable capacity to replace ageing technology.

Performance Reward Grant (PRG) reserve

This reserve comprises funding from the DCLG Performance Reward Grant to fund projects aimed at improving performance over the medium term.

Earmarked Reserve to support next years budget

The medium term plan for 2009-12 includes support from 2008-09 underspending, which was transferred into this earmarked reserve during 2008-09 to be drawn down in 2009-10.

Prudential Equalisation Reserve

A reserve to smooth the impact on the revenue budget over the medium term of prudential borrowing costs i.e. the costs of borrowing to support the capital programme, which are not supported by Government grant. This will be used in the short to medium term to pay for PEF 2 borrowing costs.

Six Schools PFI Reserve

This has been established to equalise, over time, the budget impact of the unitary charge payments for the 6 schools' PFI scheme. The reserve comprises of contributions from the Education revenue budget, contributions from schools and a proportion of grant funding received from the Government.

Dedicated Schools Grant (Central Expenditure) Reserve

This is unspent Dedicated Schools Grant for central expenditure, which in accordance with the DCSF grant regulations must be carried forward for use in future years and spent in accordance with school financial regulations.

Insurance reserve

This is a reserve for the potential cost of insurance claims in excess of the amount provided for in the insurance fund provision.

Landfill Allowance Taxation Scheme Reserve

The government allocates each Waste Disposal Authority a quota of Landfill Allowance permits. This determines the amount of biodegradable waste the Authority can send to landfill sites. These permits can either be used, banked for future use or traded with other waste disposal authorities. This reserve represents the value of cumulative unsold Landfill Allowance permits. National guidance on the value per permit is used to calculate the value of this reserve. The reserve is only realised when and if these permits are actually sold.

Notes to the Core Financial Statements

Other

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2008-09 or future years as initiatives are completed.

Other Earmarked Reserves	Balance at 1 April 2008	Movement	Balance at 31 Mar 2009
	£'000	£'000	£'000
VPE Reserve	-3,814	-483	-4,297
Special funds	-2,217	-1,346	-3,563
Office Strategy	-682	367	-315
Kings Hill development smoothing reserve	-1,596	2,000	404
Swanscombe School PFI equalisation reserve	-5,309	-275	-5,584
Westview/Westbrook PFI equalisation reserve	-855	-567	-1,422
Better Homes Active Lives PFI equalisation reserve	13	-1,942	-1,929
Reserve for projects previously classified as capital	0	-5,644	-5,644
Economic Downturn reserve	0	-1,173	-1,173
Supporting People Reserve	-9,276	-406	-9,682
Every Child Matters Contact Point reserve	-533	-20	-553
Environmental initiatives reserve	-3,231	1,295	-1,936
Rolling budget reserve	-7,889	393	-7,496
Asylum Reserve	0	-4,093	-4,093
Emergency Conditions Reserve	-813	-600	-1,413
Elections Reserve	-706	-206	-912
Dilapidations reserve	-1,795	70	-1,725
Workforce Reduction reserve	-2,402	-531	-2,933
South East Improvement and Efficiency Partnership	-1,035	320	-715
IT Asset Maintenance reserve	-6,159	1,340	-4,819
PRG Reserve	-1,051	-2,130	-3,181
Earmarked Reserve to support next years budget	-1,435	-2,734	-4,169
Prudential Equalisation Reserve	-9,119	1,465	-7,654
Six schools PFI	-4,107	-1,782	-5,889
Dedicated Schools Grant - Central Expenditure	-3,428	-2,407	-5,835
Other	-6,091	670	-5,421
Total	-73,530	-18,419	-91,949
Insurance Reserve			
KCC	-10,206	965	-9,241
LATS Reserve			
Landfill Allowance Taxation Scheme	-792	792	0
	-84,528	-16,662	-101,190
Commercial Services Earmarked Reserves	-1,487	675	-812
Total Earmarked Reserves	-86,015	-15,987	-102,002
Trading Reserves:			
Commercial Services Trading Account	-447	338	-109
Thanet Skills Studio	0	-125	-125
Oakwood House	-11	22	11
Schools Reserves	-79,360	16,177	-63,183
Total Movement as per I & E	-165,833	425	-165,408
Balance Sheet	-165,833	425	-165,408

School Reserves

At 31 March 2009 funds held in school revenue reserves stand at £63.184m. These reserves are detailed in the table below.

	Balance at 1 April 2008	Movement	Balance at 31 Mar 2009
	£'000	£'000	£'000
School delegated revenue budget reserves - committed	-39,240	17,334	-21,906
School delegated revenue budget reserves - uncommitted	-28,090	-1,629	-29,719
Unallocated Schools budget	-11,733	499	-11,234
Community Focused Extended School Reserves	-297	-28	-325
Total	<u>-79,360</u>	<u>16,176</u>	<u>-63,184</u>

The reduction in reserves of £16.176m is made up of the following:

	2008-09	2007-08
	£'000	£'000
Overspend (as per page 1). (Underspend in 2007-08)	<u>16,176</u>	<u>-4,984</u>
	16,176	-4,984

24. Assets and Liabilities in relation to retirement benefits

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2008-09	2007-08 as restated
	£000's	£000's
1 April	1,147,400	1,136,700
Expected rate of return	82,300	81,600
Actuarial gains and (losses)	-311,400	-111,000
Employer contributions	86,300	82,500
Contributions by scheme participants	23,000	20,400
Benefits paid	-61,300	-62,800
31 March	966,300	1,147,400

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £230,100k (2007-08: £62,200k)

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2008-09	2007-08
	£000's	£000's
1 April	1,716,700	1,779,500
Current service cost	47,700	62,800
Interest cost	119,200	96,600
Contributions by scheme participants	23,000	20,400
Actuarial gains and (losses -)	-152,400	-177,600
Benefits paid	-65,800	-67,300
Past service costs	17,800	2,300
31 March	1,706,200	1,716,700

Notes to the Core Financial Statements

Scheme History

	2004-05*	2005-06*	2006-07 as restated	2007-08 as restated	2008-09
	£000's	£000's	£000's	£000's	£000's
Present value of liabilities:					
• Local Government Pension Scheme	-1,486,700	-1,764,800	-1,779,500	-1,716,700	-1,706,200
Fair value of assets in the Local Government Pension Scheme	787,800	1,040,200	1,136,700	1,147,400	966,300
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	-698,900	-724,600	-642,800	-569,300	-739,900

* The council has elected not to restate fair value of scheme assets for 2004-05 and 2005-06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £739.9m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £719m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £83,500k.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The County Council Fund liability has been assessed by Uffarez, Ebbendean and Partners, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2008-09	2007-08
Long-term expected rate of return on assets in the scheme:		
Equity investments	7%	7.70%
Bonds	5.40%	5.70%
Other	8.90%	10.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5 years	
Women	24.4 years	
Longevity at 65 for future pensioners:		
Men	22.6 years	
Women	25.5 years	
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up option to convert annual pension into retirement lump sum	50%	50%

The pension scheme's assets consist of the following categories, by proportion of total assets held:

	March 2009	March 2008
	%	%
Equity Investments	66%	69%
Bonds	17%	14%
Other assets	17%	17%
	100%	100%

Notes to the Core Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2008-09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2005-06	2006-07	2007-08	2008-09
		as restated	as restated	
	%	%	%	%
Differences between the expected and actual return on assets	16.4	-0.6	-12.5	-32.3
Experience gains and losses on liabilities	0.0	0.0	4.3	0.0

DSO Pensions

The figure in the balance sheet reflects the unfunded liability as calculated by the actuary in March 2009 on a minimum risk basis. This basis represents a prudent set of assumptions and is closest to an FRS 17 figure.

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2008-09	2007-08	2006-07
	£000's	£000's	£000's
Actuarial Gains/Losses	-159,000	66,500	90,400
Increase / Decrease in irrecoverable surplus from membership fall and other factors	4,748	4,540	3,730
Actuarial gain / (loss) recognised in STRGL	-154,252	71,040	94,130

25. Surplus on Trading Accounts

	Balance at 1 April 08 £'000	Movement in the year £'000	Balance at 31 March 09 £'000
Commercial Services	-447	338	-109
Oakwood House	-11	22	11
Thanet Skills Studio	0	-125	-125
	-458	235	-223

The Commercial Services figure differs from that shown in the Income and Expenditure Account as this note does not reflect the adjustments that have to be made in line with BVACOP.

Other Notes

26. Pension Fund

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering authority. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 66 to 79.

27. The Euro

The impact of the possible introduction of the Euro in the United Kingdom is being monitored and no costs were incurred in 2008-09.

28. Contingent Liabilities

Contingent Liabilities

Land, Planning & Highways

KCC faces a very significant claim for compensation which is being fiercely resisted. This case is a very complex case. The likely outcome is difficult to predict. KCC's exposure (including legal costs) should it lose is estimated at £20m.

There is one claim in which the Council has been ordered to pay costs and the Council's exposure is estimated to exceed £100K. The Council remains engaged in negotiations to resolve this case with minimum outlay.

There are ongoing claims seeking eviction/remedial action to bring licensees on one of the County Council's caravan sites to compliance with the terms of their licence. Legal costs have exceeded £10k.

Employment

There are nine claims relating to discrimination and breach of contract in employment. The damages being sought exceed £500k. Two claims have been lost although one is still being actively appealed with a recent victory in part at the Court of Appeal. On the other case, liability is set at £100k but with it there is a costs claim for £400k. It is expected that costs of this magnitude will not be awarded but a significant costs award is expected. It should be noted for the other cases that as there is no cap on damages in discrimination cases, where discrimination has been pleaded and these cases are lost, significant damages could be awarded.

Education

There are two cases, one involving an adult and the other a child. On both cases legal costs will exceed £10k. In relation to the adult case the prospects of success are good. On the other case the prospects of success is uncertain.

Immigration

There are numerous cases which have either been issued or are waiting for issue. The lead case has concluded in the high court. KCC was successful. However there is a linked case before the House of Lords which will determine whether the remaining cases continue. On the lead case KCC's legal costs exceeded £10k.

29. Cash flow Grant analysis

	2008-09	2007-08
	£'000's	£'000
Revenue Grants		
Department for Children Schools and Families	339,544	299,350
Department of Health	1,767	44,689
Home Office	22,417	9,804
Department for Transport		52
European Community	361	1,047
Department for Communities and Local Government	64,131	62,338
Cabinet Office		78
Department for Environment, Food and Rural Affairs	1,002	1,046
Department for Work and Pensions	147	178
Seeda - South East England Development Agency	649	857
Department for Culture, Media & Sport		188
Department for Business Enterprise & Regulatory Reform		104
NOF - New Opportunities Fund (Lottery)	660	96
	430,678	419,827
Capital Grants		
Department for Children Schools and Families	121,678	75,016
Department for Transport	6,515	21,244
Department for Communities and Local Government	19,193	8,164
Department of Health	249	2,539
Lottery and other	125	2,536
	147,760	109,499

30. Reconciliation of revenue surplus to revenue cashflow

	2008-09	2007-08
	£'000	£'000
Surplus(-)/Deficit for the year	0	0
Non-cash transactions		
Minimum revenue provision and amounts set aside from revenue	-42,032	-40,051
Contributions to reserves	-15,841	-23,089
Contributions to provisions	1,952	-2,957
	-55,921	-66,097
Items on an accruals basis		
Increase/decrease(-) in revenue debtors	28,163	-13,110
Increase(-)/decrease in revenue creditors	-25,283	-1,645
Increase/decrease(-) in stocks	547	-515
	-52,494	-81,367
Items shown later in the cashflow statement		
Servicing of finance	-41,517	-39,239
Net cashflow from revenue activities	-94,011	-120,606

31. Reconciliation of movement in cash to the movement in net debt

	Balance	Balance	Movement
	1 April 2008	31 Mar 2009	in the year
	£'000	£'000	£'000
Cash overdrawn	-108,383	-103,339	-5,044
Decrease in cash			-5,044
Debt repayable within 1 year	-35	-60,505	-60,470
Debt repayable after 1 year	-1,002,596	-981,894	20,702
Investments	384,545	356,991	-27,554
Increase in net debt			-67,322

32. Definition of Liquid Resources

Liquid resources have been defined as the short term investments that are disclosed on the face of the balance sheet.

Trust Funds

Kent County Council is responsible for the application of income from Trust Funds which have been provided from gifts and legacies for items such as school prizes. In accordance with the recommendations of the Charities Commission these are not consolidated into the Council's accounts and are instead separately managed and subject to appropriate independent review.

Balance Sheet at 31 March

	2008-09	2007-08
	£	£
Current assets		
Investments	28,295	41,992
Debtors	84	681
Cash	74,440	89,600
	102,819	132,273
Represented by		
Trust funds -		
Capital	-28,666	-37,349
Revenue	-74,153	-94,924
	-102,819	-132,273

33. Financial Instruments

Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	Long Term		Current	
	Restated		31 Mar 2008	31 Mar 2009
	31 Mar 2008	31 Mar 2009		
	£'000	£'000	£'000	£'000
Financial liabilities (principal amount) This is the actual value of the loan, not arising from any adjustments	1,002,453	981,895	35	60,505
Financial liabilities at amortised cost	1,017,200	998,427	35	60,641
Total borrowings	1,017,200	998,427	35	60,641
Loans and receivables (principal amount) This is the actual value of the loan, not arising from any adjustments	126,000	91,000	258,545	265,991
Loans and receivables	134,547	96,267	264,121	262,949
Total Investments	134,547	96,267	264,121	262,949

The difference between £981.895m and the figure on the balance sheet of £998.427m is accrued interest of £12.899m and discounts of £3.633m. The difference between £60.504m and the balance sheet figure of £60.641m is accrued interest of £136k.

The difference between £265.991m and the figure on the balance sheet of £262.949m is accrued interest of £5.039m less the net impairment charge for Iceland of £8.081m. The difference between £91m and the figure on the balance sheet of £96.267m is accrued interest of £5.267m.

Notes to the Core Financial Statements

Financial Liabilities at amortised cost

Long term

2008-09

£'000

Restated

2007-08

£'000

Long Term Borrowing

Amounts still owed on loans received from external bodies to acquire capital assets.

Long term borrowing for repayment after 1 year	981,895	1,002,453
Total Long Term Borrowing at 31 March	981,895	1,002,453

Current

£'000

£'000

Borrowing

Long term borrowing for repayment within 1 year

Temporary Borrowing	60,504	35
Total Borrowing at 31 March	1,042,399	1,002,488

Creditors

£'000

£'000

The analysis of creditors by category is:

Government grants	6,162	6,991
Other	292,585	259,697
Balance at 31 March	298,747	266,688

Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
Interest expense	-55,713		
Losses on derecognition	-950		
Impairment losses	0	-8,081	
Interest payable and similar charges	-56,663	-8,081	-64,744
Interest income		19,793	
Gains on derecognition	391	0	0
Interest and investment income	391	19,793	20,184
Gains on revaluation	0	0	
Losses on revaluation	0	0	
Amounts recycled to the I&E account after impairment	0	0	
Surplus arising on revaluation of financial assets	0	0	
Net gain/(loss) for the year	-56,272	11,712	

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

£000's	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	673,098	816,102	661,225	781,580
Non-PWLB debt	385,970	405,039	355,832	385,819
Total debt	1,059,068	1,221,141	1,017,057	1,167,399
Trade Creditors	46,342	46,342	56,921	56,921
Total financial liabilities	1,105,410	1,267,483	1,073,978	1,224,320

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Money market loans <1 year	271,031	271,031	273,349	273,349
Money market loans >1 year	96,267	101,085	124,333	121,093
Bonds				
Trade debtors	5,141	5,141	7,442	7,442
Total loans and receivables	372,439	377,257	405,124	401,884

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2009 are relatively higher (more costly to redeem) than the 31 March 2008 comparators.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference would be immaterial.

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance, prudential indicators for the following three years limiting:
 - o The Council's overall borrowing;
 - o Its maximum and minimum exposures to fixed and variable rates;
 - o Its maximum and minimum exposures to the maturity structure of its debt;
 - o Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is managed through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2008 on investments out to 5 years.

	Amount at 31 Mar 2009 £000	Historical experience of default %	Adjustment for market conditions at 31 Mar 09 %	Estimated maximum exposure to default £000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions				
AAA rated counterparties	42,000	0.000	0.000	0
AA rated counterparties	127,691	0.007	0.007	9
A rated counterparties	136,950	0.010	0.010	14
Other counterparties	50,350	0.000	0.627	316
Bonds - AAA rates		0.001	0.001	
Trade debtors	5,141	2.000	2.000	103
	362,132			442

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £50.350m invested in this sector at that time and this has been included in the above table. An impairment is shown in the accounts and is detailed on pages 63-65.

The Council does not generally allow credit for its trade debtors, as such £1.179m of the £5.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2009 £000	31 March 2008 £000
Less than three months	575	491
Three to six months	275	183
Six months to one year	169	19
More than one year	160	354
	1,179	1,047

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2009 was £27.5m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Our Medium Term Plan also sets targets for liquidity ratios, which are approved as part of the

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2009	31 March 2008
	<u>£000</u>	<u>£000</u>
Less than one year	60,505	35
Between one and two years	45,031	35
Between two and six years	183,254	30,091
Between six and fifteen years	187,005	240,199
More than fifteen years	566,604	732,271
	<u>1,042,399</u>	<u>1,002,631</u>

The maturity analysis of financial assets is as follows:

	31 March 2009	31 March 2008
	<u>£000</u>	<u>£000</u>
Less than one year	265,991	268,545
Between one and two years	20,000	34,000
Between two and three years	15,000	29,000
More than three years	56,000	53,000
	<u>356,991</u>	<u>384,545</u>

All trade and other payables £46.3m are due to be paid in less than one year and are not shown in the table above.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and expenditure account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

All the Council's liabilities and assets are at fixed rates and so will not be affected by changes in interest rates. Neither does the Council hold investments that could lose capital value. Nevertheless through its Treasury Management Strategy the Council takes full cognizance of the impact changes in interest rates will have on the overall financing costs of the Council

Price Risk - The Council, excluding the pension fund, does not generally invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

34. Investments in Icelandic banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority has £50.35m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £000's	Interest Rate	Carrying Amount £000's	Impairment £000's
Heritable	18/08/08	17/08/09	1,500	6.15	1,557	481
Heritable	08/11/07	10/11/08	2,000	6.19	2,173	670
Heritable	03/09/08	03/11/08	2,000	5.6	2,064	619
Heritable	01/10/08	30/10/08	3,250	6.1	3,349	1,032
Heritable	02/05/08	23/12/08	4,600	5.9	4,848	1,476
Heritable	02/10/08	02/07/09	5,000	6.25	5,154	1,601
Glitnir	06/02/08	06/02/09	5,000	5.5	5,316	382
Glitnir	20/08/08	19/08/09	5,000	6.3	5,193	428
Glitnir	21/10/08	19/01/09	5,000	6.285	5,372	591
Landsbanki	08/11/07	10/11/08	2,000	6.19	2,173	417
Landsbanki	22/04/08	22/04/09	5,000	6	5,283	995
Landsbanki	02/05/08	05/05/09	5,000	5.96	5,273	988
Landsbanki	19/09/08	24/10/08	5,000	5.93	5,158	966
Total			50,350		52,913	10,646

Of this £50.35m, £1.3m was deposited on behalf of the Kent and Medway Fire Authority and £16m on behalf of the Pension Fund. The current predicted loss for the Council is £3.4m. Debtors of £1.2m have been raised for the Fire Authority and the Pensions Fund. However, under FRS 26 we are required to account for the cashflows at fair value. This means that the cashflows have been discounted to give a net present value which means that we have an impairment figure of £10.646m in the accounts. This figure does not have any impact on Council Tax as the Regulations permit us to remove this through the Statement of Movement on the General Fund Balance to the Financial Instruments Adjustment Account.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors, including the Council, will be determined by the administrators / receivers.

The current situation with regards to the recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by the end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment of the Authority it has made the following assumptions re timing of the recoveries:

July 2009	15%
July 2010	30%
July 2011	15%
July 2012	10%
July 2013	10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which included interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100% could be achieved, and the Authority has taken a mid point position and assumed recovery at 95% by 2012. The Authority has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic Courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008 [Maturity date if earlier].

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic Courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 [maturity date if earlier] in the future. The impairment therefore reflects the loss of interest to the Authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential credit status is not achieved the recoverable amount may only be 40p in the £.

Notes to the Core Financial Statements

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008

The impairment loss recognised in the Income and Expenditure Account in 2008-09, £10.646m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustment to the assumptions will be made in future accounts as more information becomes available

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £8.081m has been transferred to the Financial Instruments Adjustments Account. The balance £2.565m relates to interest which has been borne in full by the General Fund.

Pension Fund Accounts

This is an extract from a more detailed published statement, a copy of which is available for inspection at County Hall. Further information about the Pension Fund Accounts can be obtained from Nick Vickers, Head of Financial Services. Telephone Maidstone (01622) 694603 or e-mail nick.vickers@kent.gov.uk.

Under the provisions of the consolidated Local Government Pension Scheme Regulation 1997, a Pension Fund has been established and is administered by Kent County Council for the purpose of providing pensions and other benefits for the pensionable employees of Kent County Council, Medway Council (unitary authority), the district councils in Kent and of other employing bodies established within the county area. Teachers are not included as they have their own national pension scheme.

The Fund is maintained by investing in stock market securities, both in this country and overseas, and in real property and property units trusts within the UK and overseas. Employees' contribution rates range from 5.5% to 7.5% of pensionable pay, determined by a seven tier structure based on the level of whole-time pensionable pay as at 1 April in each year. The rate of employer's contribution is determined by the Fund's actuary at a level necessary to assure that the Fund is able to meet 100% of its existing and prospective liabilities. Any shortfall is being spread over a period of 20 years for Local Authority employers and average future working life time for other employers in the Fund.

A triennial valuation of the Fund was carried out as at 31 March 2007 and this set Kent County Council's employer contribution rate at 23.1% of payroll for the three year period commencing 1 April 2008.

The market value of the Fund's assets at the valuation date was £2,573m and the liabilities were £3,558m. The assets therefore, represent 73% of the Fund's accrued liabilities, allowing for future pay increases. The main actuarial assumptions used were as follows -

Valuation of assets:-	assets have been valued at a 12 month smoothed market value
Rate of return on investments	6.1% p.a.
Rate of general pay increases:-	4.7% p.a.
Rate of increases to pensions in payment (in excess of guaranteed minimum pension):-	3.2% p.a.

The main result of this valuation was to show that the funding level had increased from 63% to 73%.

The next actuarial valuation is due as at 31 March 2010 and any change in employer contribution rates as a result of that valuation will take effect from 1 April 2011.

The Fund has been accepted by the Inland Revenue as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from tax on investment income, underwriting commission and gains on selling transactions. By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

Pension Fund Accounts

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice (revised May 2007). However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

Pension Fund cash which is not required on a day to day basis to pay benefits or administrative expenses of the Pension Fund must be invested on behalf of the Pension Fund by Kent County Council. Kent County Council is required, in accordance with the Local Government Pension Scheme (Management and Investment) Regulations 1998, to pay interest to the Pension Fund on these cash investments. The rate of interest is that earned on the Kent County Council investment portfolio. The remaining cash is split between Investment Fund Managers, who hold it on deposit for interest until required.

Employing Bodies. These include Scheduled Bodies which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted bodies may be either voluntary, charitable or similar bodies or private contractors undertaking a local authority function following a specific business transfer to the private sector.

As required by statute the Council has approved the following documents: Statement of Investment Principles; Funding Strategy Statement; Governance Compliance Statement and Communication Policy. These documents are available on the Authority's website www.kent.gov.uk. Alternatively, a copy may be obtained on request from Nick Vickers, Head of Financial Services, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

Summary of Main Accounting Policies:

1. Statement of Recommended Practice

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice (revised May 2007). However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

2. Investments

Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on 31 March 2009. Unit Trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investment. Unquoted investments are valued by the fund managers at the year end in accordance with generally accepted guidelines.

Derivatives with an initial purchase price are included in the accounts as purchases. Those that do not have an initial purchase price but require a deposit such as an initial margin to be placed with the broker are recorded at cost on purchase. Derivative contracts are included in the net asset statements at fair value.

Open Future contracts are recognised in the net asset statement at their fair value. Amounts included in the change in market value represent realised gains or losses on closed future contracts and the unrealised gains or losses on open future contracts

The industrial and commercial properties were valued at open market prices in accordance with the valuation principles laid down by the Royal Institution of Chartered Surveyors. The valuation has been undertaken by Colliers CRE, as at 31 December 2008

The results of the valuation have then been indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2009.

3. Currency Transactions

Assets and liabilities in foreign currency are translated into sterling at exchange rates ruling at the year-end. Differences arising on the translation of investments are included in investment gains.

All foreign currency transactions are translated into sterling at exchange rates ruling at the transaction date.

4. Contributions, Benefits and Transfer Values

· Normal contributions from County Council members, are accounted for in the payroll month to which they relate, contributions from members of other employers are accounted for on a received basis. All contributions are at rates as specified in the rates and adjustments certificate. Payment of pensions and pensions increases are accounted for on an accruals basis. Lump sum payments are accounted for on the date of retirement or on death.

· Transfer values into and out of the Fund, return of contributions and other intermittent transactions are not dealt with on an accruals basis but are included in the accounts when the transactions occur.

5. Investment Income

· Dividends, rents and cash deposits have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Foreign income has been translated into sterling at the rate ruling at the date of the transaction.

· Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin.

6. Expenditure

All expenses and benefits are accounted for on an accruals basis except that no account is taken of the long-term liabilities to pay benefits

The administrative costs relating to the payment of pension, allowances and other benefits, maintaining employees records, arranging transfer values etc are borne by the Pension Fund.

Costs relating to investments are also borne by the Fund. Fees in respect of investment management, including custody, are calculated as a percentage of the value of the investments under management.

Pension Fund Accounts

Fund Account for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Contributions and Benefits			
Contributions Receivable:			
From employers	1	171,710	158,769
From employees	1	47,245	42,163
Transfers In	2	8,555	15,292
		227,510	216,224
Benefits Payable			
Pensions	3	-114,119	-106,080
Lump Sums	3	-32,924	-27,632
Payments to and on account of leavers			
Refunds of contributions		27	-2
Transfers Out	4	-9,487	-10,559
Administrative & other expenses borne by the scheme	5	-2,833	-2,768
		-159,336	-147,041
Net additions/withdrawals(-) from dealings with Members		68,174	69,183
Returns on Investments			
Investment Income	6	76,533	67,125
Change in Market Value of Investments	7	-564,920	-213,213
Overseas Irrecoverable Taxation		-2,177	-1,193
Loss on Icelandic Investment	9	-1,104	0
		-491,668	-147,281
Investment Management Expenses			
Investment Managers		-5,152	-6,125
Actuarial (Investment Consultancy)		-45	-44
Performance Measurement		-49	-60
Other expenses		24	-215
		-5,222	-6,444
Net Return on Investments		-496,890	-153,725
Net increase/decrease(-) in Fund during the year		-428,716	-84,542
Opening Net Assets of the Scheme at 1st April		2,489,098	2,573,640
Closing Net Assets of the Scheme at 31st March		2,060,382	2,489,098

Pension Fund Accounts

Net Assets Statement as at 31 March 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
Investments at Market Value	7				
Fixed Interest Securities					
- Public		85,953		111,139	
- Other		98,200		79,386	
			184,153		190,525
Equities					
- UK		332,331		580,397	
- Overseas		439,050	771,381	571,946	1,152,343
Pooled Investment Vehicles					
- UK		529,814		429,135	
- Overseas		214,317		273,033	
- Property		37,344	781,475	55,633	757,801
Derivative Contracts			38,321		63,415
Property - Freehold			142,262		201,087
Cash Deposits			45,159		18,508
Other Investments			11,810		15,721
			<u>1,974,561</u>		<u>2,399,400</u>
Investment Liabilities	8		-29,890		-36,104
Current Assets	8		122,282		132,137
Current Liabilities	8		-6,571		-6,335
Net Assets			<u>2,060,382</u>		<u>2,489,098</u>

As there has been a change in accounting for derivatives applicable to the 2008-09 accounts, asset values for 2007-08 have been re-analysed to provide comparative figures.

The accounts summarise the transactions of the Pension Fund and deal with the net assets available. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Pension Fund year. The actuarial position of the Pension Fund, which does take account of such obligations is dealt with in the Actuary's Report included in the Annual Report and these accounts should be read in conjunction with that report. The full actuarial valuation is available on www.kent.gov.uk

Notes to the Pension Fund Account

1. Contributions Receivable

		2009	2008
		£'000	£'000
From Employers	Normal	106,366	76,166
	Special (Early Retirements recoverable costs)	8,704	6,534
	Deficit Funding	56,640	76,069
		171,710	158,769
Analysis of Employers' Contributions	Kent County Council	78,628	75,040
	Scheduled Bodies	83,242	74,160
	Admitted Bodies	9,840	9,569
		171,710	158,769
From Employees	Kent County Council	21,084	18,780
	Scheduled Bodies	23,354	20,901
	Admitted Bodies	2,752	2,388
	Lump Sum Contributions	55	94
		47,245	42,163
Note:	As at 31 March the comparative numbers of members are:	2009	2008
	Kent County Council	22,039	21,722
	Scheduled Bodies	19,380	18,938
	Admitted Bodies	1,966	1,853
		43,385	42,513

2. Transfers In

		2009	2008
		£'000	£'000
Individual		8,555	15,292
Bulk		0	0
		8,555	15,292

Notes to the Pension Fund Account

3. Benefits Payable

	KCC	Scheduled Bodies	Admitted Bodies	2009	2008
	£'000	£'000	£'000	£'000	£'000
Pensions					
Retirement pensions	35,059	36,701	3,384	75,144	70,399
Widows' pensions	2,192	2,703	229	5,124	4,984
Children's allowances	62	108	11	181	203
Pensions increase	17,703	19,333	1,092	38,128	34,879
Less benefits recovered directly from employing authorities	0	-4,334	-124	-4,458	-4,385
	55,016	54,511	4,592	114,119	106,080
Lump Sums					
Retirement (Lump Sums)	12,108	16,313	1,437	29,858	25,000
Death gratuities	1,453	1,522	91	3,066	2,632
	13,561	17,835	1,528	32,924	27,632

The amount stated as pensions increase represents the year on year cumulative increase on the nominal retirement pension received at the start date of retirement.

4. Transfers Out

	2009	2008
	£'000	£'000
Individual	9,487	10,559
Bulk	0	0
	9,487	10,559

5. Administrative and other Expenses borne by the Scheme

	2009	2008
	£'000	£'000
Internal Administration	2,474	2,399
Actuarial Fees	158	239
Audit Fee	55	61
Legal and Other Professional Fees	91	59
Other miscellaneous expenses	55	10
	2,833	2,768

The Legal & Other Professional has been restated for 2007/08 to reflect £43,000 of legal fees which are charged as part of the Internal Administration (also restated)

6. Summary of Income from Investments

	2009		2008	
	£'000	%	£'000	%
Fixed Interest				
- UK	8,471	12.08	8,543	12.73
- Overseas	2,395	3.42	1,529	2.28
Equities				
- UK	19,671	28.06	23,597	35.15
- Overseas	16,462	23.48	12,948	19.29
Pooled Investment Vehicles				
- UK	2,500	3.57	2,442	3.64
- Overseas	5,132	7.32	1,311	1.95
- Property	1,557	16.59	1,257	1.87
Property - Freehold	11,629	2.22	10,354	15.42
Total Income From Investments	67,817	96.74	61,981	92.33
Currency Deposit Accounts	26	0.04	213	0.32
Cash Balances	8,143	2.44	4,673	6.96
Sub-Underwriting Commission/other	173	0.25	38	0.06
Stock Lending	374	0.53	220	0.33
Total	76,533	100.00	67,125	100.00

7. Analysis of Change in Market Value of Investments

	Market Value 31.03.08 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value 31.03.09 £'000
<u>Fixed Interest Securities</u>					
- UK Public	74,077	43,520	-34,895	3,251	85,953
- UK quoted	84,683	27,152	-19,567	-14,197	78,071
- Overseas Public	1,669	2,940	-4,142	-467	0
- Overseas quoted	30,097	6,256	-9,936	-6,288	20,129
<u>Equities</u>					
- UK quoted	580,397	125,868	-186,004	-187,930	332,331
- Overseas quoted	571,946	289,847	-273,434	-149,309	439,050
<u>Pooled Investment Vehicles</u>					
Managed Funds					
- UK	34,045	132,646	-22,591	-20,014	124,086
- Overseas	160,459	44,329	-33,533	-41,749	129,506
Unit Trusts					
- UK Public/Fixed Interest	154,000	0	0	5,867	159,867
- UK	241,090	59,830	-53	-55,006	245,861
- Overseas	112,574	0	0	-27,763	84,811
- Property	24,802	0	0	-10,943	13,859
- Property Overseas	30,831	938	0	-8,284	23,485
Property - Freehold	201,087	0	0	-58,825	142,262
Derivatives					
- UK bond future contracts	35,393	161,276	-166,089	1,947	32,527
- Overseas bond future contracts	-3,455	334,675	-348,922	412	-17,290
- UK equity future contracts	216	226	-368	0	74
- Overseas equity future contracts	502	3,172	-3,110	23	587
	<u>2,334,413</u>	<u>1,232,675</u>	<u>-1,102,644</u>	<u>-569,275</u>	<u>1,895,169</u>
Cash					
- Cash Deposits	50,583			4,355	60,374
- Cash backing open future contracts	-32,075				-15,215
Other Investments					
- Debtors - Outstanding Sales	4,813				1,786
- Creditors - Outstanding Purchases	-4,984				-7,467
- Profit/Loss on Forward Currency	-362				2,849
- Investment Income Accruals	10,908				7,175
Total	<u>2,363,296</u>			<u>-564,920</u>	<u>1,944,671</u>

Liabilities of £29,890,000 have been netted off against the assets of £1,944,671,000. This relates to short derivative contracts of £22,423,000 and outstanding purchases of £7,467,000.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Pension Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £22,924,106 (2007/08 £21,804,360). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Pension Fund.

Notes to the Pension Fund Account

The following reflects the monetary and percentage split of the investments of the Fund at 31 March 2009 and previous year comparisons.

	2009		2008	
	£'000	%	£'000	%
Alliance Bernstein	176,131	9.1	258,938	11.0
Baillie Gifford	324,776	16.8	395,473	16.8
DTZ	182,262	9.4	257,408	10.9
GMO	129,506	6.7	160,459	6.8
Goldman Sachs	186,872	9.7	196,320	8.3
Henderson	8,128	0.4	11,147	0.5
Invesco	236,756	12.2	237,034	10.1
JP Morgan	27,264	1.4	0	0.0
MLIM (Transition)	0	0.0	1,402	0.1
Schroders	549,364	28.4	662,369	28.1
Société Générale	29	0	170,622	7.3
State Street Global Advisors	112,325	5.8	0	0
YFM	1,232	0.1	1577	0.1
	1,934,645	100.0	2,352,749	100.0

The investment manager totals exclude investment debtors and creditors.

Notes to the Pension Fund Account

8. Current Assets and Liabilities

	2009		2008	
	£'000		£'000	
Investment Liabilities				
Derivatives Contracts		22,423		30,758
Outstanding Purchases		7,467		4,984
Loss on forward currency		0		362
		<u>29,890</u>		<u>36,104</u>
Current Assets				
Contributions due from				
-Scheduled Bodies	11,389		9,807	
- Admitted Bodies	890	12,279	907	10,714
Other current assets		1,036		747
Cash		108,967		120,676
		<u>122,282</u>		<u>132,137</u>
Current Liabilities				
Unpaid Benefits		-4,016		-4,133
Other current liabilities		-2,555		-2,202
Total		<u>-6,571</u>		<u>-6,335</u>

The figures for the contributions due from Scheduled and Admitted Bodies for 2008 have been restated because £518k was included as Scheduled Body contributions rather than Admitted Body contributions.

9. Loss on Icelandic Investment

£1.104m represents the loss to the pension fund on cash investments in the Icelandic banks which collapsed in 2008.

Other notes to the Accounts

10. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. These contributions are invested separately from the Pension Fund, with either Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. The AVC provides secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The sum deducted from KCC members and paid over to the AVC providers was: £878,712 (£812,503 in 2007-08). These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Value at 1 April	2,777	2,292	2,002	2,118	1,483	1,594
Income						
Contributions Received	665	425	192	178	13	18
Transfer Values Received	149	90	15	11	0	
Interest & bonuses	107	124	0	0	-8	47
Total	921	639	207	189	5	65
Expenditure						
Retirement Benefits Paid	-316	-130	-296	-257	-270	-168
Transfer Values Paid	-24	-6	-6	-44	-21	-8
Refund of Contributions	-33	-8	0		0	0
Total	-373	-144	-302	-301	-291	-176
Change in Market Value	-60	-10	-321	-4	-2	0
Value at 31 March	3,265	2,777	1,586	2,002	1,195	1,483

Notes to the Pension Fund Account

11. Related Party Transactions

	2009 £'000	2008 £'000
Transactions between the KCC Pension Fund and Kent County Council, in respect of Pensions administration costs, investment monitoring and other services.	2,536	2,442
Outstanding transactions between Scheduled and Admitted bodies participating in the Pension Fund, in respect of employee and employer contributions payable by 19 April 2009.	143	616

Included within the employer related investment figure of £143,301 are balances due at the year end from the following related parties: Cranbrook School £22,539; Robert Napier School £20,913; Angley School £20,611; Mascall's School £15,760; Active Life £15,156; Swanley Town Council £12,477; Fort Pitt Grammar School £11,715

Financial Reporting Standard 8 requires that related party transactions are disclosed where material. The remaining items which make up the £143,301 balance, are individually below £10,000 and relate to a number of scheduled and admitted bodies. These have not been listed individually.

There were no related party transactions with members or senior officers.

12. Investment Commitments

As at 31 March 2009 the Pension Fund has a future commitment to invest in the following Funds:

Fund	Total Commitment	Invested	Outstanding
YFM Private Equity	£4m	£2.1m	£1.9m
Aurora European Property Fund	£33.6m (36.3m euros)	£32.2m (34.7m euros)	£1.4m (1.6m euros)
JP Morgan Forward Currency			
Dollar Hedge	\$20m (£11.75m)	0	\$20m (£11.75m)

13. Stock Lending

In March 2009, the Pension Fund suspended the stock lending programme with the fund's Custodian JP Morgan. No new loans have been made since this date. The remaining open loans will continue to be serviced by JP Morgan until their natural closure. The amount of securities on loan at year-end analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	Market Value £000	Collateral Value £000	Collateral Type
Corporate Bonds	2,330	2,435	Cash
Equities	5,468	6,196	Gilts
Equities	110	118	Cash
Equities	23,574	25,249	Euro Governments
Equities	514	549	US Treasuries
Treasury	15,251	15,814	Gilts
Total	47,247	50,361	

14. Derivative Contracts

Futures

Contract	Manager	Expiration	Fair Value	
			UK £'000's	Overseas £000's
UK				
LIF GILT BOND	Goldman Sachs	June 2009	32,527	
US				
S&P 500 Future	Alliance Bernstein	June 2009	555	
US TREASURY NOTES	Goldman Sachs	June 2009		2,251
US TREASURY NOTES (SHORT)	Goldman Sachs	June 2009		-8,983
JAPAN				
JGB TREASURY BOND (SHORT)	Goldman Sachs	June 2009		-7,807
EUROPE				
EURX BUND	Goldman Sachs	June 2009		2,882
EURX BOND (SHORT)	Goldman Sachs	June 2009		-5,633
			33,082	-17,290

The Alliance Bernstein future is held to maturity as a hedge against their general shareholding positions.

The Goldman Sachs future contracts are bought and sold regularly, and are used to hedge their general positions and also to generate additional profit.

The S&P future is an Equity Future which appears in Note 7 together with the margin account value of £32,000 (total £587,000).

Forward FX

Contract	Manager	Expiration	Profit on contract £000
US\$ Forward currency	JP Morgan	June 2009	2,544

The Forward FX was originally purchased to hedge the dollar exposure of an anticipated \$60m investment in a Distressed Asset Fund.

The Distressed Asset Fund was wound up in December 2008 and all investments made were returned.

At the 31.3.2009 there was still a commitment to the Forward FX of \$20m (£11.75m), but this has since been closed out.

Scheduled Bodies**Local Authority and District Councils**

Ashford Borough Council

Canterbury City Council

Dartford Borough Council

Dover District Council

Gravesham Borough Council

Kent County Council

Maidstone Borough Council

Medway Council

Sevenoaks District Council

Shepway District Council

Swale Borough Council

Thanet District Council

Tonbridge and Malling Borough Council

Tunbridge Wells Borough Council

Schools

Allington Primary School

All Souls County Primary School

Angley School

Archbishops CE School

Aylesford School

Barton Court Grammar School

Bennett Memorial School

Borough Green Primary School

Bradbourne School

Brockhill Park School

Canterbury Campus

Charles Dickens High School

Chatham Grammar School for Girls

Chatham House Grammar School for Boys

Chaucer Technology School

Cheyne Middle School

Cranbrook School

Dane Court Grammar School

Dartford Grammar School for Boys

Dartford Grammar School for Girls

Ditton Infant School

Ditton CE Junior School

Dover Grammar School for Boys

Folkestone School for Girls

Fulston Manor School, Sittingbourne

Gravesend Grammar School for Boys

Gravesend Grammar School for Girls

Greatstone County Primary School

Halfway Houses County Primary School

Harcourt County Primary School

Hayesbrook High School for Boys

Herne Bay High School

Herne Bay Junior School

Hillview School for Girls

Holy Family RC Primary

Holy Trinity County Primary School, Dartford

Holy Trinity County Primary School, Gravesend

Homewood School, Tenterden

Meopham School

Minster College

New Brompton College

Newington Junior School

Northfleet School for Boys

Oakwood Park Grammar School

Our Lady of Hartley RC Primary School

Park Farm County Primary School

Pent Valley Secondary School

Queen Elizabeth's Grammar School

Rainham Mark Grammar School

Robert Napier School

Rochester Grammar School for Girls

Roseacre Junior School

Sandwich High School

Simon Langton Grammar School for Boys

Sir Roger Manwood School

Skinners School

Snodland County Primary School

St Anselm's RC Comprehensive School

St Bartholomew County Primary School

St Botolphs County Primary School

St Edmund of Canterbury Comprehensive

St Francis County Primary School

St George's School, Broadstairs

St George's School, Gravesend

St Gregory's Catholic Comprehensive

St John Fisher RC School

St John RC Comprehensive

St Joseph RC Primary School

St Simon Stock School

Stella Maris RC Primary School

Sutton at Hone County Primary School

Thamesview School

Thomas Aveling School

Tonbridge Grammar School for Girls

Tunbridge Wells High School

Westlands School

Notes to the Pension Fund Account

Horton Kirby County Primary School
Howard School
Hugh Christie School
Larkfield Brookfield Junior School
Malling School
Maplesden Noakes School, Maidstone
Mascalls School

Further Education Colleges

Canterbury College
Hadlow College
Hilderstone College
Mid Kent College

Other Scheduled Bodies

Ash Parish Council
Birchington Parish Council
Borough Green Parish Council
Broadstairs and St Peter's Town Council
Chestfield Parish Council
Cranbrook Parish Council
Darenth Parish Council
Deal Town Council
Ditton Parish Council
Dover Town Council
East Malling and Larkfield Parish Council
Eastry Parish Council
Edenbridge Town Council
Eynsford Parish Council
Eythorne Parish Council
Farningham Parish Council
Faversham Town Council
Folkestone Town Council
Great Mongeham Parish Council
Hartley Parish Council
Hawkhurst Parish Council
Hawkinge Parish Council
Herne & Broomfield Parish Council
Horton Kirby and South Darenth Parish Council
Hythe Town Council
Kent and Essex Sea Fisheries Committee
Kent and Medway Towns Fire Authority
Kent Police Authority
Kent Probation and After Care Committee

Academies

Cornwallis Academy
Folkestone Academy
Leigh Technology Academy
The Marlowe Academy

Wilderness School
Willesborough County Primary Junior School
Wilmington County Primary School
Wilmington Grammar School for Boys
Wilmington Grammar School for Girls
Wincheap County Primary School
Wrotham School

North West Kent College
South Kent College
Thanet College
West Kent College

Kent Top Temps Limited
Kent Valuation Tribunal
Leigh Parish Council
Longfield and New Barn Parish Council
Lower Medway Internal Drainage Board
Margate Charter Trustees
Minster on Sea Parish Council
Minster Parish Council
Otford Parish Council
Pembury Parish Council
Ramsgate Charter Trustees
River Stour Internal Drainage Board
Romney Marsh Levels Internal Drainage Board
Sandwich Town Council
Seal Parish Council
Sevenoaks Town Council
Snodland Town Council
Southborough Town Council
Staplehurst Parish Council
Stone Parish Council
Swanley Town Council
Swanscombe and Greenhithe Town Council
Temple Ewell Parish Council
Tenterden Town Council
Upper Medway Internal Drainage Board
West Kingsdown Parish Council
Westerham Parish Council
Woodnesborough Parish Council
Yalding Parish Council

Longfield Academy
Marsh Academy
New Line Learning Academy
Spires Academy

Agency

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Accounting

The system of local authority accounting and reporting has been modernised to meet the changed needs of modern local government particularly the duty to secure and demonstrate Best Value in the provision of services. The Best Value Accounting Code of Practice provides guidance on the content and presentation of costs of service activities.

Budget

A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure

Expenditure on the provision and improvement of permanent assets such as land, buildings and roads.

Capital receipts

Money obtained on the sale of a capital asset.

Credit arrangements

An arrangement other than borrowing where the use of a capital asset is acquired and paid for over a period of more than one year. The main types of credit arrangements are leases of buildings, land and equipment.

Capital expenditure funded from revenue under statute

Capital expenditure funded from revenue under statute includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Employee expenditure

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Government grants

Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets

Capital spend on items such as software licences and patents.

Long-term debtors

Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision

The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Glossary of terms

Net operating expenditure

This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non Delegated

Spend on Education Services which is not delegated to schools.

Precept

The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district councils collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board

A government controlled agency that provides a source of borrowing for public authorities.

Related party transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Revenue expenditure

Expenditure to meet the continuing cost of services including salaries, purchase of materials and capital financing charges.

Specific grants

See 'government grants'.

Support service costs

The 'overhead' cost to Service Directorates of support services, such as architects, accountants and solicitors.

Usable capital receipts

The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

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