

Foreword

The purpose of this Statement of Accounts (Accounts) is to summarise the financial performance for the year 2006-07 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 64 and 65.

The Accounts consist of:

- An Income & Expenditure account, page 14, which shows income and expenditure for all services.
- A Statement of the Movement on the General Fund Balance on page 15.
- A Statement of Total Recognised Gains and Losses, page 16.
- The Balance Sheet, pages 17 and 18, which sets out the financial position of Kent County Council as at 31 March 2007.
- The Cash Flow Statement which summarises the inflows and outflows of cash, page 19.
- The Pension Fund Accounts - an extract from the more detailed published statement, pages 52-63.
- Notes to support the above primary statements pages 20 to 51.

Revenue Budget and Outturn

In February 2006 the Council approved a net revenue budget for 2006-07 of £709.958m. In addition £8.957m of 2005-06 underspending was rolled forward and added to the budget. 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 £'000s	Outturn £'000s	Variance £'000s
Education & School Improvement - (Non Delegated)	-66,343	-68,685	-2,342
Children & Family Services	125,496	124,896	-600
Adult Social Services	258,978	259,979	1,001
Environment, Highways & Waste	114,089	111,703	-2,386
Regeneration & Supporting Independence	8,022	7,524	-498
Communities	56,895	57,522	627
Corporate Support & Health	28,918	28,853	-65
Policy & Performance	3,337	3,536	199
Finance	98,030	91,495	-6,535
	627,422	616,823	-10,599
Delegated Schools Budgets:			
Education & School Improvement - (Delegated Schools)	811,508	807,789	-3,719
- (unallocated Dedicated Schools Gra	622	0	-622
	1,439,552	1,424,612	-14,940
Dedicated Schools Grant	-720,637	-718,205	2,432
	718,915	706,407	-12,508

Foreword

FUNDED BY:-			
Reserves (rolling budget reserve)	8,957	8,957	0
Formula Grant	226,212	225,164	1,048
Council Tax	483,746	483,745	1
Total Funding	718,915	717,866	1,049
NET OUTTURN POSITION	0	-11,459	-11,459

The net underspending within the portfolios of £7.740m (excluding £3.719m delegated schools underspend) has been carried forward and will be added to the 2007-08 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 underspent against their delegated budgets by £3.719m. Of this, £0.754m was in respect of underspending of delegated schools budgets. The remainder of the underspending is in respect of unallocated schools budgets of £2.965m. The closure of schools during the year, with an overall net surplus balance, resulted in the transfer of £0.207m from the delegated schools revenue budget reserves to the unallocated schools budget. Schools now have some £63.090m of revenue reserves and there is £11.286m of unallocated schools budget reserves.

In addition, £0.622m of Dedicated Schools Grant (DSG) was not distributed at the time of setting the schools budgets, as it was already anticipated at that time that there would be a shortfall in DSG compared to the budget assumption. The total shortfall in DSG compared to the budget was £2.432m. This shortfall has been offset by the £0.622m of unallocated DSG and £1.810m of the £2.342m underspend within the Education and School Improvement portfolio.

Revenue Reserves

The general reserve position at 31 March 2007 is £25.8m, which is unchanged from the position as at 31 March 2006.

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 £237.1m. The expenditure analysed by portfolio was:-

PORTFOLIO	Budget £'000s	Outturn £'000s	Variance £'000s
Education & School Improvement	111,722	97,771	-13,951
Children & Family Services	3,629	3,354	-275
Adult Social Services	11,728	10,719	-1,009
Environment, Highways & Waste	38,733	37,747	-986
Regeneration & Supporting Independence	27,087	24,490	-2,597
Communities	10,881	8,941	-1,940
Corporate Support & Health	2,434	2,332	-102
Policy & Performance	504	470	-34
Finance	7,201	6,309	-892
	213,919	192,133	-21,786
Devolved Capital to Schools	37,977	39,092	1,115
	251,896	231,225	-20,671
Property Enterprise Fund		5,834	5,834
TOTAL	251,896	237,059	-14,837

Expenditure excluding that incurred by schools under devolved arrangements and the Property Enterprise Fund was £21.786m 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 2007-08 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2006-07 was £39.1m and at 31 March 2007 schools have in hand some £12.9m of devolved capital funding, which will be carried forward to 2007-08 as part of the overall schools reserves position.

In 2006-07, the County Council approved the establishment of a Property Enterprise Fund, with the aim of maximising the value of the Council's land and property portfolio through:

- the investment of capital receipts from the disposal of non-operational property into assets with higher growth potential, and
- 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 to supplement the Council's resources.

The Fund has 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.

In 2006-07, £5.834m was spent through the Property Enterprise Fund, of which £3.120m was funded by capital receipts generated through the Fund from the disposal of non-operational property, and £2.714m was funded from the approved £10m temporary borrowing facility.

Details of the main items of capital expenditure are shown on page 34 and 35, and details of the financing of capital expenditure are on page 33.

Capital Reserves

At 31 March 2007 the Council has earmarked and other capital reserves of £34.6m as shown on page 18.

Insurance Fund

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

Based on current estimates of the amount and timing of fund liabilities the insurance provision at 31 March 2007 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 39.

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 2006-07, earlier years and for future years. The balance currently stands at £952.4m as shown on the balance sheet on page 17 and detailed in Note 23.

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) 671411 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 29 June 2007 on behalf of Kent County Council.

Councillor Charles Findlay
Chairman of the Governance and Audit Committee
XX July 2007

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 2007.

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 14 to 63 present fairly the financial position of Kent County Council at 31st March 2007 and its income and expenditure for that year.

Director of Finance
XX July 2007

1. Introduction

Kent County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In order to ensure this, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal, and ensuring that an effective system of risk management and internal controls is maintained.

2. Summary Of Arrangements and their Effectiveness

Corporate Governance

In March 2003 the Council approved and adopted a Code of Corporate Governance, which is consistent with the principles, and reflects the requirements of, the CIPFA/SOLACE framework "Corporate Governance in Local Government: A Keystone for Community Governance". During 2005-06, this Code was updated to reflect new national guidance on the principles of good governance across all public services. The revised Code identifies the critical processes, policies and procedures which secure effective corporate governance and the Council's "Governance and Audit Committee" has oversight of its implementation on behalf of the Council. The Head of Audit and Risk has reported that the arrangements in place during 2006-07 to secure effective Governance gave us a substantial level of assurance.

Risk Management

The Head of Audit and Risk's scored opinion for risk management was 'Substantial', confirming that during 2006-07 there were arrangements in place to ensure the identification, prioritisation and assignment of high priority risks and that appropriate steps have been taken to mitigate them.

Management Arrangements

The Director of Law and Governance has management responsibility for overseeing the implementation and monitoring the operation of the Code of Corporate Governance and risk management arrangements.

3. Statement On The Financial Year 2006-07

We are satisfied that, except for the matters identified below which were addressed during the year, a sound system of corporate governance and internal control was in place throughout the financial year and is ongoing. This conclusion has been reached on the basis of a report from the Director of Finance which in turn was informed by:-

- Assurance statements provided by Managing Directors, based on their assessment of operational controls within their services;
- An assessment of internal financial control;
- The work of Internal Audit and the Head of Audit and Risk's independent annual opinion on corporate governance and risk management arrangements;
- The work of the external auditors and comments in their ISA 260 and the Annual Audit and Inspection Letter and other reports;

The following matters were addressed during the year 2006-07:

- A review of partnership arrangements and the production of the "Working with Partnerships - a guide to good practice" document which has been presented as a draft to Governance and Audit Committee.

Statement of Internal Control

- New or refined risk registers have been produced to support the restructured directorates.
- Improved self-evaluation processes with our partners in preparation for the Joint Area Review.
- Successful completion of the first phase of an equal pay audit for Kent Scheme staff.
- Development of an Enterprise Architecture methodology to ensure alignment of ICT outcomes with service
- Continued consolidation of performance and risk management.
- Continued good progress on the management of the capital programme.

4. Developments in 2007-08

In their individual Statements, Managing Directors and Directors of Services in the Chief Executive's Department have identified improvements in operational control to be undertaken in 2007-08 and we are satisfied that these are based on sound systems of identification. In addition, the following cross-cutting developments will be carried out in 2007-08:

- Improved controls and governance around our partnership arrangements.
- A review of the reporting and monitoring of capital slippage and capital receipts.
- Development and integration of financial and activity data within a number of directorates to improve management information.
- Further development of Children's Trust arrangements.
- Continued development of business continuity plans.
- Continued development and enhancement of Criminal Records Bureau (CRB) checks in schools.
- The implementation of SWIFT is seen as a major achievement but it is recognised that some bedding down and data quality management is required
- Increased demand for elderly services which demographic analysis suggests will continue indefinitely and the ongoing relationship with the Health Economy.

We will take steps over the coming year to address the above matters and will report on their implementation and operation as part of the assurance statement for 2007-08. We are satisfied that these steps will address any need for improvements that have been identified.

By Order of the Council

Leader

Chief Executive

On behalf of Kent County Council

General

The Accounts of Kent County Council have been compiled in accordance with the 2006 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 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 39 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 after calculating net operating expenditure. Details of the Authority's reserves are shown in the notes to the Accounts on pages 40-45.

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 is properly classified as capital expenditure but does not result in an increase in value is written off in the year to the Fixed Asset Restatement Account. Similarly, 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

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. Gains and losses on revaluation are written to the Fixed Asset Restatement Account. 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 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 cost.

Loss on Disposal of Fixed Assets

Property assets are revalued to recognise the capital receipt received for the sale with the following exceptions; items that are not held on the balance sheet e.g. strips of land, which 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 - these 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.

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

Capital receipts

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

Repurchase of

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure account in the period during which the repurchase or early settlement is made. Where loans are restructured, the premium is written off to revenue over the period of the new loan.

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 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.

Deferred charges

Deferred charges represent expenditure which may be properly capitalised, but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account.

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 general government grants line 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. 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 an estimate of the undischarged operating lease obligations are shown as Note 10 to the Income and Expenditure Account and within Note 18 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

This is an unfunded scheme administered by the Department for Education and Skills. The pension cost charged to the Accounts is the contribution set by the Department on the basis of a notional fund.

- 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 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 53.

PFI Accounting Policy

This is a new accounting policy, the impact of which can be found in Notes 1 and 20. The County Council has several long term PFI contracts including Westview and Westbrook which are two recuperative care facilities, Swan Valley Community School and a contract for the refurbishment and redevelopment of six schools, three of which became operational towards the end of 2006-07. 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.

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 2007		2005-2006	
		Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
Service	1	£'000	£'000	£'000	£'000
Regulatory Services and Emergency Planning		9,912	3,028	6,884	3,337
Court Services		2,319	328	1,991	1,797
Arts & Libraries		27,666	2,466	25,200	28,155
Waste Management		55,365	4,664	50,701	43,120
Environmental, Planning and Other Services		52,271	24,408	27,863	23,979
Education Services		1,160,573	342,308	818,265	770,852
Highways, Roads and Transport Services		92,680	8,954	83,726	90,956
Social Services		547,987	176,027	371,960	320,725
Corporate and Democratic Core		26,666	11,930	14,736	23,699
Non Distributed Costs				16,254	16,221
Net Cost of Services	2	1,975,439	574,113	1,417,580	1,322,841
Loss on the disposal of fixed assets				8,633	30,131
Precepts and Levies	3			560	549
Net Surplus on trading accounts	4			-4,693	-3,646
Interest payable				54,425	52,843
Contribution by Medway to Loan Debt-Principal & Interest				-5,586	-5,897
Interest and Investment Income				-13,328	-10,178
Pensions interest cost and expected return on pensions assets	5			16,900	25,200
Net Operating Expenditure				1,474,491	1,411,843
This was financed by:					
General Government Grants				-288,661	-537,639
Non-Domestic Rates Redistribution					-410,515
Demand on Collection Fund				-483,745	-456,339
Dedicated Schools Grant	6			-718,205	0
Net General Fund Surplus(-)/ Deficit				-16,120	7,350

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 f benefits are earned.

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.

	At 31 March 2007 £'000	At 31 March 2006 £'000
(Surplus)/deficit on the Income & Expenditure Account	-16,120	7,350
Amount required by statute to be debited/(credited) to General Fund	16,120	-4,850
Increase in General Fund balance for the year	0	2,500
General Fund balance brought forward	-25,835	-28,335
General Fund balance carried forward	-25,835	-25,835

Reconciling Items for the Statement of Movement on the General Fund

Amortisation of intangible assets	-1,444	-2,883
Depreciation and impairment of fixed assets	-85,552	-77,964
Government Grants deferred	16,080	14,895
Government Grants and Contributions received	63,497	59,586
Write down of deferred charges	-11,990	-15,367
Net loss on sale of fixed assets	-8,633	-30,131
PFI adjustments re transfer of assets	441	0
Net charges made in accordance with FRS17	-84,100	-78,850
	-111,701	-130,714
Provision for the payment of external loans	36,231	33,143
Direct revenue financing	8,554	8,718
Contributions to/(from) the Pension Reserve	71,700	63,500
	4,784	-25,353
Net transfer to/(from) earmarked reserves	11,336	20,503
Net additional amount required to be debited/(credited) to the General Fund Ba	16,120	-4,850

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	At 31 March
	2007	2006
	£'000	£'000
(Surplus)/deficit for the year on the Income and Expenditure Account	-16,120	7,350
(Surplus)/deficit arising on revaluation of fixed assets	-195,509	-34,198
Actuarial (gains)/losses on pension fund assets and liabilities	-94,130	11,167
Other Movements	1,706	3,313
Total recognised (gains)/loss for the year	-304,053	-12,368

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 2007		31 March 2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible Fixed Assets	19		4,732		5,935
Tangible Fixed Assets					
Operational assets					
Land and buildings		1,414,844		1,239,411	
Vehicles, plant and equipment		15,863		17,511	
Roads and other highways infrastructure		514,320		518,182	
Community assets		7,775		6,664	
Non-operational assets					
Investment Property		6,584		1,955	
Assets under construction		237,813		131,573	
Surplus and non-operational property		95,423		74,349	
Total Tangible Assets	18		<u>2,292,622</u>		<u>1,989,645</u>
Total fixed assets			2,297,354		1,995,580
Long-term investments			135,000		66,000
Long-term debtors	20		59,736		62,002
Deferred Premiums			20,990		21,940
PFI debtor			441		
Total long-term assets			<u>2,513,521</u>		<u>2,145,522</u>
Current assets					
Stocks and work in progress		5,905		6,809	
Debtors	20	175,613		173,145	
Investments		133,059		153,234	
Cash and bank balances		96,652		102,615	
Total current assets			411,229		435,803
Current liabilities					
Temporary borrowing		-38		-40	
Creditors	21	-266,856		-237,452	
Cash balances overdrawn		-124,609		-101,924	
			<u>-391,503</u>		<u>-339,416</u>
Total assets less current liabilities	22		<u>2,533,247</u>		<u>2,241,909</u>
(Net Assets Employed)					
Long-term liabilities					
Long-term borrowing	23	-952,365		-882,523	
Deferred liabilities		-957		-1,523	
Deferred credit - Medway Council		-55,609		-57,926	
Provisions	24	-13,534		-12,855	
Government grant deferred account		-174,435		-173,058	
Liability related to defined benefit pensions schemes	- KCC - DSO	26 26	-637,700 -2,487	-719,900 -2,017	
			<u>-1,837,087</u>		<u>-1,849,802</u>

Total assets less liabilities

696,160

392,107

Balance Sheet

Fixed asset restatement account	25	-664,125	-498,986
Capital financing account	25	-462,092	-416,820
Earmarked capital reserve	25	-26,698	-24,884
Usable capital receipt reserve	25	-7,942	-7,473
Pensions reserve			
- KCC	26	637,700	719,900
- DSO	26	2,487	2,017
Earmarked reserves	25	-81,181	-74,094
General Fund balance	25	-25,835	-25,835
Schools reserves	25	-67,639	-65,626
Surplus on trading accounts	27	-835	-306
Total net worth		<u><u>-696,160</u></u>	<u><u>-392,107</u></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	2006-2007		2005-2006
		£'000	£'000	£'000
Revenue Activities				
Cash outflows				
Employee costs		1,061,009		998,688
Other operating costs		857,196		903,376
Precepts and levies paid		560		549
Cash inflows				
Dedicated Schools Grant		-718,205		0
Precepts on Collection funds		-483,745		-456,339
Non-domestic rate income		0		-410,515
Revenue support grant		-225,164		-478,053
Other government grants	31	-332,848		-354,081
Cash received for goods and services		-275,088		-286,573
Other operating cash receipts		-10,667		-9,535
Net cash inflow revenue activities	32		-126,952	-92,483
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest paid		53,376		52,239
Interest element of finance lease rental		30		37
Cash inflows				
Interest received		-9,110		-8,666
			44,296	43,610
			-82,656	-48,873
Capital Activities				
Cash outflows				
Purchase of fixed assets		223,730		216,902
Expenditure on deferred charges		11,990		15,368
Cash inflows				
Sale of fixed assets		-46,633		-35,083
Capital grants received	31	-67,279		-79,537
Other capital cash receipts		-20,652		-5,418
			101,156	112,232
Net cash outflow before financing			18,500	63,359
Management of Liquid Resources				
Net increase/decrease(-) in short term investments			48,826	-20,092
Financing				
Cash outflows				
Repayments of amounts borrowed		239,360		74,295
Capital element of finance lease rentals		196		202
Repayment of Credit Liability		30,966		13,365
Cash inflows				
New loans raised		-309,200		-126,170
			-38,678	-38,308

Net decrease/increase(-) in cash

33

28,648	4,959
--------	-------

1. Prior Period Adjustments

In the 2006/07 Statement of Accounts, the council has adopted four significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account (I & E) as prescribed in the 2006 Statement of Recommended Practice (SORP):

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item. Those capital grants and contributions that are not deferred and are transferred directly to the capital financing account are now included in the General Government Grants line on the I & E.
- gains and losses on the disposal of fixed assets are recognised in the I & E account. The value shown in the table below relates primarily to the transfer of £20m of Magistrates Courts for nil consideration.
- the FRS 17 figures have been restated by the actuary on instruction by the council to reflect actual employer contributions and to account for the unfunded liabilities from the 1 April 1998 reorganisation.

These changes have had the following impact on the comparative figures for 2005-06 (only figures that have changes are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	FRS 17 restatement re unfunded liabilities plus other £000's	Relocation of Gov grants Recognition of gains and losses on disposal of fixed assets £000s	Relocation of Gov grants deferred credits and grants received £000s	2005/06 comparatives in Income and Expenditure Account £000s
Regulatory Services and Emergency Planning	3,407		-70		3,337
Waste Management	43,243		-123		43,120
Environmental, Planning and Other Services	24,032	405	-458		23,979
Education Services	813,919	-557	-42,510		770,852
Highways, Roads and Transport	131,921		-26,070	-14,895	90,956
Social Services	321,807		-1,082		320,725
Corporate & Democratic Core	24,848		-1,149		23,699
Impact on Net Cost of Services	1,363,177	-152	-71,462	-14,895	0
Loss on disposal of fixed assets					30,131
Trading account surplus	-3,627	12	-31		-3,646
AMRA	-33,545		71,493	14,895	52,843
(Interest payable and similar charges)					
Pensions interest cost and expected return on pensions assets	21,340	3860			25,200
Impact on Net Operating Expenditure	1,347,345	3,720	0	0	30,131
General Government Grants	-478,053			-59,586	-537,639
Impact on Net General Fund Surplus(-)/Deficit	869,292	3,720	0	-59,586	30,131

Notes to the Core Financial Statements

The following are prior period adjustments to the balance sheet.

	Reason for adjustment
Land and buildings	193 Accumulated depreciation not written out in relation to PFI schools
Deferred Premiums	21,940 Repositioned to top half of the balance sheet
PFI payment in advance	6,216 Recognition of transfer of PFI assets
Government grant deferred account	-173,058 Repositioned to top half of the balance sheet
Liability related to defined benefit pensions scheme	-62,174 Restatement of figures from actuary in relation to unfunded liabilities
Deferred credit - Medway Council	-57,926 Repositioned to top half of the balance sheet
Impact on Net Worth	<u>-264,809</u>

2. 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).

3. Precepts

The following precepts were paid:

	2006-07	2005-06
	£000's	£000's
Environment Agency	324	323
Kent and Essex Sea Fisheries Committee	209	201
Sussex Sea Fisheries Committee	27	25
	<u>560</u>	<u>549</u>

4. Trading Operations

The results of the various trading operations for 2006-07 are shown below prior to transfers to and from

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-)	Restated Surplus/ Deficit(-)
			2006-07	2005-06
	£'000	£'000	£'000	£'000
Kent County Supplies Provision of educational and office supplies (from warehouse stock and by direct delivery)	33,286	32,586	700	856
County Furniture Furniture manufacturing, including on-site projects	875	874	1	21
Technical Services Maintenance of audio-visual, computer, portable, fire fighting, gymnastic and general electrical equipment	1,362	1,286	76	59
Community Equipment services Procurement and distribution of living aids equipment	3347	3283	64	95
County Print Literature design and general printing	2,987	3,035	-48	94
Transport Services Provision of lease cars, minibuses, ambulances and lorries, plus vehicle maintenance and repairs	15,950	14,207	1,743	1099
Passenger Services Provider of bus services, including school transport	3,175	3,204	-29	24
Transport Integration Specifying and control of transport for Education and Social Services	7,375	7,236	139	157
LASER Energy purchasing consortium	162,254	160,806	1,448	707
Kent Cleaning and Contracting Services Cleaning services	0	0	0	-1
Landscape Services Grounds maintenance including constructing work	10,472	9,873	599	535
Total surplus	241,083	236,390	4,693	3,646

Notes to the Core Financial Statements

Kent Cleaning and Contracting Services closed in 2005-06 and is included only for comparative purposes.

Community Equipment Services in 2005-06 formed part of Kent County Supplies, therefore comparatives have been re-stated to reflect the current structure

5. 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	
	2006-07	2005-06
	£000's	£000's
Net Cost of Services:		
• Current service cost	-65,000	-51,300
• Past service costs	-2,200	-2,350
Net Operating Expenditure:		
• Interest cost	-87,100	-80,600
• Expected return on assets in the scheme	70,200	55,400
Actual amount charged against council tax for pensions in that year:	-84,100	-78,850
• Employer's contributions payable to scheme	71,700	63,500
Amounts to be met from Government Grants and Local Taxation:		
• Movement on pensions reserve	-12,400	-15,350

Teachers

In 2006-07 Kent County Council paid £54.1m (£52.4m in 2005-06), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 13.65% 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 2006-07 these amounted to £4.3m (£4.4m in 2005-06), representing 1.1% (1.1% in 2005-06) 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 2006-07 Kent County Council paid an employer's contribution of £71.7m (£63.5m in 2005-06) into the Pension Fund, representing 21.8% (20.4% in 2005-06) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2006-07 was based on the review carried out as at 31 March 2004. 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 2006-07 is £1.131m (£1.250m in 2005-06). The capital value of payments agreed in earlier years is £55.1m (£56.9m in 2005-06).

An actuarial valuation was carried out on the fund as at 31 March 2004. 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.

6. Dedicated Schools Grant

The council's expenditure on schools is funded in the main by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement the schools Budget from its own resource and this year programmed an additional £0.5m spending by schools.

Details of the deployment of DSG receivable for 2006-07 are as follows

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Original grant allocation to Schools Budget for the current year in the authority's budget	78,599	642,038	720,637
Adjustment to finalised grant allocation DSG receivable for the year	-1,810	-622	-2,432
	<u>76,789</u>	<u>641,416</u>	<u>718,205</u>
Actual expenditure for the year	-75,130	-637,697	-712,827
(Over)/underspend for the year	1,659	3,719	5,378
Planned top-up funding of ISB from council resources	0	0	0
Use of schools balances brought forward	0	0	0
(Over)/underspend from prior year		0	0
(Over)/underspend carried forward to 2007-08	<u>1,659</u>	<u>3,719</u>	<u>5,378</u>

The individual schools budget includes schools contingency.

Other Notes to the Income and Expenditure Account

7. 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:

	2006-07 £'000	2005-06 £'000
Recruitment advertising	2,849	3,149
Other advertising	1,320	503
Other publicity	2,417	2,664
	<u>6,586</u>	<u>6,316</u>

8. Members Allowances

Members allowances paid in 2006-07 totalled £1,780,480.50 (£1,757,375 in 2005-06).

9. 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 £32.3m (£33.8m (restated) in 2005-06). Supplies of goods and services totalled £22.2m (£24.3m in 2005-06). External business represented 46% (45.3% 2005-06) of the turnover of Commercial Services department.

10. 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 £6.277m and in respect of land and buildings amounted to £3.809m. A further £0.599m was paid in respect of finance leases.

11. Related Party Transactions

During the financial year 2006-07 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 £1.1m.
- Kent County Council received Dedicated Schools Grant of £718.2m.
- Precepts amounting to £0.6m were paid to the Environment Agency, Kent and Essex Sea Fisheries and Sussex Sea Fisheries Committee.
- Payments to other local authorities and health bodies, excluding precepts, totalled £10.8m.
- Receipts from other local authorities and health bodies totalled £48.2m.
- In addition, payments of Employers' Pension Contributions were made to the Pension Fund in respect of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The details of these payments are detailed in notes to the Income and Expenditure Account, note 5 on pages 23 and 24 of the Financial Statements.

12. Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2006 to 31 March 2007

This note shows the number of employees whose total remuneration in the financial year 2006-07, excluding pension contributions, 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 car loans, leased cars, travel cards, health insurance and mobile phones.

Remuneration (£)	Total number of employees	
	31 March 2007	31 March 2006
50,000 - 59,999	462	338
60,000 - 69,999	117	89
70,000 - 79,999	64	48
80,000 - 89,999	31	29
90,000 - 99,999	23	19
100,000 - 109,999	3	4
110,000 - 119,999	2	2
120,000 - 129,999	2	2
130,000 - 139,999	4	2
140,000 - 149,999	1	0
150,000 - 159,999	1	0
160,000 - 169,999	1	1
170,000 - 179,999	1	1
180,000 - 189,999	0	1
190,000 - 199,999	0	0
200,000 - 209,999	0	0
210,000 - 219,999	0	0
220,000 - 229,999	1	1
Total	713	537

Notes to the Core Financial Statements

13. Audit Costs

In 2006-07 the following fees were paid relating to external audit and inspection :

	2006-07 £'000	2005-06 £'000
Fees payable for external audit services carried out by the appointed auditor	474	360
Fees payable to the Audit Commission in respect of statutory inspection	13	12
Fees payable to the appointed auditor for the certification of grant claims and returns	71	98
Fees payable in respect of other services provided by the appointed auditor	148	
	706	470

14. Subsidiary Undertakings

Kent Top Temps LTD (KTT) is a wholly owned subsidiary of Kent County Council. It commenced trading on the 4th April 2005. KTT is an employment agency providing temporary and permanent solutions across a variety of disciplines within the public and private sectors in Kent and the South East. It is a member of the Recruitment and Employment Confederation. KTT had a turnover in 2006-07 of £4.5m with a net profit of £0.2m before tax. This does not have a material impact on Kent County Council's accounts and therefore it is not necessary to produce group accounts in 2006-07.

15. Health Act 1999 - Pooled Budget

Under Section 31 of the above Act, the authority entered into S31 agreements with Primary Care Trusts (PCT) for Kent Drug and Alcohol Action Team (KDAAT) which provides advice and information for Adults, and Registered Nursing Care Contribution (RNCC) in Care Homes.

KDAAT	£000's 2006-07	£000's RNCC 2005-06	£000's 2006-07	£000's 2005-06
Gross Funding			Gross Funding	
Swanley PCT			Ashford PCT	486
National Treatment Agency	2,503	11,741	Canterbury & Coastal PCT	834
KCC	6,937		East Kent Coastal PCT	1,195
	1,593		Shepway PCT	538
			Dartford, Gravesham & Swale PCT	1,399
			Maidstone Weald PCT	949
			South West Kent PCT	829
			Swale PCT	187
	11,033	11,741		6,417
Expenditure	11,033	11,741	Expenditure	6,417
	0	0		0
				-2

Notes to the Core Financial Statements

Westbrook/West View PFI	£000's	£000's ICES		£000's	£000's
Gross Funding	2006-07	2005-06	Gross Funding	2006-07	2005-06
Ashford PCT	0	1,192	Ashford PCT	48	36
Coastal PCT	2,678	1,063	East Kent Coastal PCT	286	82
KCC - Social Services	2,800	2,578	Dartford, Gravesham &		
PFI Credits	1,381	2,257	Swanley PCT	21	11
			Maidstone Weald PCT	92	51
			South West Kent PCT	51	29
			Swale PCT	8	10
			Medway PCT	13	23
			Medway Council	52	36
			KCC - Social Services	476	515
	6,860	7,090		1,048	793
Expenditure	6,860	7,090	Expenditure	1,048	793
	0	0		0	0

16. Long Term

PFI

West View and Victoria House

In 2007-08 the authority is committed to making payments of £2.8m under a PFI contract with Integrated Care Services (ICS) for the maintenance and operation of Westview and Victoria House recuperative care facilities. The actual amount will depend on the performance of ICS in delivering the services under the contract (£2.8m was paid in 2006-07). The contract will run until April 2033.

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. 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, Holmesdale, The North, Ellington School for Girls, The Malling and Aylesford) 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 on 30 October 2006, Holmesdale on 10 November 2006 and The North on 5 February 2007). The unitary charge commenced in November 2006, PFI credits were not received during 2006-07, and will not start until June 2007. 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 £157.7 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.

Notes to the Core Financial Statements

The Council has classified these PFI schemes 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 £21m and just over £171m over the respective periods.

17. Landfill Allowance Trading Scheme

No trading of 2006-07 landfill allowances has taken place. DEFRA officials have calculated the weighted average value at which 2006-07 vintage allowances have traded during the financial year as £17.98 per tonne. Estimated usage is 300,280 tonnes which is 107,562 tonnes less than our allowance for 2006-07. These transactions are reflected in the balance sheet against debtors, creditors and earmarked reserves. 20,000 of 2007-08 vintage allowances have been traded at £5 per allowance. The receipt in advance of £100,000 has been recognised in 2006-07.

Notes to the Balance Sheet
18. 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
Gross Book Value as at 31 March 2006	1,301,380	37,869	840,395	6,664	131,573	76,304	2,394,185
Accumulated depreciation	-61,969	-20,358	-322,213				-404,540
Net book value as at 31st March 2006	1,239,411	17,511	518,182	6,664	131,573	76,304	1,989,645
Movement in 2006-07							
Additions	52,402	1,835	21,584	1,111	139,256	8,639	224,827
Disposals (net)	-16,794	-10				-7,148	-23,952
Revaluations / Adjustments	178,425	816	-12		-12,898	22,418	188,749
Depreciation	-38,852	-4,289	-42,019				-85,160
Impairments	-392						-392
Net transfer from operational to non- operational	-1,794					1,794	0
Trans from/to WIP	2,438		16,585		-19,023		0
Trans from WIP to revenue					-1,095		-1,095
Net book value as at 31 March 2007	1,414,844	15,863	514,320	7,775	237,813	102,007	2,292,622

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 of Mouchel Parkman. R N H Dodson FRICS, S R B Smith MRICS and R M Whittaker MRICS of Cushman & Wakefield carried out the valuation of Kings Hill. The basis for valuation is set out in the statement of accounting policies, and further explained below.

	Land and buildings	Investment Properties	Total
	£'000	£'000	£'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

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 2004-05 approximately 20% of the properties were inspected, the remainder being valued on a beacon basis of valuation. In 2006-07 all secondary schools have been valued. 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).

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 2007	At 31 March 2006
	£'000	£'000
Gross Book Value	8,091	8,157
Accumulated Depreciation	-7,134	-6,634
Value at 31 March 2007	957	1,523

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

	2006-07	2005-06
	£'000	£'000
Less than one year	388	624
Between 2-5 years	716	974
	1,104	1,598

Aggregate finance charges allocated for the period up to the 31 March 2007 are £0.2m in respect of finance leases

Notes to the Core Financial Statements

The Council was committed at 31 March 2006 to making payments of £10.086m under operating leases in 2006/07, comprising the following elements:

	Land and Buildings	Vehicle Plant and Equipment
	£000's	£000's
Leases expiring in 2006/07	0	1960
Leases expiring between 2007/08 and 2010/2011	1,976	4,197
Leases expiring after 2010/2011	1,833	120
	3,809	6,277

Capital Expenditure and Financing

Capital expenditure was financed as follows:

	2006-07	2005-06
	£000's	£000's
Opening Capital financing requirement	913,331	827,675
Capital investment		
Fixed Assets	224,478	220,962
Intangible assets	241	1,119
Deferred charges	11,990	15,367
Increase in finance leases	7	463
	1,150,047	1,065,586
Sources of finance		
Capital receipts	15,111	22,889
Government grants and other contributions	80,024	87,866
Revenue contributions (including MRP)	44,785	41,500
	1,010,127	913,331
Movement	96,796	85,656
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	33,867	55,324
Increase in underlying need to borrow (unsupported by Government financial assistance)	62,929	30,332
Increase/(decrease) in Capital Financing Requirement	96,796	85,656

Capital expenditure 2006-07

The main items of capital expenditure during the year were:

Highways Schemes	£'000	
Bridge Strengthening/Maintenance Schemes	20,771	
A228 Leybourne and West Malling Bypass	8,655	
East Kent Access Road	7,762	
Integrated Transport Schemes	6,838	
Edenbridge Improvements	3,277	
Kent Highway Services Accommodation	2,959	
Fastrack	1,825	
Ashford Ring Road	1,437	
		53,524
Education Schemes		
Westgate Primary School	5,456	
Emergency Building Maintenance	4,333	
6 Schools PFI	3,800	
Building Maintenance (Condition) Programme	3,435	
Schools Access Initiative	3,384	
Ifield School	3,102	
Furness School	3,084	
St Nicholas School	3,063	
Harbour School	3,038	
The North School, Ashford	2,671	
Building Schools for the future - Development Costs	2,662	
Meadowfield School	2,564	
Thanet Skills Centre	2,152	
Leigh Technology School	2,100	
Oaktree Primary, Ashford	1,739	
Targeted Funding (Whitfield & Aspen Unit)	1,602	
Goldwyn School	1,425	
Herne Bay Junior	1,323	
Mascalls School	1,238	
Hythe Bay CEPS	1,234	
Planned Preventative Maintenance	1,206	
Asbestos Removal	1,178	
Development and Sustainability - Children's Centres	1,170	
The Sunrise Centre	1,169	
Milestone School	1,121	
Angley School	1,047	
Harrietsham CEPS	1,014	
		61,310

Notes to the Core Financial Statements

Kent Adults Social Services

Broadmeadow	5,100	
Improving Information Management	<u>3,200</u>	8,300

Chief Executive's

Oakwood House Extension		1,103
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Communities

Big Lottery Fund - Physical Education and Sport	4,360	
Sevenoaks Library, Museum and Gallery	1,622	

Property Enterprise Fund		5,624
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135,843

Capital Devolved to Schools	39,092	
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Projects less than £1m	62,124	
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Total Capital Expenditure	<u>237,059</u>	
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Notes to the Core Financial Statements

Future capital expenditure commitments

At 31 March 2007 contractually committed capital expenditure to be incurred in 2007-08 and later years includes the following major projects:

	£'000
Highway Schemes	
Kent Thameside Fastrack	4,008
East Kent Access Road	2,320
Education Schemes	
Meadowfield	5,580
Goldwyn Community Special School	3,268
Ifield School	2,337
Whitfield School	1,950
King Ethelberts' School	1,750
St Nicholas School	1,253
Hythe Bay CEPS	1,079
Hayesbrook School	965
Highsted Grammar	751
Reculver CEPS	698
Clarendon House Grammar School	600
Borden Grammar School	599
Social Services	
Social Services replacement systems programme (SRP)	848
Total Commitments	<u>28,006</u>

Analysis of major operational asset holdings

	At 31 March 2007	At 31 March 2006
Schools (excludes voluntary aided schools)	504	510
Adult education, discovery and youth centres	122	121
Smallholdings	8	8
Homes and day centres for the elderly	20	23
Facilities for children and their families	45	29
Facilities for people with disabilities	11	12
Recreation sites	30	29
Household Waste sites	18	18
County roads	8382 km	8248km
County offices	10	10

19. Movement in intangible assets

	Purchased Software licences £000s	Total £000s
Balance at 1 April 2006	5,935	5,935
Expenditure in year	241	241
Written off to revenue in year	-1,444	-1,444
Balance at 31 March 2007	4,732	4,732

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

Notes to the Core Financial Statements

20. Amounts owed to the Council by debtors

	At 31 March 2007 £000's	At 31 March 2006 £000's
Long Term debtors:		
Housing Act advances (mortgages)	16	19
Medway Council (transferred debtor)	55,608	57,926
Public bodies	3,301	3,601
Other (incl PFI debtor)	1,252	456
	60,177	62,002
Other debtors:		
Staff advances	87	129
Government Departments	37,211	52,895
Payments in advance (incl PFI)	29,805	27,215
General debtors	108,510	92,906
	175,613	173,145

Capital debtors amounting to £13.1m are included in the Accounts at 31 March 2007 (£20.4m in 2005-06). Capital debtors relate to grants towards capital expenditure incurred in 2006-07 which had not been received by 31 March 2007.

PFI

	At 31 March 2007 £000's	At 31 March 2006 £000's
Long term PFI debtors		
Long term prepayment	-385	0
Long term debtor in relation to residual	826	0
	441	0

PFI

	At 31 March 2007 £000's	At 31 March 2006 £000's
Short term PFI Prepayment	6,418	6,216
	6,418	6,216

21. Amounts owed by the Council to creditors

	At 31 March 2007 £'000	At 31 March 2006 £'000
Kent and Essex Sea Fisheries	582	644
Receipts in advance	47,861	42,798
General creditors	194,230	169,043
Other local authorities	2,663	4,606
Deferred capital receipts	16	19
Deferred income	1,779	
Government departments	19,725	20,342
	266,856	237,452

Capital creditors amounting to £39.3m are included in the Accounts at 31 March 2007 (£37.9m in 2005-06).

Notes to the Core Financial Statements

22. Net Assets Employed

Net assets analysed between Kent County Council and trading operations.

	At 31 March 2007 £'000	At 31 March 2006 £'000
General Fund	2,526,594	2,236,103
Trading Accounts	6,653	5,806
	<u>2,533,247</u>	<u>2,241,909</u>

23. Long term borrowing

The external debt of Kent County Council repayable in more than 1 year is analysed as follows:

	At 31 March 2007 £'000	At 31 March 2006 £'000
Public Works Loan Board	666,665	641,823
Money market loans	285,700	240,700
	<u>952,365</u>	<u>882,523</u>

The loans above are repayable within the following periods:

	£'000	£'000
Between 1-5 years	10,146	139
Between 5-10 years	129,779	72,643
Between 10-15 years	87,003	111,003
More than 15 years	725,437	698,738
	<u>952,365</u>	<u>882,523</u>

24. 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 06 £'000	Movement in year £'000	Balance at 31 March 07 £'000
Insurance Provision	-9,040	-181	-9,221
Pension Fund Provision for ex DSO staff*	-616	161	-455
Other Provisions	-3,199	-659	-3,858
	<u>-12,855</u>	<u>-679</u>	<u>-13,534</u>

*The current prediction is that this fund will be exhausted during 2008-09. Our Medium Term Financial Plan for 2007 -10 acknowledges this and builds in up to £200k per annum to fund the ongoing commitments. which

for 2007. To address these and other issues in up to \$200K per annum to fund the ongoing commitments, which will reduce over time.

Notes to the Core Financial Statements

25. 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 earmarked resources for future spending plans.

Reserve	Balance	Net	Balance	Purpose of Reserve
	1 April	Movement	31 March	
	2006	in year	2007	
	£'000	£'000	£'000	
Fixed Asset Restatement Account	-498,986	-165,139	-664,125	Store of gains on revaluation of fixed assets
Capital Financing Account	-416,820	-45,272	-462,092	Store of capital resources set aside for past expenditure
Usable Capital Receipts	-7,473	-469	-7,942	Proceeds of fixed assets available to meet future capital investment
Pensions Reserves				Balancing account to allow inclusion of Pensions
- KCC	719,900	-82,200	637,700	Liability in Balance Sheet
- DSO	2,017	470	2,487	
General Fund	-25,835	0	-25,835	Resources available to meet future pressures
Earmarked Capital Reserve	-24,884	-1,814	-26,698	See separate note
Earmarked Reserves	-74,094	-7,087	-81,181	See separate note
Schools Reserve	-65,626	-2,013	-67,639	See separate note
Surplus on Trading Accounts	-306	-529	-835	
Total	-392,107	-304,053	-696,160	

Earmarked Reserves

The following describes each of the Earmarked Reserve accounts where the balance is in excess of £0.5m, the sum of which are shown in the table on page 43.

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.

Swan Valley School PFI equalisation reserve

This has been established to equalise, over time, the budget impact of unitary charge payments for the Swan Valley School PFI scheme. The reserve will comprise contributions from the Education revenue budget and a proportion of grant funding received from the government. This reserve is drawn down as appropriate to reduce the impact on council tax.

Gravesham North Kent (GNK) reserve

A reserve which comprises funds received from Dartford, Gravesham and Swanley Primary Care Trust to be used to cover revenue pressures following the opening of the GNK PFI project, a project undertaken in partnership between Kent Social services and Gravesham & North Kent Hospital.

Asylum reserve

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

Supporting People reserve

This is unspent 2004/05, 2005/06 and 2006/07 grant which will be used to smooth out the loss of grant funding in future years.

Assistive Technology reserve

A reserve to cover the re-phased costs of Telecare, technology designed to assist people to stay in their own homes longer rather than go into care. The annual costs will be drawn down over the next four years as the programme is rolled-out.

Environmental Initiatives reserve

This reserve represents funds in hand relating to a variety of environmental initiatives involving other partners. The reserve largely comprises resources received from external funders against which expenditure will be incurred.

Rolling budget reserve

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

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.

East Kent Access reserve

This reserve has been fully utilised in 2006-07 to assist in the funding of the East Kent Access capital project.

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.

Kent Pay Scheme

A reserve to cover the costs in 2007-08 and beyond of the restructure of the Kent Pay Scheme.

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)

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

Brenchley House Sinking Fund

This reserve will be drawn down over the next few years as we pay revenue streams for the occupation of Brenchley House as opposed to the original plan of immediate capital expenditure.

Lenders Option Borrowers Option (LOBO) Equalisation Reserve

A reserve to smooth the impact on the revenue budget over the medium term of stepped interest rates on the costs of borrowing.

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.

Six Schools PFI Reserve

A reserve to cushion the shortfall at the end of the PFI contract caused by a delay in the completion of the scheme in year 1 for three of the schools.

Insurance reserve

This is a reserve for the 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. The authority can either use these permits, bank them for future use or trade 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 2007-08 or future years as initiatives are completed.

	Balance at		Balance at
	1 April 2006	Movement	31 Mar 2007
	£'000	£'000	£'000
Other Earmarked Reserves			
VPE Reserve	-3,331	-215	-3,546
Special funds	-2,453	-133	-2,586
Office Strategy	-414	-217	-631
Kings Hill development - Colts Hill & Leybourne/West Malling Bypass	-1,846	-750	-2,596
Swan Valley school PFI equalisation reserve	-3,567	-838	-4,405
Gravesham North Kent Reserve (from D G & S PCT)	-2,000	980	-1,020
Asylum Reserve	-3,791	2,670	-1,121
Supporting People Reserve	-3,409	-2,332	-5,741
Assistive Technology	-1,531	596	-935
Environmental initiatives reserve	-2,086	-1,304	-3,390
Rolling budget reserve	-10,267	2,119	-8,148
Emergency Conditions Reserve	-450	-363	-813
East Kent Access reserve	-1,831	1,831	0
Dilapidations reserve	-1,827	0	-1,827
Workforce Reduction reserve	-1,985	0	-1,985
Kent Pay Scheme	-708	0	-708
IT Asset Maintenance reserve	-2,479	-3,060	-5,539
PRG Reserve	-7,169	2,457	-4,712
Brenchley House Sinking Fund	-530	173	-357
LOBOs Equalisation Reserve	-1,435	0	-1,435
Prudential Equalisation Reserve	-6,016	-4,293	-10,309
Six schools PFI	0	-848	-848
Other	-4,587	-806	-5,393
Total	-63,712	-4,333	-68,045
Insurance Reserve			
KCC	-10,206	0	-10,206
LATS Reserve			
Landfill Allowance Taxation Scheme	0	-1,934	-1,934
	-73,918	-6,267	-80,185
Commercial Services Earmarked Reserves	-176	-820	-996
Total Earmarked Reserves	-74,094	-7,087	-81,181
Trading Reserves			
Commercial Services Trading Account	-226	-529	-755
Personnel	-79	0	-79
Schools Reserves	-70,657	-3,719	-74,376
Total Movement as per I & E	-145,056	-11,335	-156,391
Balance Sheet	-140,025	-9,629	-149,654
Difference - schools reserves	5,031	1,706	6,737

Notes to the Core Financial Statements

School Reserves

At 31 March 2007 funds held in school revenue reserves stand at £67.639m. These reserves are detailed in the table below.

	Balance at 1 April 2006	Movement	Balance at 31 Mar 2007
	£'000	£'000	£'000
School delegated revenue budget reserves - committed	-38,739	1,183	-37,556
School delegated revenue budget reserves - uncommitted	-23,804	-1,574	-25,378
Unallocated Schools budget	-8,114	-3,172	-11,286
Community Focused Extended School Reserves	0	-156	-156
Reserves used to fund school loans *	5,031	1,706	6,737
Total	-65,626	-2,013	-67,639

* under the school loans scheme, loans to schools are financed from the aggregate of school reserves. The sum of such reserves is accordingly reduced by the value of loans outstanding.

The increase in reserves of £2.013m is made up of the following:

	2006-07	2005-06
	£'000	£'000
Underspend (as per page 1)	-3,719	-7,834
Increase in school loans	1,706	2,906
	-2,013	-4,928

26. Liability related to defined benefit pensions schemes

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	Local Government Pension Scheme			
	2006-07	2005-06	2004-05	2003-04
	£000's	£000's	£000's	£000's
Estimated liabilities in scheme	-1,779,500	-1,764,800	-1,486,700	-1,193,000
Estimated assets in scheme	1,141,800	1,044,900	791,300	706,000
Net asset (+)/liability(-)	-637,700	-719,900	-695,400	-487,000

This liability reflects the underlying commitment that the authority has in the long - term to pay retirement benefits. The total liability of £637.7m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

The actuary has calculated the value of assets held by the Pension Fund that are attributable to Kent County Council at 31 March 2007. In carrying out this valuation they have made the following assumptions:

Assumptions as at	31 Mar 2007	31 Mar 2006	31 Mar 2005	31 Mar 2004
	% per annum	% per annum	% per annum	% per annum
Price increases	3.20%	3.10%	2.90%	2.90%
Salary increases	4.70%	4.60%	4.40%	4.40%
Pension increases	3.20%	3.10%	2.90%	2.90%
Discount rate	5.40%	4.90%	5.40%	6.50%

Pensions Reserve

The actuarial gains and losses	Local Government Pension Scheme			
	2006-07		2005-06	
	£000's	%	£000's	%
Difference between the expected and actual return on assets	-7,200	-0.6	171,800	16.4
Difference between actuarial assumptions about liabilities and actual experience	200	-	-150	-
Changes in the demographic and financial assumptions used to estimate liabilities	97,400	5.1	-184,900	-0.8
	90,400		-13,250	

The £97,400k comprises £122,900k in respect of the change in financial assumptions, £19,800k in respect of the allowance for 25% of future retirements to elect additional tax free cash and (£45,300k) in respect of an allowance for longevity improvements in the year to 31 March 2007

Notes to the Core Financial Statements

	2004-05	
	£000's	%
Difference between the expected and actual return on assets	20,600	2.6
Difference between actuarial assumptions about liabilities and actual experience	42	-
Changes in the demographic and financial assumptions used to estimate liabilities	-223,900	-13.7
	<u>-203,258</u>	

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

	2006-07	2005-06	2004-05
	£000's	£000's	£000's
Actual return less expected return on pension scheme assets	-7,200	171,800	20,600
Experience gains and losses arising on the scheme liabilities	200	-150	42
Changes in assumptions underlying the present value of the scheme liabilities	97,400	-184,900	-223,900
Actuarial gain / (loss) in pension plan	<u>90,400</u>	<u>-13,250</u>	<u>-203,258</u>
Increase / (Decrease) in irrecoverable surplus from membership fall and other factors	3,730	2,083	-
Actuarial Gain / (loss) recognised in STRGL	<u>94,130</u>	<u>-11,167</u>	<u>-203,258</u>

The value of the Fund at 31 March and the expected return on the assets of the Fund is shown in the following

Assets (Employer)

	Long Term Rate of Return Expected	Fund Value at 31 March 2005	Long Term Rate of Return Expected	Fund Value at 31 March 2004
	% per annum	£'000	% per annum	£'000
Equities	7.70%	546,000	7.70%	543,600
Bonds	4.80%	102,900	5.10%	91,800
Property	5.70%	79,100	6.50%	56,500
Cash	4.80%	<u>63,300</u>	4.00%	<u>14,100</u>

Notes to the Core Financial Statements

	Long Term Rate of Return Expected % per annum	Fund Value at 31 March 2007 £'000	Long Term Rate of Return Expected % per annum	Fund Value at 31 March 2006 £'000
Equities	7.80%	800,700	7.40%	741,900
Bonds	4.90%	141,800	4.60%	135,800
Property	5.80%	116,700	5.50%	94,000
Cash	4.90%	82,600	4.60%	73,100
Total		1,141,800		1,044,800

DSO Pensions

The figure in the balance sheet reflects the unfunded liability as calculated by the actuary in March 2007 on a minimum risk basis. This basis represents a more prudent set of assumptions and is closest to an FRS 17 figure. A fund was established in 1993-94 and further detail of this and how it is being managed is shown in Note 7 - Provisions.

27. Surplus on Trading Accounts

	Balance at 1 April 06 £'000	Movement in the year £'000	Balance at 31 March 07 £'000
Commercial Services	-227	-529	-756
Personnel and Development	-79	0	-79
	-306	-529	-835

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

28. 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 52 to 63.

29. The Euro

The impact of the possible introduction of the Euro in the United Kingdom is being monitored and no costs were incurred in 2006-07.

Notes to the Core Financial Statements

30. Contingent Liabilities

Land, Planning & Highways

Kent County Council faces a very significant claim for compensation which is being fiercely resisted. It is a very complex case and a preliminary hearing is set for May. While the claim is for several million pounds, it is not possible to predict the outcome. The estimate of legal fees incurred so far is £450,000.

There is also a claim in the High Court in which approximately £0.5m is being claimed by a developer against Kent's Highway Service. Every effort is being made to vigorously defend the claim.

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. The site also suffers from significant fly tipping which if the Council is not able to get the offenders to clear, could cost the Council in excess of £10k.

Contract Claims

The County Council is seeking to recover through mediation losses it has suffered associated with the abandoned plans to build the Turner Centre in Margate as per the original design. The losses if not recovered will remain in the region of £5m. Legal costs to date have already exceeded £10k. KCC is hopeful that it will recover a significant portion if not all of the £5m lost.

Insurance Claim

There is a claim in relation to work undertaken by Kent County Council and we are hopeful that the claim will be met. However, the insurers have issued a Reservation of Rights and so it has been noted as a contingent liability.

Non-compliance

There is one matter where for remedial works carried out by KCC on land belonging to the Highways Agency, KCC could face a damages claim for trespass, breach of planning laws and prosecution under the Environment Protection Act 1990. At present no legal action has been taken by the Environment Agency nor by the local planning authority. Indeed the Environment Agency has indicated that it is unlikely to take legal action. The Council is in negotiation with the Highways Agency and no legal action has yet been taken. However, if this case does proceed and the Council loses the case, KCC could be required to carry out remedial works or pay damages of around £0.25m. In addition KCC would be liable to pay the claimant's legal costs which could be significant.

There is potential for one class action under the Equal Pay Act 1970 which if brought and is successful could result in damages being awarded to the employees in the region of £0.4m.

Employment

There are fourteen potential claims relating to discrimination and breach of contract in employment. In ten of these cases where the damages being sought have been quantified, the total is approximately £0.7m. The Council has not admitted liability in any of these cases. There is one further case which may proceed to the Employment Tribunal. If proceedings commence, then KCC will incur legal costs in defending the claim. It should be noted that as there is no cap on damages in discrimination cases, if this or the other cases where discrimination has been pleaded are lost, significant damages could be awarded.

Notes to the Core Financial Statements

There are a significant number of claims (98) from part-time workers claiming backdated membership of the Local Government or Teacher's Pension Scheme. The cost to the Council, if cases are lost or settled, is calculated by the application of a complicated formula. Any costs resulting from these claims are met by an increase in the Council's contribution to the Pension Scheme.

Education

There are 3 cases pending or progressing which if pursued fully through the judicial review/statutory appeals process in the High Court could lead to legal costs in excess of £10k being incurred on each. However KCC believes that these cases will not progress and therefore legal costs in excess of £10k are unlikely to be incurred.

Immigration

There are 4 cases which if successful could result in KCC incurring costs to provide support which will exceed £10k. In addition the costs of legal representation on 3 of these could exceed £10k

Mental Health

There is one case which if successful could result in KCC paying its own and the claimant's legal costs plus

31. Cash flow Grant analysis

Revenue Grants	2006-07	2005-06
	£'000	£'000
Department for Education and Skills	231,760	238,513
Department of Health	29,745	49,549
Home Office	7,582	21,630
Department for Transport	59	59
European Community	563	748
Department for Communities and Local Government	61,615	41,768
Cabinet Office	274	538
Department of the Environment, Food and Rural Affairs	663	630
Department of Work and Pensions	151	54
Seeda - South East England Development Agency	17	342
Department of Cultural, Media & Sport	44	
NOF - New Opportunity Fund (Lottery)	375	250
	332,848	354,081
Capital Grants		
Department for Education and Skills	42,940	40,617
Department for Transport, Local Government and the Regions	4,535	24,461
Department for Communities and Local Government	12,710	6,555
Department of Health	833	650
Lottery and other	6,261	7,254
	67,279	79,537

32. Reconciliation of revenue surplus to revenue cashflow

	2006-07	2005-06
	£'000	£'000
Surplus(-)/Deficit for the year	0	2,500
Non-cash transactions		
Minimum revenue provision and amounts set aside from revenue	-36,231	-33,143
Contributions to reserves	-19,890	-29,638
Contributions to provisions	337	7,677
	-55,784	-52,604
Items on an accruals basis		
Increase/decrease(-) in revenue debtors	-2,084	3,754
Increase(-)/decrease in revenue creditors	-27,083	-2,299
Increase/decrease(-) in stocks	-904	1427
	-85,855	-49,722
Items shown later in the cashflow statement		
Servicing of finance	-41,097	-42,665
Net cashflow from revenue activities	-126,952	-92,387

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

	Balance	Balance	Movement
	1 April 2006	31 Mar 2007	in the year
	£'000	£'000	£'000
Cash and bank balances	102,615	96,652	5,963
Cash overdrawn	-101,924	-124,609	22,685
Decrease in cash			28,648
Debt repayable within 1 year	-40	-38	2
Debt repayable after 1 year	-882,523	-952,365	-69,842
Current investments	219,234	268,059	48,825
Increase in net debt			-21,015

34. 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. These are not included in the County Council's balance sheet.

Balance Sheet at 31 March

	2006-07	2005-06
	£	£
Current assets		
Investments	46,241	46,241
Debtors	902	861
Cash	101,612	98,603
	148,755	145,705
Represented by		
Trust funds -		
Capital	-45,115	-45,115
Revenue	-103,640	-100,590
	-148,755	-145,705

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) 671411 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. Contributions are made to the fund by employees at the rate of 6% of their pensionable remuneration for officers and new members of the scheme. Existing manual staff entitled to pay 5% will continue to contribute at 5% whilst they remain in continuous employment in the same capacity. 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 2004 and this set Kent County Council's employer contribution rate at 22.8% of payroll for the three year period commencing 1 April 2005. This increase is being phased in over the three years with rates payable of 20.4%, 21.7% and 23.1%.

The market value of the Fund's assets at the valuation date was £1,589.3m and the Actuary placed a value of £1,603m on the assets. The main actuarial assumptions used were as follows -

Valuation of assets:-	assets have been valued at a 12 month smoothed market value
Discount rate:-	6.3% p.a.
Rate of general pay increases:-	4.4% p.a.
Rate of increases to pensions in payment (in excess of guaranteed minimum pension):-	2.9% p.a.

The main result of this valuation was to show that the funding level had decreased from 76% to 63%.

The next actuarial valuation is due as at 31 March 2007 and any change in employer contribution rates as a result of that valuation will take effect from 1 April 2008.

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.

Administrative costs of paying pensions, allowances and other benefits, maintaining employees' records, arranging transfer values etc. are borne by the Fund. Costs relating to the investment of the Fund are also charged in this way

Pension Fund Accounts

With the exception of market pricing for fixed interest securities, 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. 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.

A small part of the daily cash balance of the Fund awaiting investment is used by the County Council as part of its temporary borrowing requirements. The regulations require that interest on such balances be credited to the Fund at not less than 7 days notice money market rates. 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 a Statement of Investment Principles. It was prepared with assistance from the Fund's Investment consultants Hymans Robertson and after consultation with interested parties. It provides the basis for the future development of the Committee's principles for managing the investments of the Fund. The statement will be subject to review by the Committee on a biennial basis. It is 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. The Pension Fund Accounts are accounted for on an accruals basis for income and expenditure with the exception of transfers in and out, which are accounted for on a cash basis.
2. No account is taken of the long term liabilities to pay pensions and other benefits after the period end.
3. Quoted equity investments are stated at market value based on the middle market quotation and quoted fixed interest investments are stated at market value based on the bid market quotation on the relevant stock exchange ruling on 31 March 2007. 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.
4. Industrial and Commercial properties were valued at open market prices as at 31 December 2006 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2007.
5. Investments held in foreign currencies have been valued on the same basis and translated into sterling at the rate ruling on 31 March 2007. All foreign currency transactions are translated into sterling at exchange rates ruling at the transaction date.
6. 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.

Pension Fund Accounts

7. Normal contributions from members and employers, are accounted for in the payroll month to which they relate 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.

Pension Fund Accounts

Fund Account for the year ended 31 March 2007

	Notes	2007		2006
		£'000	£'000	£'000
Contributions and Benefits				
Contributions Receivable:				
From employers	1	149,772		139,933
From employees	1	40,217		38,303
Transfers In	2	14,101		28,144
			204,090	206,380
Benefits Payable				
Pensions	3	-99,479		-93,699
Lump Sums	3	-24,102		-20,667
Payments to and on account of leavers				
Refunds of contributions		-30		-1544
Transfers Out	4	-10,655		-14,622
Administrative & other expenses borne by the schem	5	-2,472		-2,437
			-136,738	-132,969
Net additions/withdrawals(-) from dealings with Members			67,352	73,411
Returns on Investments				
Investment Income	6	68,964		65,762
Change in Market Value of Investments	7	69,216		446,207
Overseas Irrecoverable Taxation		-958		-793
			137,222	511,176
Investment Management Expenses				
Investment Managers		-5,738		-4,122
Actuarial		-11		-17
Performance Measurement		-49		-45
Other expenses		-326		-242
		-6,124		-4,426
Net Return on Investments			131,098	506,750
Net increase/decrease(-) in Fund during the year			198,450	580,161
Opening Net Assets of the Scheme			2,375,106	1,794,945
Closing Net Assets of the Scheme			2,573,556	2,375,106

Pension Fund Accounts

Net Assets Statement as at 31 March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Investments at Market Value	7				
Fixed Interest Securities					
- Public		88,363		81,813	
- Other		63,673		73,699	
			152,036		155,512
Equities					
- UK		856,498		993,573	
- Overseas		585,815		513,167	
			1,442,313		1,506,740
Pooled Investment Vehicles					
- UK		218,124		189,102	
- Overseas		287,449		127,966	
- Property		26,016		12,941	
			531,589		330,009
Property - Freehold			230,183		189,372
Global Tactical Asset Allocation			100,912		150,512
Cash Deposits			61,900		23,389
Other Investments			11,329		5881
			<u>2,530,262</u>		<u>2,361,415</u>
Current Assets and Liabilities	8		43,294		13,691
Net Assets			<u>2,573,556</u>		<u>2,375,106</u>

Notes to the Pension Fund Account

1. Contributions Receivable

		2007	2006
		£'000	£'000
From Employers	Normal	138,547	128,517
	Special (Early Retirements)	11,225	11,416
		<u>149,772</u>	<u>139,933</u>
Analysis of Employers' Contributions	Kent County Council	68,964	61,169
	Scheduled Bodies	71,356	66,505
	Admitted Bodies	9,452	12,259
		<u>149,772</u>	<u>139,933</u>
From Employees	Kent County Council	18,064	16,912
	Scheduled Bodies	19,657	18,797
	Admitted Bodies	2,384	2,392
	Lump Sum Contributions	112	202
		<u>40,217</u>	<u>38,303</u>
Note:	As at 31 March the comparative numbers of members are:	2007	2006
	Kent County Council	20,304	20,001
	Scheduled Bodies	18,368	17,489
	Admitted Bodies	1,914	1,909
		<u>40,586</u>	<u>39,399</u>

2. Transfers In

		2007	2006
		£'000	£'000
Individual		14,101	28,144
Bulk		0	0
		<u>14,101</u>	<u>28,144</u>

3. Benefits Payable

	KCC	Scheduled Bodies	Admitted Bodies	2007	2006
	£'000	£'000	£'000	£'000	£'000
Pensions					
Retirement pensions	31,136	32,932	2,868	66,936	63,114
Widows' pensions	1,884	2,530	196	4,610	4,474
Children's allowances	50	123	4	177	163
Pensions increase	14,886	16,421	771	32,078	30,227
Less benefits recovered direct from employing authorities	0	-4,205	-117	-4,322	-4,279
	<u>47,956</u>	<u>47,801</u>	<u>3,722</u>	<u>99,479</u>	<u>93,699</u>
Lump Sums					
Retirement	7,989	12,756	1,484	22,229	18,341
Death gratuities	793	988	92	1,873	2,326
	<u>8,782</u>	<u>13,744</u>	<u>1,576</u>	<u>24,102</u>	<u>20,667</u>

The amount stated as pensions increase represents the year on year cumulative increase on the nominal retirement pension payable for the year to the end of the financial year.

retirement pension received at the start date of retirement.

Notes to the Pension Fund Account

4. Transfers Out

	2007	2006
	£'000	£'000
Individual	10,655	12,813
Bulk	0	1,809
	10,655	14,622

5. Administrative and other Expenses borne by the Scheme

	2007	2006
	£'000	£'000
Internal Administration	2,131	2,064
Actuarial Fees	166	219
Payments to external auditors - audit fee	67	67
- non audit services fee	0	20
Legal and Other Professional Fees	85	32
Other miscellaneous expenses	23	35
	2,472	2,437

6. Summary of Income from Investments

	2007		2006	
	£'000	%	£'000	%
Fixed Interest				
- UK	8,381	12.15	7,500	11.40
- Overseas	864	1.25	661	1.01
Equities				
- UK	34,241	49.65	31,866	48.46
- Overseas	11,246	16.31	9,074	13.80
Pooled Investment Vehicles				
- UK	320	0.46	140	0.21
- Overseas	618	0.90	3,516	5.35
- Property	664	0.96	777	1.17
Property - Freehold	10,435	15.13	10,046	15.28
Total Income From Investments	66,769	96.81	63,580	96.68
Currency Deposit Accounts	36	0.05	8	0.01
Cash Balances	2,147	3.11	2,145	3.26
Sub-Underwriting Commission/other	12	0.03	29	0.05
Total Income From Investments	68,964	100.00	65,762	100.00

Notes to the Pension Fund Account

7. Analysis of Change in Market Value of Investments

	Market Value 31.03.06 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value 31.03.07 £'000
<u>Fixed Interest Securities</u>					
- UK Public	76,230	182,418	-182,042	-4,275	72,331
- Index Linked	0	231	-231	0	0
- UK quoted	72,968	96,859	-73,741	-2,819	93,267
- UK future contracts	5,583	52,709	-45,964	-38	12,290
- Overseas Public	0	11,330	-7,580	-8	3,742
- Overseas quoted	14,180	12,154	-10,425	-1,003	14,906
- Overseas future contracts	-13,449	232,440	-263,488	-3	-44,500
<u>Equities</u>					
- UK quoted	993,573	413,207	-590,043	39,661	856,398
- UK future contracts	0	11,151	-11,051	0	100
- Overseas quoted	507,420	531,337	-460,573	1,984	580,168
- Overseas unquoted	0	3,074	0	823	3,897
- Overseas future contracts	5,747	58,682	-63,154	475	1,750
<u>Pooled Investment Vehicles</u>					
<u>Managed Funds</u>					
- UK	32,489	137,128	-119,390	3,181	53,408
- Overseas	10,735	302,236	-167,985	22,782	167,768
<u>Unit Trusts</u>					
- UK Public/Fixed Interest	134,297	143,299	-132,855	1,170	145,911
- UK	22,316	0	-6,387	2,876	18,805
- Overseas	117,231	169,716	-171,786	4,520	119,681
- Property	12,941	9,102	0	3,091	25,134
- Property Overseas	0	869	0	13	882
Property - Freehold	189,372	17,900	-7,690	30,601	230,183
Global Tactical Asset Allocation	150,513	0	-16,000	-33,601	100,912
	<u>2,332,146</u>	<u>2,385,842</u>	<u>-2,330,385</u>	<u>69,430</u>	<u>2,457,033</u>
<u>Cash</u>					
- Cash Deposits	21,290			-214	31,140
- Cash backing open future contracts	2,098				30,760
<u>Other Investments</u>					
- Debtors - Outstanding Sales	7,558				1,397
- Creditors - Outstanding Purchases	-12,739				-2,979
- Profit/Loss on Forward Currency	-353				659
- Investment Income Accruals	11,415				12,252
	<u>2,361,415</u>			<u>69,216</u>	<u>2,530,262</u>

The following reflects the monetary and percentage split of the investments of the Fund at 31 March 2007 and previous year comparisons.

	2007		2006	
	£000's	%	£000's	%
Alliance Bernstein	277,548	11.0	0	0.0
Baillie Gifford	379,086	15.1	369,782	15.8
DTZ	256,994	10.2	202,845	8.6
GMO	167,768	6.7	0	0.0
Goldman Sachs	289,352	11.5	667,872	28.4
Henderson	9,485	0.4	433	0.0
MLIM (Transition)	938	0.0	0	0.0
Schroders	688,009	27.3	702,616	29.9
Societe Generale	448,594	17.8	406,452	17.3
YFM	236	0.0	0	0.0
	<u>2,518,010</u>	<u>100</u>	<u>2,350,000</u>	<u>100</u>



Notes to the Pension Fund Account

8. Current Assets and Liabilities

	2007	2006
	£'000	£'000
Cash	37,910	7,915
Contributions due from		
-Scheduled Bodies	7,536	6,613
- Admitted Bodies	1,198	1,771
	8,734	8,384
Other Debtors	658	869
Benefits payable	-1,206	-925
Other Creditors	-2,802	-2,552
Total	43,294	13,691

9. 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 policy with Equitable Life has an anniversary date of 30 September. Equitable Life has not been able to provide financial statements for 31 March year end dates.

The value of funds at 30 September 2006 was £1,642,978. Equitable Life has been asked to change the anniversary date of the policy to 31 March to enable the disclosure to be made in future years.

The disclosure for Prudential and Standard Life is set out below.

	2007			2006		
	Prudential £000	Standard Life £000	Total £000	Prudential £000	Standard Life £000	Total £000
Value at 1 April	2,180	1,932	4,112	1,949	1,416	3,365
Income						
Contributions Received	204	176	380	177	162	339
Transfer Values Received	106	4	110	206	111	317
Interest & bonuses	190	8	198	93	0	93
Total	500	188	688	476	273	749
						0
Expenditure						0
Retirement Benefits Paid	-250	-171	-421	-95	-52	-147
Transfer Values Paid	-82	-13	-95	-10	-38	-48
Refund of Contributions	-60	0	-60	-141	0	-141
Total	-392	-184	-576	-246	-90	-336
Change in Market Value	4	182	186	1	333	334
Value at 31 March	2,292	2,118	4,410	2,180	1,932	4,112

Notes to the Pension Fund Account

10. Related Party Transactions	2007	2006
	£'000	£'000
Transactions between the KCC Pension Fund and Kent County Council, in respect of Pensions administration costs, investment monitoring and other services.	2,131	2,064
Transactions between Scheduled and Admitted bodies participating in the Pension Fund, in respect of employee and employer contributions payable.	93	632

Included within the employer related investment figure of £92,623 are balances due at the year end from the following related parties: Town & Country Housing Group £19,431, High Weald Housing Association £14,364, Weald of Kent Grammar School for Girls £14,251, Mascalls School £12,468.

Financial Reporting Standard 8 requires that related party transactions are disclosed where material. The remaining items which make up the £92,623 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.

11. Contingent Liability

As at 31 March 2007 the Pension Fund has a future commitment to invest in the following Funds:

Fund	Total Commitment	Invested	Outstanding
Henderson PFI	£10m	£9.5m	£0.5m
YFM Private Equity	£4m	£0.4m	£3.6m
Aurora European fund	26.3m euros	1.3m euros	25m euros

During April 2007 a further £0.6million was invested in YFM Private Equity Fund, and 6.2million euros in the Aurora European Property Fund. The outstanding commitment for future years is £3m and 18.8million euros respectively.

Scheduled Bodies**Local Authority and District Councils**

Ashford Borough Council	Medway Council
Canterbury City Council	Sevenoaks District Council
Dartford Borough Council	Shepway District Council
Dover District Council	Swale Borough Council
Gravesham Borough Council	Thanet District Council
Kent County Council	Tonbridge and Malling Borough Council
Maidstone Borough Council	Tunbridge Wells Borough Council

Schools

Allington Primary School	Montgomery GM School
All Souls County Primary School	New Brompton College
Angley School	Newington Junior School
Archbishops CE School	Northfleet School for Boys
Aylesford School	Oakwood Park Grammar School
Barton Court Grammar School	Oldborough Manor Community College
Bennett Memorial School	Our Lady of Hartley RC Primary School
Borough Green Primary School	Park Farm County Primary School
Bradbourne School	Pent Valley Secondary School
Brockhill Park School	Queen Elizabeth's Grammar School
Canterbury High School	Rainham Mark Grammar School
Charles Dickens High School	Robert Napier School
Chatham Grammar School for Girls	Rochester Grammar School for Girls
Chatham House Grammar School for Boys	Roseacre Junior School
Chaucer Technology School	Sandwich High School
Cheyne Middle School	Senacre Technology School
Cornwallis School, Maidstone	Simon Langton Grammar School for Boys
Cranbrook School	Sir Roger Manwood School
Dane Court Grammar School	Skidders School
Dartford Grammar School for Boys	Snodland County Primary School
Dartford Grammar School for Girls	Southlands Community Comprehensive
Ditton Infant School	St Anselm's RC Comprehensive School
Ditton CE Junior School	St Bartholomew County Primary School
Dover Grammar School for Boys	St Botolphs County Primary School
Folkestone School for Girls	St Edmund of Canterbury Comprehensive
Fulston Manor School, Sittingbourne	St Francis County Primary School
Gravesend Grammar School for Boys	St George's School, Broadstairs
Gravesend Grammar School for Girls	St George's School, Gravesend
Greatstone County Primary School	St Gregory's Catholic Comprehensive
Halfway Houses County Primary School	St John Fisher RC School
Harcourt County Primary School	St John RC Comprehensive
Hayesbrook High School for Boys	St Joseph RC Primary School
Herne Bay High School	St Simon Stock School
Herne Bay Junior School	Stella Maris RC Primary School
Hillview School for Girls	Sutton at Hone County Primary School
Holy Family RC Primary	Thamesview School
Holy Trinity County Primary School, Dartford	Thomas Aveling School
Holy Trinity County Primary School, Gravesend	Tonbridge Grammar School for Girls
Homewood School, Tenterden	Tunbridge Wells High 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
Meopham School
Minster College

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
Charter Trustees of Folkestone
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
Farningham Parish Council
Faversham 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 Institute of Art and Design
Kent Magistrates Courts Committee
Kent Police Authority

Westlands School
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 Probation and After Care Committee
Kent Top Temps Limited
Kent Valuation Tribunal
Leigh Parish Council
Longfield and New Barn Parish Council
Lower Medway Internal Drainage Board
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

Academies

Glossary of terms

Agency

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

Best Value 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.

Deferred charges

Deferred charges include 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