

Foreword

The purpose of this Statement of Accounts (Accounts) is to summarise the financial performance for the year 2005-06 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 62 and 63.

The Accounts consist of:

- The Summary Revenue Account, page 14, which shows expenditure and income for all services.
- The County Fund Balance Sheet, page 24, which sets out the financial position of Kent County Council as at 31 March 2006.
- A Statement of Total Movements in Reserves, page 38.
- The Cash Flow Statement which summarises the inflows and outflows of cash, page 46.
- The Pension Fund Accounts - an extract from the more detailed published statement, page 50.
- Notes to support the above primary statements.

Revenue Budget and Outturn

In February 2005 the Council approved a net revenue budget for 2005-06 of £1,344.907m. In addition £7.751m of 2004-05 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	Outturn	Variance
	£'000s	£'000s	£'000s
Education Standards & Pupil Services - (Non Delegated)	-67,929	-70,905	-2,976
School Organisation & Early Years	32,617	32,703	86
Community Services	36,386	35,863	-523
Social Care & Community Health	318,457	317,971	-486
Environment & Transport	115,083	114,856	-227
Regeneration	9,361	7,898	-1,463
Finance	84,521	81,009	-3,512
Resources	42,988	43,123	135
Policy Development	1,909	1,918	9
	<hr/>	<hr/>	
	573,393	564,436	-8,957
Education Standards & Pupil Services - (Delegated Schools)	779,265	771,431	-7,834
	<hr/>	<hr/>	
	1,352,658	1,335,867	-16,791

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FUNDED BY:-			
Reserves (rolling budget reserve)	7,751	7,751	0
Revenue Support Grant	478,053	478,053	0
National Non Domestic Rates Income	410,515	410,515	0
Council Tax	456,339	456,339	0
Total Funding	1,352,658	1,352,658	0
NET OUTTURN POSITION	0	-16,791	-16,791

The net underspending within the portfolios of £8.957m (excluding schools) has been carried forward and added to the 2006-07 budget to support the re-scheduling of projects, which accounts for the majority of the underspend, and to focus upon achieving the Council's key priorities and service improvements.

Schools

In total, schools underspent against available resources by £7.834m. Of this, £1.8m was in respect of underspending of delegated schools budgets. The remainder of the underspending is in respect of unallocated schools budgets of £6m, of which £3.6m is attributable to Special Transitional Grant awards and £1.9m is Standards Fund. The closure and merging of schools during the year, with an overall net deficit balance, resulted in the transfer of £0.3m from the unallocated schools budget to the delegated schools revenue budget reserves. Schools now have some £62.5m of revenue reserves and there is £8.1m of unallocated schools budget reserves.

Revenue Reserves

The general reserve position at 31 March 2006 is £25.8m. This is a reduction of £2.5m from the previous year and reflects the impact of the write-off of expenditure incurred on the Turner Contemporary project.

Foreword

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 £237.4m. The expenditure analysed by portfolio was:-

PORTFOLIO	Budget £'000s	Outturn £'000s	Variance £'000s
Education Standards & Pupil Services	97,447	91,327	-6,120
Community Services	24,148	12,335	-11,813
Social Care & Community Health	12,068	10,229	-1,839
Strategic Planning	40,851	35,725	-5,126
Regeneration	38,768	38,470	-298
Finance	3,800	3,787	-13
Resources	13,041	13,593	552
Supporting Independence, Policy, Performance and Best Value	500	481	-19
	<hr/> 230,623	<hr/> 205,947	<hr/> -24,676
Devolved Capital to Schools	30,785	31,502	717
	<hr/>	<hr/>	<hr/>
TOTAL	<hr/> 261,408	<hr/> 237,449	<hr/> -23,959

Expenditure excluding that incurred by schools under devolved arrangements was £25.008m 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 2006-07 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2005-06 was £31.5m and at 31 March 2006 schools have in hand some £11.4m of devolved capital funding, which will be carried forward to 2006-07 as part of the overall schools reserves position.

Details of the main items of capital expenditure are shown on page 29 and 30, and details of the financing of capital expenditure are on page 28.

Capital Reserves

At 31 March 2006 the Council has earmarked and other capital reserves of £32.4m as detailed on page 43.

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 2006 is established at a level sufficient to meet all known claims and is therefore in accordance with the requirements of FRS 12. Details can be found on page 34.

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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 Summary Revenue 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 2005-06, earlier years and for future years. The balance currently stands at £882.6m.

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 Andy Wood, Head of Financial Management or Cath Head, Chief Accountant.

Telephone Maidstone (01622) 671411 or e-mail andy.wood@kent.gov.uk or cath.head@kent.gov.uk.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 30 June 2006 on behalf of Kent County Council.

Councillor Charles Findlay
Chairman of the Audit Committee

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), and is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

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 61 present fairly the financial position of Kent County Council at 31st March 2006 and its income and expenditure for that year.

Director of Finance

Statement of Internal Control

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 Chief Internal Auditor has reported that the arrangements in place during 2005-06 to secure effective Governance gave us a substantial level of assurance.

Risk Management

In 2005 the strategy for risk management was revised to reflect the widening role in developing sound systems of control and maintaining risk management processes particularly within partnership arrangements. This strategy was published in the 2006-09 Medium Term Plan.

The Chief Internal Auditor's scored opinion for risk management was 'Substantial', confirming that during 2005-06 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 2005-06

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 Chief Internal Auditor's independent annual opinion on corporate governance and risk management arrangements;
- The work of the external auditors and comments in their annual Audit letter and other reports;

The following matters were addressed during the year 2005-06:

- A revised Code of Corporate Governance was approved.

Statement of Internal Control

- New processes and procedures for the use of consultants have been introduced.
- Improved monitoring of Health and Safety incidents.
- Effective Asset Management principles have been introduced.
- Business continuity planning has been successfully tested.
- Improved personnel management information is available.
- Recommendations of the Bichard report have been implemented.
- Development of a number of Project / Service Boards.
- Continued consolidation of performance and risk management.
- Continued good progress on the management of the capital programme.

4. Developments in 2006-07

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 2006-07 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 2006-07:

- Improved integrated reporting of finance, activity and personnel information.
- Development of an Enterprise Architecture methodology to ensure alignment of ICT outcomes with service priorities.
- Improved resilience of the IT environment.
- An equal pay audit for Kent Scheme staff will begin.
- Increased management of the risk of Legionella.

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 2006-07. 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

Auditor's Report to the Members of Kent County Council



Accounting Policies

General

The Accounts of Kent County Council have been compiled in accordance with the 2005 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 contractual 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 34 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 Summary Revenue 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 38-45.

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 "work in progress". 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 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.

Accounting Policies

- Vehicles, plant and equipment are valued at historical cost.
- Infrastructure, community assets and work in progress are valued at cost.

Depreciation

Depreciation is calculated on a straight-line basis over each asset's useful economic life.

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	- nil

Capital charges

The capital charges made to service revenue accounts, central support services and trading accounts equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the Balance Sheet. The interest rate used is prescribed by CIPFA each year and for 2005-06 was 3.5% for assets carried at current value and 4.95% for assets carried at historical cost. This is applied to all fixed assets included in the Balance Sheet other than non-operational assets, community assets or work in progress, where no charge is made.

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 summary revenue 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.

Accounting Policies

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 or the Capital Financing Account. 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. 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.

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 Summary Revenue Account and within Note 1 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.

Accounting Policies

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.

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 51.

PFI Accounting Policy

The County Council has several long term PFI contracts including Westview and Westbrook which are two recuperative care facilities and a contract for the refurbishment and redevelopment of six schools.

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)'.

Summary Revenue Account

This summary shows the total gross expenditure for 2005-06. Net expenditure is arrived at by deducting income and grant.

Service	Notes	Year ended 31 March 2006			2004-2005
		Gross Expenditure £'000	Income and Grant £'000	Net Expenditure £'000	Net Expenditure £'000
Regulatory Services and Emergency Planning		5,804	2,397	3,407	1,871
Court Services		2,136	339	1,797	4,475
Arts & Libraries		31,101	2,946	28,155	24,679
Waste Management		54,034	10,791	43,243	39,073
Environmental, Planning and Other Services		53,947	29,915	24,032	18,527
Education Services		1,153,056	339,137	813,919	747,709
Highways, Roads and Transport Services		142,245	10,324	131,921	122,087
Social Services		526,032	204,225	321,807	299,690
Corporate and Democratic Core		36,356	11,508	24,848	22,188
Non Distributed Costs		16,221		16,221	15,123
Net Cost of Services	1	2,020,932	611,582	1,409,350	1,295,422
Precepts and Levies	2			549	1,000
Net Surplus on trading accounts	3			-3,627	-3,679
Transfer from asset management revenue account	4			-33,604	-29,732
Loss on the repurchase of borrowing				0	0
Contribution by Medway to Loan Debt-Principal & Interest				-5,897	-6,319
Interest and Investment Income				-10,178	-9,384
Pensions interest cost and expected return on pensions assets	6			21,340	9,797
Net Operating Expenditure				1,377,933	1,257,105
Transfer to insurance reserve				2,445	4,682
Contributions to/from(-) earmarked reserves					
- School balances				7,834	18,898
- Other reserves				11,002	14,825
Capital Expenditure Financed from Revenue				8,357	14,597
Reconciling amount for provision for loan repayment	5			-63,071	-54,702
Government Grants Deferred	5			14,954	13,629
Contribution to/from(-) pensions reserve	6			-12,047	-4,450
Amounts to be met from government grants and local taxpayers				1,347,407	1,264,584
This was financed by:					
General Government Grants				-478,053	-500,669
Non-Domestic Rates Redistribution				-410,515	-337,406
Demand on Collection Fund				-456,339	-435,153
Net General Fund Surplus(-)/ Deficit				2,500	-8,644
Balance on General Fund Brought Forward				-28,335	-19,691
Balance on General Fund Carried Forward				-25,835	-28,335

Notes to the Summary Revenue Account

1. Net Cost of Services

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

2. Precepts

The following precepts were paid:

	2005-06	2004-05
	£000's	£000's
Environment Agency	323	782
Kent and Essex Sea Fisheries Committee	201	193
Sussex Sea Fisheries Committee	25	25
	<hr/>	<hr/>
	549	1,000

Notes to the Summary Revenue Account

3. Trading Operations

The results of the various trading operations for 2005-06 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover	Expenditure	Surplus/ Deficit(-)	Surplus/ Deficit(-)
	£'000	£'000	2005-06 £'000	2004-05 £'000
Kent County Supplies	38,367	37,416	951	1,203
Provision of educational and office supplies (from warehouse stock and by direct delivery)				
County Furniture	1,072	1,051	21	93
Furniture manufacturing, including on-site projects				
Technical Services	1,311	1,252	59	13
Maintenance of audio-visual, computer, portable, fire fighting, gymnastic and general electrical equipment				
County Print	2,935	2,841	94	-3
Literature design and general printing				
Transport Services	16,055	14,956	1,099	857
Provision of lease cars, minibuses, ambulances and lorries, plus vehicle maintenance and repairs				
Passenger Services	3,088	3,064	24	39
Provider of bus services, including school transport				
Transport Integration	7,310	7,153	157	123
Specifying and control of transport for Education and Social Services				
LASER	129,743	129,036	707	817
Energy purchasing consortium				
Kent Top Temps	0	0	0	149
Provision of temporary office and care staff				
Kent Cleaning and Contracting Services	60	61	-1	20
Cleaning services				
Landscape Services	9,956	9,440	516	368
Grounds maintenance including constructing work				

Total surplus

209,897

206,270

3,627

3,679

Notes to the Summary Revenue Account

Kent Cleaning and Contracting Services has been closed down in 2005-06 and the loss reflects the impact of this process.

Kent Top Temps Ltd became operational as a wholly owned subsidiary from 1 April 2005 to take over the business previously undertaken by Kent Top Temps as part of Commercial Services. See page 22, note 14.

4. Asset Management Revenue Account

This account allows the County Council to offset the impact of internal capital charges in arriving at the total level of expenditure to be financed from government grants and local taxation. This ensures that internal capital charges have a neutral effect on the total amount to be raised from local taxation.

The capital charges made to service revenue accounts, central support services and trading accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the Balance Sheet at 31 March 2006. The interest rate used is prescribed by CIPFA each year and for 2005-06 was 3.5% for assets carried at current value, and 4.95% for assets carried at historical cost. This is applied to all fixed assets included in the Balance Sheet other than non-operational assets, community assets and work in progress, where no charge is made.

	2005-06	2004-05
	£'000	£'000
Income		
Capital charges	-149,457	-138,443
Deferred grants released	-14,954	-13,629
Reversal of amortisation of intangible fixed assets	-2,883	-2,611
Expenditure		
Provision for depreciation	77,964	72,340
External interest charges	52,843	50,000
Amortisation of intangible fixed assets	2,883	2,611
Surplus to Summary Revenue Account (representing the difference between notional and actual interest charges)	-33,604	-29,732

5. Reconciling Amount for Provision for Loan Repayments

Kent County Council is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method for calculating the provision is defined by statute, being 4% of the outstanding debt used to finance capital expenditure at the end of 2004-05 and for 2005-06 the minimum amount is £32.8m. The provision has been charged to the service revenue accounts as a depreciation charge for fixed assets relating to that service or as the writing off of a deferred charge or amortisation of intangible asset. Further provision is made in respect of obligations relating to finance leases and in 2005-06 this amounted to £0.4m. An adjustment is made to the Summary Revenue Account so that the correct amount is reflected in the costs to be met from Government grant and local taxation.

	2005-06	2004-05
	£000's	£000's
MRP	33,143	30,617
Amount charged to revenue for depreciation	-77,964	-72,340

Deferred Charges and amortisation of intangible assets charged to services	-18,250	-12,979
Excess provision credited to Revenue Account	-63,071	-54,702

Notes to the Summary Revenue Account

In addition a transfer is made from the Capital Financing Account, equal to the credit on the Asset Management Revenue Account, for the deferred government grants to avoid an impact on the revenue account of £15m (£13.6m 2004-05). See Note 4 above.

6. 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 Summary Revenue Account after Net Operating Expenditure.

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	
	2005-06	2004-05
	£000's	£000's
Net Cost of Services:		
• Current service cost	-51,000	-42,525
• Past service costs	-2,350	-3,341
Net Operating Expenditure:		
• Interest cost	-77,360	-59,890
• Expected return on assets in the scheme	56,020	50,093
Actual amount charged against council tax for pensions in that year:		
• Employer's contributions payable to scheme	62,643	51,213
Amounts to be met from Government Grants and Local Taxation:		
• Movement on pensions reserve	-12,047	-4,450

Commutation

Commutation is where a member gives up part of his/her pension in exchange for an immediate lump sum pension.

Regulations on 30 March 2006 give retiring LGPS members in England and Wales the option to increase the

amount of tax-free cash taken from the scheme at retirement to the new maximum permissible under the Finance Act 2004, of 25% of the value of benefits. This almost doubles the amount of lump sum available. This part of the regulations became effective on 6 April 2006.

Notes to the Summary Revenue Account

The FRS 17 figures provided by the actuary do not include the changes in Regulations. We believe that for 2005-06 accounts that it is prudent not to anticipate any potential savings. This is in light of the considerable uncertainty around the take up of commutation, the assumptions that would have to be made and the materiality of the effects of these changes.

Teachers

In 2005-06 Kent County Council paid £52.4m (£50.1m in 2004-05), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 13.5% 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 2005-06 these amounted to £4.4m (£4.3m in 2004-05), representing 1.1% (1.2% in 2004-05) 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 2005-06 Kent County Council paid an employer's contribution of £62.6m (£51.2m in 2004-05) into the Pension Fund, representing 20.4% (19.2% in 2004-05) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2005-06 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 2005-06 is £1.250m (£1.798m in 2004-05). The capital value of payments agreed in earlier years is £56.9m (£54.0m in 2004-05).

An actuarial valuation was carried out of 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 liquidated over a period of 20 years.

Other Notes

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:

	2005-06	2004-05
	£'000	£'000
Recruitment advertising	3,149	3,305
Other advertising	503	609
Other publicity	2,664	2,530

6,316

6,444

8. Members Allowances

Members allowances paid in 2005-06 totalled £1,757,375 (£1,707,628 in 2004-05).

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 £41.7m (£28.6m in 2004-05). This increase is largely due to increased income from Dartford, Gravesham and Swanley PCT and S31 Agreements. Supplies of goods and services totalled £24.3m (£22.2m in 2004-05). External business represented 45.3% (42.7% 2004-05) 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 £6.845m and in respect of land and buildings amounted to £3.830m. A further £0.786m was paid in respect of finance leases.

11. Related Party Transactions

During the financial year 2005-06 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 £1.5m.
- Precepts amounting to £0.5m 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 £10.0m.
- Receipts from other local authorities and health bodies totalled £45.2m.
- 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 Summary Revenue Account, note 6 on pages 18 and 19 of these Accounts.

Notes to the Summary Revenue Account

12. Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2005 to 31 March 2006

This note shows the number of employees whose total remuneration in the financial year 2005-06, 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

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 2006	31 March 2005
50,000 - 59,999	338	207
60,000 - 69,999	89	58
70,000 - 79,999	48	36
80,000 - 89,999	29	23
90,000 - 99,999	19	11
100,000 - 109,999	4	2
110,000 - 119,999	2	1
120,000 - 129,999	2	0
130,000 - 139,999	2	1
140,000 - 149,999	0	1
150,000 - 159,999	0	2
160,000 - 169,999	1	0
170,000 - 179,999	1	0
180,000 - 189,999	1	0
190,000 - 199,999	0	0
200,000 - 209,999	0	0
210,000 - 219,999	0	1
220,000 - 229,999	1	0
Total	537	343

Notes to the Summary Revenue Account

13. Audit Costs

In 2005-06 the following fees were paid relating to external audit and inspection :

	2005-06 £'000	2004-05 £'000
Fees payable to the for external audit services carried out by the appointed auditor	371	364
Fees payable to the Audit Commission in respect of statutory inspection	1	1
Fees payable to the appointed auditor for the certification of grant claims and returns	98	118
Fees payable in respect of other services provided by the appointed auditor		112
	<hr/> 470	<hr/> 595

14. Subsidiary Undertakings

On the 27th September 2004 Kent Top Temps LTD (KTT) became 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 2005-06 of £3.3m with a net profit of £0.16m 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 2005-06.

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. Additionally in 2005-06 Section 31 agreements became operational in respect of the Westbrook / Westview PFI and the Integrated Community Equipment Store (ICES).

KDAAT	£000's	RNCC	£000's
<u>Gross Funding</u>		<u>Gross Funding</u>	
Swanley		PCT	486
PCT	11,741	Canterbury & Coastal PCT	834
		East Kent Coastal PCT	1,195
		Shepway PCT	538
		Dartford, Gravesham & Swanley PCT	1,399
		Maidstone Weald PCT	949
		South West Kent PCT	829
		Swale PCT	187
	<hr/> 11,741		<hr/> 6,417

Expenditure	11,741	Expenditure	6,417
	<u>0</u>		<u>0</u>

Notes to the Summary Revenue Account

Westbrook/West View PFI	£000's	ICES	£000's
<u>Gross Funding</u>		<u>Gross Funding</u>	
Ashford PCT	1,192	PCT	36
Coastal PCT	1,063	East Kent Coastal PCT	82
KCC - Social Services	2,578	Dartford, Gravesham & Swanley PCT	11
PFI Credits	2,257	Maidstone Weald PCT	51
		South West Kent PCT	29
		Swale PCT	10
		Medway PCT	23
		Medway Council	36
		KCC - Social Services	515
	<u>7,090</u>		<u>793</u>
Expenditure	<u>7,090</u>	Expenditure	<u>793</u>
	0		0

16. Long Term

In 2006-07 the authority is committed to making payments of £2.7m 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 (£2.6m was paid in 2005-06). The contract will run until April 2033.

17. Landfill Allowance Trading Scheme

No trading of 2005-06 landfill allowances has taken place. The weighted average value at which 2005-06 vintage allowances have traded during the financial year has been calculated as £20.20 per tonne. Estimated usage is 397,320 tonnes which is 16,465 tonnes less than our allowance for 2005-06.

County Fund 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 2006		31 March 2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible Fixed Assets	2		5,935		7,699
Tangible Fixed Assets					
Operational assets					
Land and buildings		1,239,218		1,198,926	
Vehicles, plant and equipment		17,511		10,468	
Roads and other highways infrastructure		518,182		521,570	
Community assets		6,664		4,956	
Non-operational assets					
Investment Property		1,955		1,955	
Assets under construction		131,573		72,730	
Surplus and non-operational property		74,349		63,873	
Total Tangible Assets	1		1,989,452		1,874,478
Total fixed assets			1,995,387		1,882,177
Long-term investments			66,000		
Long-term debtors	3		62,002		65,234
Total long-term assets			2,123,389		1,947,411
Current assets					
Stocks and work in progress		15,167		5,382	
Debtors	3	158,571		154,056	
Investments		153,234		239,326	
Cash and bank balances		102,615		85,702	
Total current assets			429,587		484,466
Current liabilities					
Temporary borrowing		-40		-8,168	
Creditors	4	-237,452		-229,453	
Cash balances overdrawn		-101,924		-79,956	
			-339,416		-317,577
Total assets less current liabilities (Net Assets Employed)	5		2,213,560		2,114,300
Long-term liabilities					
Long-term borrowing	6	-882,523		-822,521	
Deferred liabilities		-1,523		-1,858	
Provisions	7	-12,855		-14,457	
Liability related to defined benefit pension schemes	8	-657,726		-624,636	
			-1,554,627		-1,463,472

Total assets less liabilities

658,933

650,828

County Fund Balance Sheet

Fixed asset restatement account	9	-498,793	-522,801
Capital financing account	9	-464,395	-397,950
Government grant deferred account		-119,267	-134,221
Deferred Premiums		21,940	22,890
Deferred credit - Medway Council		-57,926	-60,339
Earmarked capital reserve	9	-24,884	-27,955
Usable capital receipt reserve	9	-7,473	-4,278
Pensions reserve	9	657,726	624,636
Earmarked reserves	9	-74,094	-59,875
General Fund balance	9	-25,835	-28,335
Schools reserves	9	-65,626	-60,698
Surplus on trading accounts	10	-306	-1,902
Total net worth		<u>-658,933</u>	<u>-650,828</u>

Notes to the Accounts

1. Movement on Fixed Assets

	Land and buildings	Vehicles, plant and equipment	Roads and other Highways Infrastructure	Community assets	Work in progress	Surplus, non- operational and investment property	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value as at 31 March 2005	1,326,834	27,462	803,603	4,956	72,730	65,828	2,301,413
Accumulated depreciation	-127,908	-16,994	-282,033				-426,935
Net book value as at 31st March 2005	1,198,926	10,468	521,570	4,956	72,730	65,828	1,874,478
Movement in 2005-06							
Additions	83,553	8,475	31,671	1,708	92,489	3,066	220,962
Disposals (net)	-29,555	-12				-22,230	-51,797
Revaluations / Adjustments	32,711	2,850	5,121		-31,070	16,737	26,349
Depreciation	-33,018	-4,270	-40,180				-77,468
Impairments	-496						-496
Net transfer from operational to non- operational	-12,903					12,903	0
Trans from WIP to revenue					-2,576		-2,576
Net book value as at 31 March 2006	1,239,218	17,511	518,182	6,664	131,573	76,304	1,989,452

Notes to the Accounts

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 and Nicholas Coote MRICS of District Valuer Services. Victoria Kellett MRICS of Jones Lang Lasalle 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	0	1,275,765
2005/06	550,930	0	550,930

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 2005-06 all nursery, primary, adult education centres, youth and community establishments, all playing fields and libraries 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 2006 £'000	At 31 March 2005 £'000
Gross Book Value	8,157	7,694
Accumulated Depreciation	-6,634	-5,814
Value at 31 March 2006	1,523	1,880

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

	2005-06 £'000	2004-05 £'000
Less than one year	786	811
Between 2-5 years	1,946	1,636
	2,732	2,447

Aggregate finance charges allocated for the period up to the 31 March 2006 are £0.4m in respect of finance leases.

Notes to the Accounts

The Council was committed at 31 March 2005 to making payments of £10.625m under operating leases in 2005/06, comprising the following elements:

	Land and Buildings	Vehicle Plant and Equipment
	£000's	£000's
Leases expiring in 2005/06	260	1650
Leases expiring between 2006/07 and 2010/2011	1,642	1,666
Leases expiring after 2010/2011	1,928	3,529
	<u>3,830</u>	<u>6,845</u>

Capital Expenditure and Financing

Capital expenditure was financed as follows:

	2005-06 £000's	2004-05 £000's
Opening Capital financing requirement	827,675	763,878
Capital investment		
Fixed Assets	220,962	179,567
Intangibles assets	1,119	3,829
Deferred charges	15,368	10,236
Increase in finance leases	463	1,820
Long Term debtor		200
	<u>1,065,587</u>	<u>959,530</u>
Sources of finance		
Capital receipts	22,889	20,280
Government grants and other contributions	87,866	66,458
Revenue contributions (including MRP)	41,501	45,117
	<u>913,331</u>	<u>827,675</u>
Closing capital financing Requirement	913,331	827,675
Movement	85,656	63,797
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	55,324	57,142
Increase in underlying need to borrow (unsupported by Government financial assistance)	30,332	6,655

Increase/(decrease) in Capital Financing Requirement

85,656

63,797

Notes to the Accounts

Capital expenditure 2005-06

The main items of capital expenditure during the year were:

Highways Schemes	£'000	
Bridge Strengthening/Maintenance Schemes	23,009	
A228 Leybourne and West Malling Bypass	16,788	
Fastrack	9,243	
East Kent Access Road	6,080	
Integrated Transport Schemes	5,286	
Fastrack Wider Area Network	3,246	
Kent Highway Services Accommodation	2,092	
Shorne Country Park	1,617	
Street Lighting Maintenance	<u>1,515</u>	68,876
Education Schemes		
Modernisation Programme, improving and upgrading school buildings	15,339	
Special Schools Review	6,720	
Building Maintenance (Condition) Programme	5,657	
Emergency Building Maintenance	4,983	
Vocational Education Programme	4,194	
Homewood School and 6th Form Centre	3,775	
Maintained Nursery Programme	3,611	
New Opportunities Fund - Physical Education and Sport	3,579	
Children's Centres	2,944	
The Community College, Whitstable	2,744	
Walmer School	2,678	
Mascalls School	2,599	
Hillview School for Girls	2,457	
Adult Education at Canterbury High School	2,456	
The Charles Dickens School	2,244	
Schools Access Initiative	2,217	
Dartford Campus	2,146	
Schools PFI	2,141	
Capital Projects Team	1,871	
Maplesden Noakes School	1,752	
Weald of Kent Grammar	1,455	
Site Acquisitions	1,304	
Iwade Community Primary School	1,157	
Mobile Moves	1,141	
Tunbridge Wells Grammar School for Boys	1,062	
Hextable Dance	<u>1,035</u>	83,261

Notes to the Accounts

Social Services Schemes

Improving Information Management	2,589	
The Croft	1,981	
Broadmeadow	<u>1,456</u>	
		6,026

Corporate Services

Electronic Delivery Programme		6,441
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Commercial Services

Kent Fleet	2,992	
	<u>167,596</u>	
Capital Devolved to Schools		31,502
Projects less than £1m		38,351
Total Capital Expenditure	<u>237,449</u>	

Notes to the Accounts

Future capital expenditure commitments

At 31 March 2006 contractually committed capital expenditure to be incurred in 2006-07 and later years includes the following major projects:

	£'000
Highway Schemes	
East Kent Access Road	9,360
A228 Leybourne and West Malling Bypass	6,038
Education Schemes	
Ifield School	4,885
Dartford Campus	3,791
St Nicholas School	3,502
Furness SEN	2,978
Harbour SEN	2,710
The Abbey School	1,377
Oak Tree Primary School	1,204
Woodlands School	1,012
Christchurch School	699
Mascalls School	689
Milton Court	680
Swadelands School	611
Social Services	
Social Services replacement systems programme (SRP)	3,000
Broadmeadow	4,700
The Croft	900
Total Commitments	<u>48,136</u>

Notes to the Accounts

Analysis of major operational asset holdings

	At 31 March 2006	At 31 March 2005
Schools (excludes voluntary aided schools)	510	517
Community assets including libraries, adult education, discovery and youth centres	121	121
Magistrates Courts	0	10
Smallholdings	8	12
Homes and day centres for the elderly	23	25
Facilities for children and their families	29	27
Facilities for people with disabilities	12	13
Recreation sites	29	29
Household Waste sites	18	18
County roads	5272 miles	5272 miles
County offices	10	10

2. Movement in intangible assets

	Purchased Software licences £000s	Total £000s
Balance at 1 April 2005	7,699	7,699
Expenditure in year	1,119	1,119
Written off to revenue in year	-2,883	-2,883
Balance at 31 March 2006	5,935	5,935

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 Accounts

3. Amounts owed to the Council by debtors

	At 31 March 2006 £000's	At 31 March 2005 £000's
Long Term debtors:		
Housing Act advances (mortgages)	19	23
Medway Council (transferred debtor)	57,926	60,339
Public bodies	3,601	4,096
Other	456	776
	62,002	65,234
Other debtors:		
Staff advances	129	139
Government Departments	52,895	61,680
Payments in advance	17,837	12,049
General debtors	87,710	80,188
	158,571	154,056

Capital debtors amounting to £20.4m are included in the Accounts at 31 March 2006 (£18.8m in 2004-05). Capital debtors relate to grants towards capital expenditure incurred in 2005-06 which had not been received by 31 March 2006.

4. Amounts owed by the Council to creditors

	At 31 March 2006 £'000	At 31 March 2005 £'000
Kent and Essex Sea Fisheries	644	471
Receipts in advance	42,798	41,324
General creditors	169,043	174,613
Other local authorities	4,606	3,239
Deferred capital receipts	19	23
Government departments	20,342	9,783
	237,452	229,453

Capital creditors amounting to £37.9m are included in the Accounts at 31 March 2006 (£32.8m in 2004-05).

5. Net Assets Employed

Net assets analysed between Kent County Council and trading operations.

	At 31 March 2006 £'000	At 31 March 2005 £'000
General Fund	2,207,754	2,108,729

Trading Accounts	5,806	5,571
	2,213,560	2,114,300

Notes to the Accounts

6. Long term borrowing

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

	At 31 March 2006 £'000	At 31 March 2005 £'000
Public Works Loan Board	641,823	667,521
Money market loans	240,700	155,000
European Investment Bank	0	0
	882,523	822,521

The loans above are repayable within the following periods:

	£'000	£'000
Between 1-5 years	139	149
Between 5-10 years	72,643	79,800
Between 10-15 years	111,003	136,003
More than 15 years	698,738	606,569
	882,523	822,521

7. 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 05 £'000	Movement in year £'000	Balance at 31 March 06 £'000
Insurance Provision	-10,079	1,039	-9,040
Pension Fund Provision for ex DSO staff*	-772	156	-616
Other Provisions	-3,606	407	-3,199
	-14,457	1,602	-12,855

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

8. 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	
	2005-06	2004-05
	£000's	£000's
Estimated liabilities in scheme	-1,701,220	-1,425,100
Estimated assets in scheme	1,043,494	800,464
Net asset (+)/liability(-)	-657,726	-624,636

This liability reflects the underlying commitment that the authority has in the long - term to pay retirement benefits. The total liability of £658m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, there are statutory arrangements for funding the deficit to ensure that the financial position of the authority remains healthy.

The actuary has calculated the value of assets held by the Pension Fund that are attributable to Kent County Council at 31 March 2006. In carrying out this valuation they have made the following assumptions:

Assumptions as at	31 March 2006 % per annum	31 March 2005 % per annum	31 March 2004 % per annum
Price increases	3.1%	2.90%	2.90%
Salary increases	4.6%	4.40%	4.40%
Pension increases	3.1%	2.90%	2.90%
Discount rate	4.9%	5.40%	6.50%

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

Assets (Whole Fund)	Long Term Rate of Return Expected	Fund Value at 31 March 2006	Long Term Rate of Return Expected	Fund Value at 31 March 2005
	% per annum	£'000	% per annum	£'000
Equities	7.40%	1,636,500	7.70%	1,217,500
Bonds	4.60%	289,100	4.80%	231,800
Property	5.50%	208,900	5.70%	179,200
Cash	4.60%	<u>178,100</u>	4.80%	<u>134,600</u>
Total		2,312,600		1,763,100

Notes to the Accounts

9. Reserves

Details of movements on reserves are shown in notes to the Statement of Total Movements in Reserves on pages 38 to 45.

10. Surplus on Trading Accounts

	Balance at 1 April 05 £'000	Movement in the year £'000	Balance at 31 March 06 £'000
Commercial Services	-1,823	1,596	-227
Personnel and Development	-79	0	-79
	<u>-1,902</u>	<u>1,596</u>	<u>-306</u>

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

Other Notes

11. 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 50 to 61.

12. The Euro

The impact of the possible introduction of the Euro in the United Kingdom is being monitored and no costs were incurred in 2005-06.

13. Contingent Liabilities

Land and Planning

Kent County Council faces a very significant claim for compensation which is being fiercely resisted. It is a very complex case and any hearing is likely to be towards the end of 2006. While the claim is for several million pounds, it is not possible to predict the outcome.

Contract Claims

There are three potential claims against the Council but none are sufficiently certain to provide for in the Accounts. The potential maximum loss on two of these is around £0.5m, the other is unknown.

Non-compliance

There is one case pending, under the Environment Protection Act 1990. The Council is in negotiation with the

potential claimant and no legal action has yet been taken. However, if this case does proceed and the Council loses the case, we could face costs of around £0.25m plus an unlimited fine.

Notes to the Accounts

Employment

There are seven potential claims relating to discrimination and breach of contract in employment. In six of these cases where the damages being sought have been quantified, the total is approximately £0.5m. The Council has not admitted liability in any of these cases. There is one further case of sex/racial discrimination, for which the damages sought have not been quantified. The claim is in preliminary stages but it should be noted that as there is no cap on damages in discrimination cases. If the case is lost significant damages could be awarded.

There are a significant number of claims (253) 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

A case has reached a negotiated settlement. However, the Courts have not accepted the settlement and so this matter may be restored for hearing. If the Council is required to pay the Appellant's costs, these could total £15k. The Council is contesting the issue of costs.

Trust Fund Accounts

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

	2005-06 £	2004-05 £
Current assets		
Investments	46,241	49,629
Debtors	861	630
Cash	98,603	87,499
	145,705	137,758
Represented by		
Trust funds -		
Capital	-45,115	-48,209
Revenue	-100,590	-89,549
	-145,705	-137,758

Statement of Total Movements in Reserves

	2005-06		2004-05
	£'000	£'000	£'000
Surplus/deficit(-) for the year:			
- General Fund/Council fund	-2,500		8,644
<i>add back</i> movements on earmarked revenue reserves	14,266		19,507
Schools reserves	4,928		19,244
<i>deduct</i> Appropriation from pensions reserve	-12,047		-4,450
Actuarial gains and losses relating to pensions	-21,043		-217,794
Total increase/decrease(-) in revenue resources (note 1)		-16,396	-174,849
Increase/decrease(-) in useable capital receipts	3,195		-6,345
Increase/decrease(-) in unapplied capital grants and contributions	-3,071		-10,625
Total increase/decrease(-) in realised capital resources (note 2)		124	-16,970
Gains/(losses) on revaluation of fixed assets	93,957		280,022
Total increases/decreases(-) in unrealised value of fixed assets (note 3)		93,957	280,022
Value of assets sold, disposed of or decommissioned (note 4)		-117,965	-85,893
Capital receipts set aside	18,472		20,230
Revenue resources set aside	-54,714		-40,070
Movement on Government Grants Deferred	-14,954		-13,630
Grants and Contributions Applied	102,687		98,088
Total increase/decrease(-) in amounts set aside to finance capital investment (note 5)		51,491	64,618
		11,211	66,928
Increase/decrease(-) on the pensions reserve		12,047	4,450
Total recognised gains and losses		23,258	71,378

Notes to the Statement of Total Movements in Reserves

	General Fund Balances £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
1. Movements in revenue resources			
Surplus/deficit(-) for 2005-06			
Appropriations to/from revenue	-2,500	14,266	-12,047
Actuarial gains and losses relating to pensions			-21,043
	-2,500	14,266	-33,090
Balance brought forward at 1 April 2005	28,335	59,828	-624,636
Balance carried forward at 31 March 2006	25,835	74,094	-657,726

Pensions Reserve

The actuarial gains and losses

	Local Government Pension Scheme					
	2005-06		2004-05		2003-04	
	£000's	%	£000's	%	£000's	%
Difference between the expected and actual return on assets	161,890	15.5	31,211	3.9	94,781	13.7
Difference between actuarial assumptions about liabilities and actual experience	-764	0.0	-29,260	-2.7	-559	-0.1
Changes in the demographic and financial assumptions used to estimate liabilities	-182,169	-1.2	-219,745	-15.9	94,222	8.7
	-21,043		-217,794		94,222	

Notes to the Statement of Total Movements in Reserves

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 42.

Special funds

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

Vehicles, plant and equipment

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

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.

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 and 2005/06 grant which will be used to smooth out the loss of grant funding in future years.

Telecare 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 over the next four years as the programme is rolled-out.

Adult Education Rollover

This has been fully utilised in 2005-06

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.

Notes to the Statement of Total Movements in Reserves

Kent Enterprise for Youth (KEY Training Services)

This represents the balance of unspent funds carried forward to meet future business commitments relating to the training provider service.

Land Compensation and Blight Payments reserve

This reserve is to cover the future liability for land compensation claims, largely associated with the completed Thanet Way highway scheme.

Dilapidations reserve

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

Elections reserve

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

Workforce reduction reserve

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

Pay Equalisation Reserve

A reserve to cover the costs in 2006-07 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.

Insurance reserve

This is a reserve for the cost of insurance claims in excess of the amount provided for in the insurance fund provision. It provides cover for claims not yet reported but likely to have been incurred.

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 2006-07 or future years as initiatives are completed.

Notes to the Statement of Total Movements in Reserves

Other Earmarked Reserves	Balance at	Movement	Balance at
	1 April 2005		31 Mar 2006
	£'000	£'000	£'000
Special funds	-3,229	776	-2,453
Vehicles, plant and equipment	-4,010	679	-3,331
Office Strategy	-579	165	-414
Kings Hill development - Colts Hill & Leybourne/West Malling Bypæ	-700	-1,146	-1,846
Swan Valley school PFI equalisation reserve	-2,691	-876	-3,567
Gravesham North Kent Reserve (from D G & S PCT)	-2,000	0	-2,000
Asylum Reserve	0	-3,791	-3,791
Supporting People Reserve	-1,166	-2,243	-3,409
Assistive Technology	0	-1,531	-1,531
Adult Education Rollover	-679	679	0
Environmental initiatives reserve	-1,895	-191	-2,086
Rolling budget reserve	-9,948	-319	-10,267
KEY Training Services	-912	580	-332
Land Compensation and Blight Payments reserve	-1,831	0	-1,831
Dilapidations reserve	-1,177	-650	-1,827
Elections reserve	-855	552	-303
Workforce Reduction reserve	-2,242	257	-1,985
Pay Equalisation Reserve	0	-708	-708
IT Asset Maintenance reserve	-4,558	2,080	-2,478
PRG Reserve	-7,376	206	-7,170
Brenchley House Sinking Fund	-614	85	-529
LOBOs Equalisation Reserve	-192	-1,243	-1,435
Prudential Equalisation Reserve	-500	-5,516	-6,016
Other	-4,737	334	-4,403
Total	-51,891	-11,821	-63,712
Insurance Reserve			
KCC	-7,704	-2,502	-10,206
Commercial Services	-233	57	-176
Total	-7,937	-2,445	-10,382
	-59,828	-14,266	-74,094
Magistrates*	-47		
Commercial Services Reserves			
Movement from Earmarked and Trading Account Reserves to fund capital spend		819	
Total Movement as per SRA		-13,447	

* The balance on this reserve has been transferred to the provision for the debt owed by Magistrates. It was not taken through revenue and is therefore not reflected as a movement from reserves. The total balance as at 1 April 2005 is therefore £59,875 as per the face of the balance sheet.

Notes to the Statement of Total Movements in Reserves

School Reserves

At 31 March 2006 funds held in school revenue reserves stand at £65.626m. These reserves are detailed in the table below.

	Balance at 1 April 2005 £'000	Movement £'000	Balance at 31 Mar 2006 £'000
School delegated revenue budget reserves - committed	-35,646	-3,093	-38,739
School delegated revenue budget reserves - uncommitted	-24,774	970	-23,804
Unallocated Schools budget	-2,403	-5,711	-8,114
Reserves used to fund school loans *	2,125	2,906	5,031
Total	-60,698	-4,928	-65,626

* 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 £4.928m is made up of the following:

	£'000
Underspend (as per page 1)	-7,834
Increase in school loans	2,906
	<u>-4,928</u>

	Usable capital receipts £'000	Unapplied capital grants and contributions £'000
2. Movements in realised capital resources		
Amounts receivable in 2005-06	26,084	84,795
Amounts applied to finance new capital investments in 2005-06	-22,889	-87,866
Total increase/(-)decrease in realised capital resources in 2005-06	<u>3,195</u>	<u>-3,071</u>
Balance brought forward at 1 April 2005	<u>4,278</u>	<u>27,955</u>
Balance carried forward at 31 March 2006	<u><u>7,473</u></u>	<u><u>24,884</u></u>

Usable receipts represent the proportion of income from the sale of fixed assets that can be used to fund capital expenditure. The balance is generally committed to fund the existing capital programme.

Notes to the Statement of Total Movements in Reserves

		Fixed Asset Restatement Account £'000
3. Movements in unrealised value of fixed assets		
Gains/losses on revaluation of fixed assets in 2005-06		93,957
Total increase/decrease(-) in unrealised capital resources in 2005-06	(a)	93,957
4. Value of assets sold, disposed of or decommissioned		
Amounts written off for capital expenditure which does not, in accounting terms, enhance asset values.		-68,071
Value of assets disposed of in 2005-06		-51,797
Write back of Turner		1,923
Loss on shares		-20
	(b)	-117,965
Total movement on reserve in 2005-06	(a)+(b)	-24,008
Balance brought forward at 1 April 2005		522,801
Balance carried forward at 31 March 2006		498,793

The Fixed Asset Restatement Account contains the initial difference between the valuation of assets and their historic value, together with the value of subsequent revaluations. It also reflects the net book value of assets when they are disposed of and capital expenditure written out. The account cannot be used to support spending.

	Capital financing account £'000	Government grants deferred £'000	Total £'000
5. Movements in amounts set aside to finance capital investment			
Capital receipts set aside in 2005-06:			
- reserved receipts		-	
- usable receipts applied	18,472	-	
Total capital receipts set aside in 2005-06	18,472	0	18,472
Revenue resources set aside in 2005-06			
- capital expenditure financed from revenue	8,357	-	
- reconciling amount for provisions for loan repayment	-63,071	-	
Total revenue resources set aside in 2005-06	-54,714	0	-54,714
Grant applied to capital investment in 2005-06	102,687		
Amounts credited to the Asset Management Revenue Account in 2005-06		-14,954	
Movement on Government Grants Deferred	102,687	-14,954	87,733
Total increase/decrease(-) in amounts set aside to finance capital investment			51,491
Total movement on reserve in 2005-06	66,445	-14,954	
Balance brought forward at 1 April 2005	397,950	134,221	

Balance carried forward at 31 March 2006

464,395 119,267

Notes to the Statement of Total Movements in Reserves

The capital financing account contains the amounts which are required by statute to be set aside from revenue and capital receipts for the repayment of external loans, together with the amount of usable capital receipts, revenue grants and contributions which have been used to finance capital expenditure.

The Government grants deferred account represents amounts received to fund expenditure, which will be released to offset depreciation in respect of those assets to which they relate.

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	2005-2006		2004-2005
		£'000	£'000	£'000
Revenue Activities				
Cash outflows				
Employee costs		998,688		914,005
Other operating costs		913,491		846,623
Precepts and levies paid		549		1,000
Cash inflows				
Precepts on Collection funds		-456,339		-435,153
Non-domestic rate income		-410,515		-337,406
Revenue support grant		-478,053		-500,669
Other government grants	1	-354,081		-360,383
Cash received for goods and services		-296,592		-255,024
Other operating cash receipts		-9,535		-9,345
Net cash inflow revenue activities	2		-92,387	-136,352
Returns on Investments and Servicing of Finance				
Cash outflows				
Interest paid		52,239		49,035
Interest element of finance lease rental		37		29
Cash inflows				
Interest received		-8,666		-7,164
			43,610	41,900
			-48,777	-94,452
Capital Activities				
Cash outflows				
Purchase of fixed assets		216,902		174,235
Expenditure on deferred charges		15,368		10,236
Cash inflows				
Sale of fixed assets		-35,083		-23,082
Capital grants received	1	-79,537		-47,125
Other capital cash receipts		-5,418		-10,102
			112,232	104,162
Net cash outflow before financing			63,455	9,709
Management of Liquid Resources				
Net increase/decrease(-) in short term investments			-20,092	81,650
Financing				
Cash outflows				
Repayments of amounts borrowed		74,295		122,558
Capital element of finance lease rentals		202		223

Repayment of Credit Liability		13,365	9,147
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Cash Flow Statement

Cash inflows

New loans raised		<u>-126,170</u>	<u>-225,797</u>
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		<u>-38,308</u>	<u>-93,869</u>
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Net decrease/increase(-) in cash	3	<u>5,055</u>	<u>-2,510</u>
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Notes to the Cash Flow Statement

1. Grant analysis

Revenue Grants	2005-06	2004-05
	£'000	£'000
Department for Education and Skills	238,513	216,455
Department of Health	49,549	52,780
Home Office	21,630	31,562
Department of Constitutional Affairs	0	8,189
Department for Transport, Local Government and the Regions	59	2,802
European Community	748	2,096
Countryside Commission/Forestry Commission	0	423
Office of the Deputy Prime Minister	41,768	45,255
Cabinet Office	538	340
Department of the Environment, Food and Rural Affairs	630	428
Department of Work and Pensions	54	53
South East Development Agency	342	
New Opportunity Fund (Lottery)	250	
	354,081	360,383
Capital Grants		
Department for Education and Skills	40,617	34,314
Department for Transport, Local Government and the Regions	24,461	1,253
Department of Constitutional Affairs	0	197
Office of the Deputy Prime Minister	6,555	2,096
Department of Health	650	476
Lottery and other	7,254	8,789
	79,537	47,125

2. Reconciliation of revenue surplus to revenue cashflow

	2005-06	2004-05
	£'000	£'000
Surplus(-)/Deficit for the year	2,500	-8,644
Non-cash transactions		
Minimum revenue provision and amounts set aside from revenue	-33,143	-30,617
Contributions to reserves	-29,638	-53,002
Contributions to provisions	7,677	-6,931
	-52,604	-99,194
Items on an accruals basis		
Increase/decrease(-) in revenue debtors	-4,605	14,662
Increase(-)/decrease in revenue creditors	-2,299	-11,891
Increase/decrease(-) in stocks	9786	609
	-49,722	-95,814
Items shown later in the cashflow statement		
Servicing of finance	-42,665	-40,539
Net cashflow from revenue activities	-92,387	-136,353

Notes to the Cash Flow Statement

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

	Balance 1 April 2005	Balance 31 Mar 2006	Movement in the year
	£'000	£'000	£'000
Cash and bank balances	85,702	102,615	-16,913
Cash overdrawn	-79,956	-101,924	21,968
Decrease in cash			5,055
Debt repayable within 1 year	-8,168	-40	8,128
Debt repayable after 1 year	-822,521	-882,523	-60,002
Current investments	239,326	219,234	-20,092
Increase in net debt			-71,966

4. Definition of Liquid Resources

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

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 2006. 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 an 'exempt approved scheme' under the Finance Act 1970 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

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 investments are stated at market value based on the middle market quotation on the relevant stock exchange ruling on 31 March 2006. 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 2005 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2006.
5. Investments held in foreign currencies have been valued on the same basis and translated into sterling at the rate ruling on 31 March 2006. 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 2006

	Notes	2006		2005
		£'000	£'000	£'000
Contributions and Benefits				
Contributions Receivable:				
From employers	1	139,933		113,372
From employees	1	38,303		36,123
Transfers In	2	28,144		17,939
			206,380	167,434
Benefits Payable				
Pensions	3	-93,699		-87,527
Lump Sums	3	-20,667		-17,648
Payments to and on account of leavers				
Refunds of contributions		-1,544		-804
Transfers Out	4	-14,622		-13,165
Administrative and other expenses borne by the sche	5	-2,151		-2,049
			-132,683	-121,193
Net additions/withdrawals(-) from dealings with Members			73,697	46,241
Returns on Investments				
Investment Income	6	65,761		54,016
Change in Market Value of Investments	7	446,207		109,780
Overseas Irrecoverable Taxation		-793		-646
		511,175		163,150
Investment Management Expenses				
Investment Managers		-4,122		-3,644
Actuarial		-236		-137
Performance Measurement		-45		-43
Other expenses		-242		78
Net Return on Investments			506,530	159,404
Net increase/decrease(-) in Fund during the year			580,227	205,645
Opening Net Assets of the Scheme			1,794,945	1,589,300
Closing Net Assets of the Scheme			2,375,172	1,794,945

Pension Fund Accounts

Net Assets Statement as at 31 March 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
Investments at Market Value	7				
Fixed Interest Securities					
- Public		81,813		68,717	
- Other		73,699		67,211	
			155,512		135,928
Equities					
- UK		993,573		763,730	
- Overseas		513,167		359,415	
			1,506,740		1,123,145
Pooled Investment Vehicles					
- UK		189,102		144,883	
- Overseas		127,966		75,866	
- Property		12,941		10,466	
			330,009		231,215
Property - Freehold			189,372		165,611
Global Tactical Asset Allocation			150,512		89,184
Cash Deposits			23,389		39,695
Other Investments			5,881		-2,547
			2,361,415		1,782,231
Current Assets and Liabilities	8		13,757		12,714
Net Assets			2,375,172		1,794,945

Notes to the Pension Fund Account

1. Contributions Receivable

		2006	2005
		£'000	£'000
From Employers	Normal	128,517	105,520
	Special (Early Retirements)	11,416	7,852
		139,933	113,372
From Employers	Kent County Council	61,169	49,280
	Scheduled Bodies	66,505	57,880
	Admitted Bodies	12,259	6,212
		139,933	113,372
		2006	2005
		£'000	£'000
From Employees	Kent County Council	16,912	15,610
	Scheduled Bodies	18,797	18,148
	Admitted Bodies	2,392	2,327
	Lump Sum Contributions	202	38
	38,303	36,123	
Note:	As at 31 March the comparative numbers of	2006	2005
	Kent County Council	20,001	18,774
	Scheduled Bodies	17,489	17,956
	Admitted Bodies	1,909	2,003
		39,399	38,733

2. Transfers In

There were no bulk transfers into the Fund during the current or previous year.

3. Benefits Payable

	KCC	Scheduled Bodies	Admitted Bodies	2006	2005
	£'000	£'000	£'000	£'000	£'000
Pensions					
Retirement pensions	29,660	30,790	2,664	63,114	59,003
Widows pensions	1,843	2,495	136	4,474	4,231
Children's allowances	57	106	0	163	140
Pensions increase	14,075	15,516	636	30,227	28,369
Less benefits recovered direct from employing authorities	0	-4,166	-113	-4,279	-4,216
	45,635	44,741	3,323	93,699	87,527
Lump Sums					
Retirement	6,374	10,727	1,240	18,341	15,752
Death gratuities	926	1,300	100	2,326	1,896
	7,300	12,027	1,340	20,667	17,648

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

Notes to the Pension Fund Account

4. Transfers Out	2006	2005
	£'000	£'000
Individual	12,813	12,556
Bulk	1,809	609
	<u>14,622</u>	<u>13,165</u>

5. Administrative and other Expenses borne by the Scheme	2006	2005
	£'000	£'000
Internal Administration	2,074	2,036
Other miscellaneous expenses	77	13
	<u>2,151</u>	<u>2,049</u>

6. Summary of Income from Investments

	2006		2005	
	£'000	%	£'000	%
Fixed Interest				
- UK	7,500	11.40	6,635	12.28
- Overseas	661	1.01	1,172	2.17
Equities				
- UK	31,866	48.46	24,030	44.49
- Overseas	9,074	13.80	6,614	12.24
Pooled Investment Vehicles				
- UK	140	0.21	511	0.95
- Overseas	3,516	5.35	2,592	4.80
- Property	777	1.17	229	0.42
Property - Freehold	<u>10,046</u>	<u>15.28</u>	<u>9,475</u>	<u>17.54</u>
Total Income From Investments	63,580	96.68	51,258	94.89
Currency Deposit Accounts	8	0.01	3	0.01
Cash Balances	2,144	3.26	2,746	5.08
Sub-Underwriting Commission/other	29	0.05	9	0.02
	<u>65,761</u>	<u>100.00</u>	<u>54,016</u>	<u>100.00</u>

Notes to the Pension Fund Account

7. Analysis of Change in Market Value of Investments

	Market Value 31.03.05 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value 31.03.06 £'000
<u>Fixed Interest Securities</u>					
- UK Public	58,927	128,228	-111,192	267	76,230
- UK quoted	68,262	29,905	-26,507	1,308	72,968
- UK future contracts	-5,723	79,134	-67,802	-26	5,583
- Overseas Public	9,790	22,175	-32,771	806	0
- Overseas quoted	10,368	14,032	-10,548	328	14,180
- Overseas future contracts	-5,696	34,976	-42,843	114	-13,449
<u>Equities</u>					
- UK quoted	758,236	246,232	-177,385	166,490	993,573
- UK unquoted	3,431	0	-3,450	19	0
- UK future contracts	2,063	34,579	-36,655	13	0
- Overseas quoted	358,127	151,591	-137,876	135,578	507,420
- Overseas future contracts	1,288	15,203	-10,758	14	5,747
<u>Pooled Investment Vehicles</u>					
<u>Managed Funds</u>					
- UK	14,633	66,351	-56,417	7,922	32,489
- Overseas	8,324	180	-3,381	5,612	10,735
<u>Unit Trusts</u>					
- UK Public/Fixed Interest	105,671	25,438	-6,373	9,561	134,297
- UK	24,579	0	-5,686	3,423	22,316
- Overseas	67,542	33,663	-6,031	22,057	117,231
- Property	10,466	0	0	2,475	12,941
Property - Freehold	165,611	14	-3,650	27,397	189,372
Global Tactical Asset Allocation	89,184	0	0	61,329	150,513
	<u>1,745,083</u>	<u>881,701</u>	<u>-739,325</u>	<u>444,687</u>	<u>2,332,146</u>
<u>Cash</u>					
- Cash Deposits	31,627	426		1,520	21,290
- Cash backing open future contracts	8,068				2,098
<u>Other Investments</u>					
- Debtors - Outstanding Sales	1,000				7,558
- Creditors - Outstanding Purchases	-10,899				-12,739
- Profit/Loss on Forward Currency	19				-353
- Investment Income Accruals	7,333				11,415
	<u>1,782,231</u>			<u>446,207</u>	<u>2,361,415</u>

The following reflects the monetary and percentage split of the investments of the Fund at 31 March 2006 and previous year comparisons, between five investment managers and property portfolio (including cash held by Fund Managers):

	2006		2005	
	£000's	%	£000's	%
Baillie Gifford	369,782	15.8	245,044	13.8
Goldman Sachs	667,872	28.4	501,614	28.2
Schroders	702,616	29.9	549,506	31
Societe Generale	406,452	17.3	301,739	17
Property	202,845	8.6	176,976	10
Henderson	433	0	0	0
	<u>2,350,000</u>	<u>100</u>	<u>1,774,879</u>	<u>100</u>



Notes to the Pension Fund Account

8. Current Assets and Liabilities

	2006	2005
	£'000	£'000
Cash	7,915	4,566
Contributions due from		
-Scheduled Bodies	6,613	7,654
- Admitted Bodies	1,764	656
	8,377	8,310
Other Debtors	875	700
Benefits payable	-925	0
Other Creditors	-2,485	-862
Total	13,757	12,714

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 2005 was £1,782,087. 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.

	Prudential 2004-05 £000	Standard Life 2004-05 £000	Total 2004-05 £000	Prudential 2005-06 £000	Standard Life 2005-06 £000	Total 2005-06 £000
Value at 1 April	0	1,087	1,087	1,949	1,416	3,365
Income						
Contributions Received	33	170	203	177	162	339
Transfer Values Received	1,937	103	2,040	206	111	317
Interest & bonuses	15	0	15	93	0	93
Total	1,985	273	2,258	476	273	749
						0
Expenditure			0			0
Retirement Benefits Paid	0	-46	-46	-95	-52	-147
Transfer Values Paid	0	-12	-12	-10	-38	-48
Refund of Contributions	-36	0	-36	-141	0	-141
Total	-36	-58	-94	-246	-90	-336
Change in Market Value	0	114	114	1	333	334
Value at 31 March	1,949	1,416	3,365	2,180	1,932	4,112

Notes to the Pension Fund Account

10. Related Party Transactions	2006	2005
	£'000	£'000
Transactions between the KCC Pension Fund and Kent County Council, in respect of Pensions administration costs, investment monitoring and other services.	2,074	2,036
Transactions between Scheduled and Admitted bodies participating in the Pension Fund, in respect of employee and employer contributions payable.	139	360

Financial Reporting Standard 8 requires that related party transactions are disclosed where material. £139,466 is the outstanding balance due at year end from The Marlowe Academy.

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

Notes to the Pension Fund Account

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	Skinner's 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
Homewood School, Tenterden

Tonbridge Grammar School for Girls
Tonbridge 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

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

Further Education Colleges

Canterbury College
Hadlow College
Hilderstone College
Mid Kent College

North West Kent College
South Kent College
Thanet College
West 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
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

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 Parish Council
Otford 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
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 charges

A charge made to service revenue accounts for capital assets used in the delivery of services. The charge comprises two elements; a financing charge which is based on the value that the asset is held at in the Balance Sheet, and a depreciation charge for assets with a life of less than 60 years.

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 Magistrates and 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.

Precept

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

Public Works Loans Board

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

Related party transaction

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

Revenue expenditure

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

Specific grants

See 'government grants'

Support service costs

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

Usable capital receipts

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