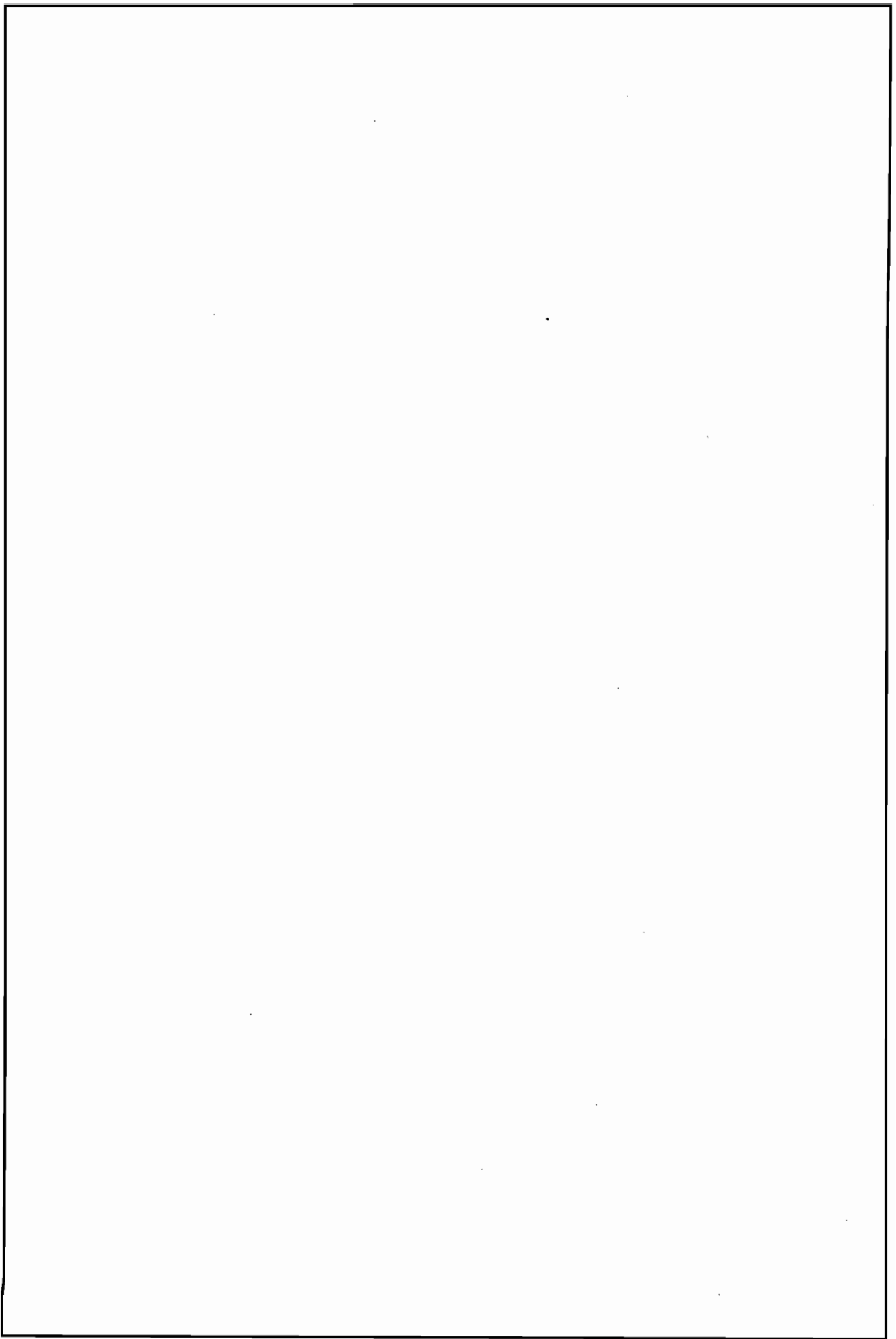


# Financial Statements 2006/2007



**RUNNYMEDE**  
BOROUGH COUNCIL



# FINANCIAL STATEMENTS 2006/07

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## CONTENTS

	<b>Page</b>
<b><u>INTRODUCTION</u></b>	
Mayor, Deputy Mayor, Committee Chairmen, Chief Officers, External Auditor, Bankers for 2006/07	2
Financial Review of 2006/07 by the Director of Finance	3
Statement on Internal Control	12
Statement of Responsibilities	24
Auditors Report to the Council	25
Principal Accounting Policies	27
<hr/>	
<b><u>CORE FINANCIAL STATEMENTS</u></b> (Blue)	
Income and Expenditure Account	37
Statement of the Movement on the General Fund Balance	38
Statement of Total Recognised Gains and Losses	39
Balance Sheet	40
Cash Flow Statement	41
Notes to the Core Financial Statements	42
<hr/>	
<b><u>SUPPLEMENTARY FINANCIAL STATEMENTS</u></b> (Pink)	
Housing Revenue Account	81
Notes to the Housing Revenue Account	83
Collection Fund	89
Notes to the Collection Fund	91
<hr/>	
<b><u>TRUST FUND ACCOUNTS</u></b> (Green)	
Cabrera Recreation Ground Trust Accounts	93
Other Trust Funds	94
<hr/>	
<b><u>APPENDICES</u></b> (White)	
A. Members Allowances paid in 2006/07	95
B. Glossary	96
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# FINANCIAL STATEMENTS 2006/07

## RUNNYMEDE BOROUGH COUNCIL

### Address and Telephone Number

Civic Offices, Station Road, Addlestone, Surrey, KT15 2AH

Telephone (All Departments): 01932 838383

Fax No (All Departments): 01932 838384

### Mayor and Deputy Mayor in the 2006/07 Municipal Year

Mayor	Councillor Prof A.M. Moore, MA (Cantab), PhD, DSc, FInstP
Deputy Mayor	Councillor H. W. V. Mears, MA (Cantab), FCA, MBA (Insead)

### Chairmen of Committees and Review Boards in 2006/07

Corporate Management Committee	Councillor J. R. Furey
Economic Development Committee	Councillor N Thewlis, BBS, MBA
Housing and Community Services Committee	Councillor P. J. Waddell, MA, MCIM, MIP
Leisure and Environment Committee	Councillor C J Norman
Licensing Committee	Councillor A. J. Davis, BSc (Econ)
Planning Committee	Councillor J. M. Edwards, BSc
Regulatory Committee	Councillor D. W. Parr MASC (PTh), BSYA (Hom.)
Review Board	Councillor P B Tuley ACIFMA, MIntM
Standards and Audit Committee	Councillor J B Dean
Englefield Green Committee	Councillor P I Roberts

### Chief Officers in 2006/07

Chief Executive Officer	T. N. Williams, MA, FCIS
Director of Administration and Leisure	A. M. Pearson, Solicitor
Director of Finance	S. R. Cawthorne, BA, CPFA
Director of Technical Services	P. Sims, DipEP, DipMgt, MRTPI
Director of Housing and Community Services	D. Blowers, CIOH, DMS

### External Auditor in 2006/07

Auditors	The Audit Commission
District Auditor	Mr N Ward
Audit Manager	Mr R Grant
Address	MLS Business Centre, Crossweys, 28-30 High Street, Guildford, Surrey. GU1 3HY

### Bankers in 2006/07

Co-Operative Bank, 17 High Street, Kingston-upon-Thames, Surrey, KT1 1LP

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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## INTRODUCTION

It is my pleasure to introduce the Council's Statement of Accounts for 2006/07. In this review I will briefly explain some of the major features of the financial year.

The purpose of these Accounts is to give electors, those subject to locally levied taxes and charges, members of the council, employees and other interested parties clear information about the finances of Runnymede Borough Council. It provides information on:

- The cost of services
- Source of income
- Assets and liabilities

The statements are in a format that meets legal and professional accounting requirements. I hope that it also provides a readable guide to the financial affairs of the Runnymede Borough Council.

## NEW FEATURES IN THESE STATEMENTS

There are significant changes to the format and content of the accounts this year, and the statements have a very different look to those for 2005/06.

The changes are a result of the continuing drive to make public sector accounts generally more compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP"). There is no precise definition of this term, but it is taken as a reference to the accounting treatments that companies are expected to apply in the preparation of their financial statements, whether by force of law, weight of authoritative pronouncement, or common consensus.

The main changes introduced this year are:

- The removal of the requirement to make a capital financing charge (internal interest) for the use of fixed assets in revenue accounts. This represents a change in accounting policy and the comparative figures for 2005/06 have been changed accordingly.
- The replacement of the Consolidated Revenue Account and Statement of Movement in Reserves with an Income and Expenditure Account and Statement of Movement on the General Fund Balance. This makes the impact of depreciation and impairment losses clearer. These now score against the bottom line of the Income and Expenditure Account, but are reversed out in the Statement of Movement. Gains and losses on the disposal of fixed assets are reported in a similar way.
- Gains and losses arising from the revaluation of fixed assets, and actuarial gains or losses in respect of pensions, are now disclosed on the face of the new Statement of Total Recognised Gains and Losses.
- There is now a Housing Revenue Account Income and Expenditure Account and a Statement of Movement on the Housing Revenue Account to replace the old style Housing Revenue Account.
- In-year surpluses and deficits in the Collection Fund are now apportioned between the precepting authorities (Runnymede, Surrey County Council and Surrey Police), and the year-end shares recorded in the Balance Sheet accordingly.

The main financial statements are divided into 'core' statements and 'supplementary' statements. The core statements are now grouped together, followed by the notes to these statements, and comprise the:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet, and
- Cash Flow Statement.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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The supplementary statements are:

- Housing Revenue Account Income and Expenditure Account
- Statement of Movement on the Housing Revenue Account, and
- Collection Fund.

The purpose of each of these statements is set out at the head of each statement.

There are also some other changes that have been incorporated into the accounts (e.g. accounting for fixed asset revaluation gains and losses). These are explained in the notes to the statements.

There is no respite from accounting changes. There are further proposals to address remaining areas of current non-compliance with UK GAAP in the 2007/08 accounting statements. In future years it is likely that further changes will be introduced to comply with the requirements of International Financial Reporting Statements.

## OVERALL FINANCIAL OUTLOOK

Runnymede Borough Council has a difficult set of financial challenges to face up to over the next few years, and explaining these challenges helps in understanding the context of some of the financial decisions taken in 2006/07.

Throughout the 1990's Runnymede enjoyed a very low local council tax. This was achieved through a number of factors, particularly the use of surpluses on the council housing account, and higher than present levels of government grant.

By 2000 these favourable factors were diminishing. Housing surpluses are now captured by the government, government grants reduced in real and cash terms, and spending on services from national (e.g. recycling, concessionary fares) and local (e.g. Safer Runnymede) policies increased. In recognition of these pressures, the policy of the Council was to raise council tax in steps until it was at a level where income and expenditure was balanced.

However, in 2005 Runnymede was amongst nine local authorities "designated" for council tax capping. The government proposed a maximum increase that worked out to a council tax of £109.65. This reduced the bill for 2005/06 for a local taxpayer in a band D property by £8.34. The government has subsequently reiterated that they would cap any local authority that increased its tax by more than 5%. This meant that the plan for stepped increases in council tax was no longer possible.

The impact of capping on the Council's medium-term spending plans was significant. The decision effectively locked the Council into a tax level that is too low to sustain the services currently provided. Indeed, the Runnymede level of band D local tax was the seventh lowest in England in 2006/07. There is now a need to make substantial revenue reductions to balance income and expenditure over the medium-term. Achieving savings of this scale, whilst maintaining good quality and valued local services, will be a major challenge. Good progress on implementing the agreed programme of savings has already been made, but more savings will be needed.

Financial reserves are currently making up the gap between income and expenditure. In 2006/07 the opportunity was taken to strengthen these reserves by transferring £3m from the Housing Revenue Account (HRA) to the General Fund, so providing more time to reduce budgets. The HRA is in a position to make the £3m transfer to the General Fund in 2006/07 by using the large balance saved from previous years. To leave the HRA in a stable position, and be consistent with the HRA Business Plan, special repair and improvement works to the same value (£3m) will now be financed from capital receipts. This means that the impact on the HRA will be neutral. However, the result will be to reduce capital receipts by £3m.

Our total revenue reserves now stand at £10.458m. This is a substantial sum, but our budget for 2007/08 relies on the use of £1.665m of reserves alone. The reserves will only just be sufficient to allow the necessary savings to be phased in over a five-year period.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

## INCOME AND EXPENDITURE ACCOUNT - GENERAL FUND

All the services provided by Runnymede Borough Council, including council housing, are shown within the Income and Expenditure Account. This new style account shows the equivalent of trading losses in the UK GAAP sense. It is difficult to explain succinctly the relationship of the loss made in 2006/07 of £2.199m with the tax setting and other resources available to the Council. The following statement – the ‘Statement of Movement on the General Fund Balance’ – reconciles the movement on the Income and Expenditure Account with the statutory provisions that local authorities need to take into account when setting local taxes. The entries in this Statement turn the UK GAAP loss of £2.199m into a net transfer to General Fund reserves of £6.023m.

The main reasons for the loss disclosed in the Income and Expenditure Account in 2006/07 are:

- Depreciation and impairment charged to services: Local authorities have charged depreciation in their statutory accounts for many years in accordance with UK GAAP principles. However, depreciation is not a charge to local taxes and is not met by government grant. Therefore the entry for depreciation is reversed out in the Statement of Movement on the General Fund Balance.
- Deferred charges: This is the name given to expenditure that counts as capital expenditure for statutory purposes, but is accounted for as an expense in the UK GAAP compliant Income and Expenditure Account. Again, this entry is reversed out in the Statement of Movement on the General Fund Balance.
- Capital losses and profits: These are calculated on a current valuation basis, and therefore only reflect occasions where assets are sold for more or less than they are currently worth. The instances where this happens are comparatively rare, but Runnymede has sold land at less than full price to housing associations where this facilitates the provision of affordable housing. This accounting loss is reflected in the Income and Expenditure Account, and then reversed out in the Statement of Movement on the General Fund Balance.
- Pension costs: Our Statement of Accounts includes pension costs calculated in accordance with the FRS 17 accounting standard. The actual amounts payable in cash to the pension fund, set by the fund actuary, are the basis for the charge to local taxes.

These factors are not peculiar to Runnymede, but are common for all local authorities.

### Comparing our performance in 2006/07 to our budget

Our budget is used for a number of purposes. Obviously, it provides the information necessary for the Council to set council tax and consider the amount of reserves used in the year. It also provides information on the cost of services so that decisions can be made about resource allocation and value for money can be measured. It is also the basis for budgetary control – the important process of making sure our budget is being spent on the right services and that variations are promptly identified are corrected (or encouraged if favourable).

The following table compares the major elements of the original budget, revised budget (compiled half way through the year), and actual for our services in 2006/07:

<b>Comparison of budget to actual for major elements of the General Fund in 2006/07</b>			
Budget element	Original Budget	Revised Budget	Actual
	£000	£000	£000
Net expenditure	10,230	10,297	9,158
Transfer from the Housing Revenue Account	-	(3,000)	(3,000)
Transfer from General Fund contingency reserve	-	-	(3,287)
Transfers to and from other reserves	214	(4)	(49)
Council tax and general government grant	(8,842)	(8,842)	(8,845)
<b>Decrease (increase) in General Fund Balance</b>	<b>1,602</b>	<b>(1,549)</b>	<b>(6,023)</b>

## FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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The General Fund contingency was transferred to the General Fund Balance. These reserves had been increasingly treated as one reserve over the past years and the amalgamation of the reserves will make matters more clear.

The figure for "net expenditure" in this table consolidates all the entries in the Income and Expenditure Account and Statement of Movement on the General Fund Balance, other than the transfer from the Housing Revenue Account and income from council tax and general government grant. The reduction in net expenditure of £1.138m compared to the revised budget – from £10.297m to £9.159m - is a welcome development.

There were significant savings on General Fund service expenditure between the revised budget and the actual net expenditure. The largest savings were made on the following services:

- General Fund housing services (£62,300)
- Community services – for elderly and disabled residents (£100,300)
- Public halls (£52,400)
- Cemeteries and closed churchyards (£33,700)
- Environmental services (£68,700)
- Recycling and refuse collection (£50,900)
- Street cleansing (£32,200)
- Safer Runnymede (£45,600)
- Planning policy, development control, and building control services (£126,800)
- Car parks (£57,900)
- Corporate land & properties (£92,600)
- Corporate management (£64,900)
- Performance award grant expected (£69,700)
- A surplus on DSO activities (£78,100)

A large number of savings on a smaller scale were also made in the year. Service managers are encouraged to use freedoms and incentives to control and manage budgets to deliver services effectively. This helps in exercising firm budgetary control. Service managers may carry forward planned savings made in one year to the next. Planned savings (included in the above list) of £321,900 on General Fund services were made in 2006/07 and these will be spent in the 2007/08 financial year.

There were a few budgets that were overspent and income budgets that did not meet their targets during the year. In most cases compensatory savings were achieved to offset the shortfall.

### Government grants

The Council received Formula Grant - a combination of general government grant and the distribution from the central non-domestic rate pool - from the government of £5,067m. This was an increase of £431,100 (9.2%) over the 2005/06 settlement and this was based on a general increase of 3%, plus an adjustment to reflect new responsibilities. The main new responsibility placed on Runnymede Borough Council was the extension of the previous half-price bus fare concession for senior citizens and people with disabilities, to free travel (after 9.30 a.m.). The additional cost to Runnymede Borough Council of this enhancement was £210,000.

### Treasury Management

Treasury management takes a high profile in Runnymede and treasury policies were refined throughout the year to take account of best practice. A large proportion of cash reserves are currently placed with an external fund manager, Alliance Bernstein. In February 2007 £5m was withdrawn from this fund in order to meet cash flow needs. At the end of March 2007 Alliance held £16.984m. Alliance have given notice that they are withdrawing from the local authority cash management market, and new arrangements for managing these funds are being put in place.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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## **PENSION FUND ACCOUNTING**

### Surrey Pension Fund

Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council on behalf of all local authorities in Surrey and other public sector bodies such as further education colleges. Employees make a statutory contribution of 6% of their pay to the Pension Fund. The fund actuary (Hymans Robinson) calculates the position for each contributing body separately and undertakes a formal valuation of the Surrey Pension Fund every three years. This valuation sets the employer's contribution to the fund for the next three years.

The results of the last four actuarial reviews have shown that the Pension Fund is in deficit. That means that the assets (mainly investments in shares, property and bonds) in the Pension Fund are not sufficient to meet liabilities (the pensions payable). The latest valuation (with a valuation date of 31 March 2004) compiled by Hymans Robinson set the level of contributions for the three-year period commencing April 2005. The valuation disclosed the following features for Runnymede:

- A funding level of 83% representing a net deficit of £7.4 million. A significant reason for the deficit was that past investment performance has not achieved the expected returns.
- An employer's contribution for the next three years equal to 12.5% (previously 9.9%) of pensionable pay.
- Additional annual contributions to eliminate the deficit over the next 20 years. The Actuary has allowed us to phase in these additional contributions, starting in the 2006/07 financial year.

The actuary will be reporting on his formal valuation of the fund (with a valuation date of 31 March 2007) later this year. The results of his valuation will be very important in making the appropriate budgetary provisions from the 2008/09 year onwards. It will also be very interesting to see how his valuation compares to the calculations made under the FRS 17 accounting standard.

### Accounting for Pensions under FRS17

Pension costs in these accounts are based on the accounting standard FRS 17 *Retirement Benefits*. The objectives of FRS 17 are that financial statements set out at fair value the assets and liabilities of the organisation relating to retirement benefits, and that the true cost of these obligations is recognised. Legislation prevents the changes introduced by FRS 17 from impacting on council tax levels and housing finances. Therefore, the difference between the charge to taxation and rents (set by the fund actuary), and the FRS 17 charge, is financed by an appropriation to a Pensions Reserve.

These accounts provide detailed disclosures on the assets and liabilities of the Pension Fund under the FRS 17 accounting rules. Under the set of actuarial assumptions used to make the FRS 17 calculations, the position of the Runnymede element of the Fund as at 31 March 2007 is a deficit of £12.360m, a reduction of £3.360m on the deficit at March 2006 of £15.720m.

The main reason for the reduction in the deficit was that the real-terms discount rate for measuring the scheme liabilities has changed from 1.7% at 31 March 2006 to 2.1% at 31 March 2007. The higher discount rate when applied to future cash flows reduced the total liabilities by £4.605m alone. There was also a benefit of £774,000 in respect of an allowance for commutation of pensions, but there was an offset of £1.769m in respect of an increase in the allowance in longevity. There was also a beneficial gain of £267,000 from events not coinciding with the actuarial assumptions made for the last valuation. Liabilities increased by £516,000 because the cash payments made by the Council in 2006/07 (of £1.431m) were less than the amounts required to meet pension liabilities accrued in the year as calculated under the FRS 17 standard (of £1.947m).

A pension fund deficit of £12.360m is of course a very significant amount. However, care needs to be taken in interpreting these figures. It is important to see pensions for what they are; that is long-term assets and liabilities. It is true that FRS 17 figures disclose the position of a pension fund at a point in time, based on certain financial assumptions. However, it is the long-term position of the Fund as disclosed by the fund actuary that determines the amounts that the Council must provide for its pension commitments.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. Gains on losses on revaluations of fixed assets and pension actuarial gains and losses are excluded as they arise from asset and liability valuation changes rather than from an entities operating performance. The Statement of Total Recognised gains and Losses pull together all the recognised capital and revenue gains and losses of the Council under one statement.

## BALANCE SHEET

The Balance Sheet shows the Council's reserves, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes charitable and trust funds held by the Council.

## CASH FLOW STATEMENT

The Cash Flow Statement summarises the cash receipts and payments of the authority, including those of local taxes collected.

## HOUSING REVENUE ACCOUNT

Council housing remains an important service for Runnymede Borough Council and we own a total stock of some 3,100 dwellings. All expenditure and income on council housing is contained within the Housing Revenue Account (HRA) Income and Expenditure Account, and is reconciled to the statutory provisions for the HRA in the Statement of Movement on the HRA.

The following table compares the net cost of HRA services as included in the Income and Expenditure Account to the original budget and the revised budget for 2006/07:

<b>Comparison of budget to actual for the net cost of HRA services in 2006/07</b>			
	<b>Original budget</b>	<b>Revised budget</b>	<b>Actual</b>
	£000	£000	£000
General & special management expenses	3,180	3,260	2,997
Housing repairs and maintenance	2,121	2,078	1,990
Depreciation and other expenses	2,233	2,165	2,130
HRA subsidy paid to the government	4,908	4,922	4,936
<b>Total expenditure</b>	<b>12,442</b>	<b>12,425</b>	<b>12,053</b>
<b>Total income</b>	<b>12,976</b>	<b>12,865</b>	<b>12,947</b>
<b>Net cost (surplus) of HRA services</b>	<b>(534)</b>	<b>(440)</b>	<b>(894)</b>

There were significant savings between the revised budget and the actual net expenditure. The largest savings were made on the following services:

- General & special management expenses: A mix of unspent provisions and net savings on staffing, support service and other costs (£239,000)
- Housing repairs: Savings on repair and improvement works (£88,000)
- Rental and other income (£82,000)

The other entries in the HRA Income and Expenditure Account and Statement of Movement on the HRA were broadly in line with budget.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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The main source of income to the HRA is property rents. In 2006 the government changed the way that rent levels for local authority dwellings are to be calculated – the rent restructuring rules – and these changes were implemented in April 2006. The increase applied to rent levels in April 2006 was a flat rate 4.75%. Examples of average rents charged in 2006/07 are £44.49 a week for a bedsit type dwelling and £83.71 a week for a three-bed house.

The HRA does not include expenditure on the large capital repair and improvement programme on our housing stock. In 2006/07 the new kitchen and bathroom improvement programme commenced and the plan is to provide modern facilities for all our stock. This five-year programme is estimated to cost £4.837m. The final upgrades to central heating units were completed in 2006/07 and this draws this major programme to a close. Total capital expenditure on capital repair and improvements to our existing stock totalled £2.986m in 2006/07 and this is financed from resources in the major repairs reserve (£2.208m) with the balance from capital receipts.

The HRA working balance started the year with a surplus of £3.820m. This significant sum is in line with our long-term business plan for the HRA and was to provide the finance for the large planned improvement programme to our council stock. However, we are now financing this programme from capital reserves, and this has provided the headroom for the transfer of £3m to the General Fund. The HRA working balance ended the year with a still very healthy surplus of £1.801m.

## COLLECTION FUND - LOCAL TAXATION

The Collection Fund shows the net expenditure requirements for local services charged by Surrey County Council, Surrey Police Authority and Runnymede Borough Council and income raised from the council tax and business rates.

The following table shows the council tax band D charges in 2005/06 (after capping for Runnymede) and 2006/07, and the percentage increase for each element of the charge:

<b>Council tax at band D in 2005/06 and 2006/07</b>			
	2005/06	2006/07	Increase
	£	£	%
Surrey County Council	920.70	966.69	5.0
Surrey Police Authority	154.26	163.26	5.8
Runnymede Borough Council	109.65	115.11	5.0
<b>Total at band D</b>	<b>1,184.61</b>	<b>1,245.06</b>	<b>5.1</b>

Runnymede Borough Council takes its duties of collection and recovery of local taxes very seriously. Taxpayers are expected to pay the right amount of tax on time. Vigorous recovery action is taken to ensure that those who do not pay, or who do not pay on time, are pursued.

We have a good record in collecting local taxes and national performance statistics indicate that our performance is in the top quartile of all authorities. Council tax arrears including arrears of court costs stood at £1,177,000 at 31st March 2007 (£1,166,300 at 31st March 2006). Business ratepayers' arrears including arrears of court costs stood at £167,700 as at 31st March 2007 (£138,400 at 31st March 2006).

## CAPITAL FINANCE

Capital expenditure in 2006/07 totalled £13.318m. This was financed by the use of reserves, capital receipts, and grants and contributions. More information on our capital schemes and how they were financed is given in the notes to the accounts.

## **FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE**

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The Council has given its fund manager, Alliance Bernstein, authority to invest in "Floating Rate Notes" (FRNs). These instruments enable returns to be enhanced commensurate with the minimisation of risk. However, under the current Government rules, FRNs count as capital expenditure. This means that these transactions have to be accounted for as capital payments and financed from available capital resources (i.e. usable capital receipts). Capital investments totalling £1.293m were made during the 2006/07 financial year. When FRNs are sold, the receipt is treated as a capital receipt. Receipts from the sale of these investments in 2006/07 totalled £6.208m. All FRNs were sold in 2006/07. These transactions are included in the capital expenditure and income figures set out in the notes to the accounts

Major capital schemes during the year included:

- New Civic Offices (£4,613m)
- Improvement works to Council dwellings (£2,986m)
- Various leisure and recreation projects (£2,201m)

The cost of the new Civic Offices is estimated to total £16.575m. Most of this will be incurred in the 2006/07 and 2007/08 financial years. The new offices will include provision for the Surrey Police, and proceeds from the sale of the current police station site and the old Civic Offices site will be used to help finance the cost of the project. There are, of course, uncertainties and risk with a project of this size and complexity. The management and control of these risks form an important part of the project.

The Council has usable capital receipts of £6.266m at 31 March 2007. Capital receipts are the principal source of funds to pay for capital expenditure and to provide funds for investment. There is currently a significant programme of asset sales to strengthen these reserves, and meeting the targets set out in our disposal programme is a major challenge.

Good progress has been made on proposals to redevelop the unsatisfactory system built housing at Wapshott Road in Egham. The redevelopment will be carried out by the A2 Housing Group, our registered social landlord partner who has worked with the Council to produce a scheme that meets the needs of tenants, and addresses concerns about local flooding. The government inspector granted planning permission for the redevelopment in October 2006, following an exhaustive planning inquiry.

Pooling of housing capital receipts was introduced on 1 April 2004. These rules require the Council to pay (in cash) a proportion of housing capital receipts over to the Government. The Council must pay over 75% (phased in over 3 years) of the receipts from sales of Council dwellings made under the Right-to-Buy arrangements, and the payment in 2006/07 was £397,997. For other housing capital receipts, the Council has the choice of paying a proportion over to the Government pool, or retaining the receipt to use on housing schemes. The choice made by the Council has been to retain receipts locally wherever possible.

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### **USE OF RESOURCES ASSESSMENT**

The use of resources assessment is an Audit Commission judgement about a council's performance in relation to five themes: financial reporting; financial management; financial standing; internal control; and value for money. The judgement evaluates how well councils manage and use their financial resources to support their strategic priorities, improve services and achieve value for money.

In March 2006, the Audit Commission assessed the Council's performance as "performing strongly" - is the highest possible under the system. This assessment was repeated in 2007 and the result was again a categorisation of performing strongly. In 2007, Runnymede was one of only seven district councils that achieved this top rating for use of resources.

# FINANCIAL REVIEW OF 2006/07 BY THE DIRECTOR OF FINANCE

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## AUDIT

Interested members of the public have a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2006/07 the inspection dates were between 2nd and 27th July 2007 inclusive. The appointed day for raising queries with the External Auditors was 30th July 2007.

## FINANCIAL PLANNING

Each year, the Council refreshes its spending and taxation plans for the next five years in a document called the "Financial Forecast". This document is available on our web site at [www.runnymede.gov.uk](http://www.runnymede.gov.uk). The latest forecast was approved in October 2006. The financial strategy is to reposition spending and local taxation so that by the end of five years our outgoings will match income. The strategy requires a combination of phased increases in local taxation, combined with a programme of net revenue expenditure reductions. In the meantime, the Council is drawing on revenue reserves to meet the gap between spending and income.

## CONCLUDING REMARKS

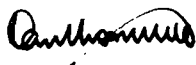
The Statement of Accounts is intended to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. I would welcome any constructive comments which would help improve this information.

Runnymede Borough Council remains committed to use all its resources - financial, human and material, for the maximum benefit of its residents. Sound financial management in 2006/07 has helped with this objective. I am confident that the Council will meet the challenge of balancing income and expenditure over the medium term.

Finally, I have set out in a statement on page 24 the responsibilities of the Council and my responsibilities as the Director of Finance for the accounts. This shows the requirements of the legislation together with my professional and legal responsibilities for the Financial Statements.

## FURTHER INFORMATION

Further information is available from the Finance Department at the Civic Offices, Addlestone. Our web site is [www.runnymede.gov.uk](http://www.runnymede.gov.uk). The Council also publishes a corporate magazine three times a year known as The Runnymede Voice, which is distributed free to all households in the Borough, and provides further information on the work and plans of the Council.



**S R Cawthorne**  
Director of Finance  
June 2007

# STATEMENT ON INTERNAL CONTROL 2006/07

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## INTRODUCTION

Internal control and risk management are important elements of good corporate governance. This Statement on Internal Control is provided by Runnymede Borough Council and communicates governance issues to stakeholders with the aim of enhancing public confidence in the Council, and is in support of the Statement of Accounts for financial year 2006/07.

## 1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Runnymede Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on best practice and is an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- To evaluate the likelihood of those risks being realised; and the impact should they be realised;
- To manage them efficiently, effectively and economically.

The system of internal control has been in place at Runnymede Borough Council for the year ended 31 March 2007 and up to the date of approval of these Financial Statements and accords with proper practice.

## 3. THE INTERNAL CONTROL ENVIRONMENT

### Establishing and monitoring the achievement of the authority's objectives

The Council has many duties and powers. The processes that are in place to properly reflect these functions in its aims and objectives and also to identify changes in these requirements are set out below:

- The Community Strategy is a statement of aims, developed with Runnymede's Local Strategic Partnership, for the improvement of the economic, social and environmental well being of Runnymede over the next 15 years.
- A Strategic Plan that captures the key themes of the Council's existing strategy documents in a format that reflects best practice drawing from the Community Strategy and other formative policy documents.
- The Best Value Performance Plan sets out the service priorities of the Council. The review programme for 2005/06 to 2008/09 is based on a number of large cross-cutting reviews.
- A set of 10 Priority Focused Performance Indicators has been established to monitor performance of the Council in key areas on a regular basis.
- A rolling five-year financial forecast identifying areas of growth, revenue reductions and capital expenditure plans.

## STATEMENT ON INTERNAL CONTROL 2006/07

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- A number of mandatory and discretionary service plans and strategies are in place and are reported to committees at regular intervals.

All the service targets and objectives set out in these documents, together with local and national performance indicators, are consolidated and analysed in a set of Service Plans reported regularly to Committee, so as to enable the Council to monitor progress towards the requirement of continuous improvement and take corrective action where necessary.

### **The facilitation of policy and decision-making**

The Council sets the overall strategy and policy, and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to. The system of internal control is based on a framework contained within the Constitution (which is itself formally reviewed annually), including rules and procedures in respect of:

- Functions of the Council, Committees, and Officers;
- Procedures for conducting the Council's business;
- Delegations to Officers;
- Budget and policy framework;
- Ethics and probity;
- Overview and scrutiny;
- Financial and contracts procedures;

The Constitution contains a further range of control and policy documents to support sound corporate governance:

- Anti-fraud and corruption policy (including whistleblowing policy);
- Consultation strategy;
- Code of conduct for Members;
- Code of conduct for planning matters;
- Members' IT protocols;
- Member/Officer protocol;
- Monitoring Officer protocol;
- Media handling protocol.
- Officers' code of conduct
- Procurement strategy
- Protocol for access to personal data
- Publicity and media handling protocol
- Staff e-mail/internet policy

Other approved policy documents are also relevant:

- Budget book;
- Capital strategy and asset management plan;
- Communications strategy;
- Personnel policies and procedures;
- Risk management strategy;
- Treasury management strategy;

These policy documents can be viewed on the Council's website at [www.runnymede.gov.uk](http://www.runnymede.gov.uk).

# STATEMENT ON INTERNAL CONTROL 2006/07

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## **Ensuring compliance with established policies, procedures, laws and regulations**

Directors are ultimately responsible to the Council for the system of internal control and reviewing its effectiveness. Such a system is designed to manage effectively, rather than eliminate, the risks that are attached to the fulfilment of the Council's mission of securing quality services, delivered fairly, courteously, and responsibly by well-informed providers who take pride in what they do. Any system of internal control can only provide reasonable assurance and not absolute assurance that all significant risks will be mitigated.

The roles of the Head of Paid Service, the Monitoring Officer, and the Section 151 Officer are set out in legislation and reflected in the Constitution of the Council.

The Corporate Management Committee and the full Council review the Constitution and its component parts annually.

The Council's Legal Section reviews all reports to Committees to ensure propriety and to advise on the impact of legislation. This includes an annual review of forthcoming legislation likely to impact on Runnymede.

During the last financial year the Council has also continued to develop its management and reporting arrangements, aiming to satisfy itself that its approach to corporate governance is both adequate and effective in practice.

A Strategic Risk Register sets out the key strategic risks that may affect the ability of the Council to carry out its corporate objectives. The Directors Management Team has the responsibility for reviewing and monitoring the action plan to control or reduce risk. The Standards and Audit Committee reviews risk management performance and the risk management strategy.

The Council has an Internal Audit Section that reports to the Director of Finance. Reports are also copied to the Chief Executive Officer, Monitoring Officer and the external auditor. The Chief Internal Auditor makes comprehensive reports on the plans and progress of the Internal Audit function directly to the Standards and Audit Committee. The Standards and Audit Committee review all recommendations made from internal audits and the extent to which compliance has been achieved.

The Council has a training policy for all Members and staff. Training needs are identified specifically at the time of staff appraisals and more generally as needs become apparent. A budget has been established that is sufficient to meet the training needs identified.

## **Ensuring the economical, effective and efficient use of resources**

The Best Value Performance Plan sets out the service priorities of the Council. The review programme for 2005/06 to 2008/09 is based on a number of large cross-cutting reviews. Best value reviews are carried out in accordance with a corporate Service Review Guide. This sets out a system of conducting Reviews in a way that conforms to the legislative requirements and gives a consistency of approach across the services. The Guide requires that Service Reviews be reported to the relevant Service Committee at key stages of the review.

Reports are regularly made to the Corporate Management Committee on efficiency savings that measure progress against the government efficiency target set for Runnymede.

## **The financial management of the authority and the reporting of financial management**

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

- Comprehensive budgeting systems;
- Clearly defined capital expenditure guidelines;
- Named Budget Managers who have the responsibility for delivering services within the approved budget;
- Setting targets to measure financial and other performance;

## STATEMENT ON INTERNAL CONTROL 2006/07

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- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- Formal project management disciplines with regular reporting mechanisms to the Directors Management Team and outturn reports to sponsoring policy committees; and
- Detailed annual internal audit plan with priorities and an inspection regime reflecting the risk assessment of the service.

### **The performance management of the authority**

Developing the Council's performance management system is a continuing process to increase the efficiency, accountability and analysis of performance management information, and aid greater ownership of the Council's performance by staff and Members alike.

The Corporate Management Committee receives a quarterly report on progress towards ten focused Priority Indicators of Performance identified as reflecting the Council's key corporate performance and main priorities.

Committee based service plans have been established to collate all the performance management information for a service area in one place. The format and content of these plans were reviewed in 2005 and build on a whole range of management information which consistently analyses the Council's performance across the range of services. The Service Plans are constructed from the Strategic Plan, Best Value Reviews, Best Value performance indicators, the Comprehensive Performance Assessment of the Council, and individual mandatory and discretionary service plans and strategies. The Service Plans therefore guide the day-to-day focus of both service priorities and new initiatives. Progress reports on the targets and performance indicators set out in the service plans are reported to Committees on a quarterly basis.

## **4. REVIEW OF EFFECTIVENESS**

Runnymede Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditor, the Monitoring Officer, and the Directors within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The following processes have been applied in maintaining and reviewing the effectiveness of the system of internal control:

### **Role of Full Council**

Full Council makes all significant financial and strategic decisions. In 2006/07 these have included such matters as:

- Setting the Annual Budget and level of Council Tax;
- Medium-term (5-year) financial forecast;
- Progress on net revenue reduction targets;
- Prudential Indicators;
- Revisions and adoption of various strategies and plans;
- Treasury management strategy;

### **Policy Committees**

The Council conducts its formal business through four policy and three regulatory committees that operate under clear rules set out in the Council's Constitution. Members of the Council have been regularly and fully briefed on all significant financial and strategic decisions. These include such matters as:

- Annual report on final accounts and the Statement of Accounts;

# STATEMENT ON INTERNAL CONTROL 2006/07

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- Best Value reviews;
- Government grant settlements;
- Capital forecasts and out-turn reports;
- Financial monitoring of the revenue budget;
- Impact of major capital schemes;
- Legislation affecting local government;
- Major IT system acquisitions;
- Revision of fees and charges;
- Service plans;
- The ten priority indicators of performance;
- Treasury management and investment performance;
- Use of delegated powers.

The agendas and minutes of these committees are public documents and are available to view in local libraries and on the Council's website at [www.runnymede.gov.uk](http://www.runnymede.gov.uk).

## **The Standards and Audit Committee**

Summary reports in respect of completed internal audit reviews are presented to Standards and Audit Committee twice annually. In 2006/07 the Committee has also considered the arrangements for risk management and a review of the arrangements for internal control, in addition to its role of promoting and maintaining high standards of conduct by Councillors and co-opted members.

## **Review Board**

The Review Board carries out the overview and scrutiny functions conferred by regulations under Section 32 of the Local Government Act 2000. The Review Board may review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In exceptional cases it may "call in" a Committee decision for further consideration before it is implemented. The Board makes reports and recommendations to the Full Council and any Committee as it sees fit.

In April 2007, the Board prepared an Annual Report on their working in the 2006/07 financial year and will present this to the Full Council in July 2007. The work programme included a review of the policy on green garden waste collection bags, proposals for fortnightly refuse collection, partnership arrangements with Surrey County Council, action on fuel poverty, action on air quality, reduction in planning enforcement resources, processing of planning appeals by the Planning Inspectorate, delays at level-crossings, transport for young people in the evenings, enhancements to rail and bus transport services, contributions to the Surrey Pension Fund, progress on the net revenue reductions programme, and a number of specific service and community issues.

## **Internal Audit and External Audit**

The Council operates an internal audit function and its role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Council's operations by advising and commenting on how risks are being managed, and to review arrangements for the security of the Council's assets. The Internal Audit Section contributes to the maintenance of effective corporate governance of the Council by:

- Providing assistance to the Council in the development of internal financial controls
- Ensuring that all significant business systems were subject to appropriate financial control, through targeting audit coverage using an appropriate risk based approach

Internal Audit also provides an independent and objective opinion to the organisation on the degree to which internal controls support and promote the achievement of the organisation's objectives. The operational and management arrangements for Internal Audit are as follows:

- The Standards and Audit Committee review the audit coverage undertaken during the previous year and the audit plan for the forthcoming year;

## STATEMENT ON INTERNAL CONTROL 2006/07

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- The Standards and Audit Committee reviews the recommendations made in internal audit reports and progress made in their implementation;
- Internal Auditors conduct their work in accordance with professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice and the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Audit;
- The Chief Internal Auditor has access to all senior managers, including the Chief Executive, and internal auditors have access to all records held by the Council if necessary;
- The work of internal audit is based on an evaluation of risk; and
- Internal Audit produces an annual report that provides an opinion on the overall control and risk environment and reports on significant findings in the year.

The Council's external auditor (the Audit Commission) operates at a higher, strategic level focusing on operational risk and corporate governance, and places reliance on internal audit to perform the audits of key systems which include substantive testing of systems and transactions. Work completed by Internal Audit and utilised by the external auditors in respect of fundamental systems has been a combination of detailed system reviews and technical reviews of key controls. The Audit Commission work plans ensure that significant risks are reviewed without duplication.

The external auditor submitted to the Corporate Management Committee his Annual Governance Report for 2005/06 (in September 2006) and the Annual Audit and Inspection Letter for 2005/06 (in March 2007). These contained his opinion on various aspects of corporate governance, performance management, performance under the use of resources assessment, and financial regularity. They disclosed no significant problems for the Council to address. A copy of these documents are available on the Council's website ([www.runnymede.gov.uk](http://www.runnymede.gov.uk)) and on the Audit Commission website.

At operational level, recommendations from internal audit reviews are discussed and agreed with departmental management. At a strategic level, summary reports in respect of completed Internal audit reviews are presented to Standards and Audit Committee twice a year. Runnymede recognises that internal audit reports carry considerable weight with additional links to the Best Value process and external inspection.

A new duty introduced in 2006/07 requires local authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control. The Corporate Management Committee on 28 June 2007 duly considered the results of this review in conjunction with this Statement.

### **The Monitoring Officer**

The Monitoring Officer is the Director of Administration and Leisure. The Monitoring Officer has explicit responsibilities by statute and has some further roles added by the Constitution. In summary the Monitoring Officer is responsible for:

Under statute:

- Ensuring the lawfulness and fairness of Council actions by reporting to Council on actual or proposed instances of unlawfulness or maladministration, blocking such action until the report has been considered;
- Maintaining the register of Members' Interests, and dealing with matters relating to member Conduct which may be referred by the Standards Board for England or the Adjudication Panel for England.

Under the constitution:

- Reporting annually to Council on the Constitution;
- Supporting the work of the Standards and Audit Committee;
- Acting as the Proper Officer for Access to Information requests;
- Providing advice on legal powers, maladministration, and Member probity.

# STATEMENT ON INTERNAL CONTROL 2006/07

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## **Other explicit review/assurance mechanisms.**

In December 2003 the Council approved a corporate compliance and review guidance mechanism to build upon the regular process and procedural reviews currently undertaken. The guidance requires Directors, Divisional Heads and Service Managers to be explicitly responsible for:

- Reviews of plans and procedures;
- Ensuring that process reviews demonstrate continuous improvement;
- Implementing agreed actions from Internal Audit reports;
- Ensuring that staff personal development programmes are relevant to service delivery;
- Monitoring Service Plan targets and budgets and report performance and variations.

Internal Audit provides scrutiny of the required actions and report on instances of non-compliance.

The Council underwent a Comprehensive Performance Assessment by the Audit Commission in 2004. Overall the Council was rated as "Excellent". The full report of the inspectors is available on the Council's website ([www.runnymede.gov.uk](http://www.runnymede.gov.uk)). The inspectors identified a number of areas for improvement and these have been addressed.

The use of resources assessment was introduced in 2006 and focuses on how financial management links to the strategic management of the Council. In March 2007, the Audit Commission re-assessed the Council's arrangements in five areas, and the overall judgement of performance awarded ('four out of four') is again the highest possible under the system.

## **5. ACTION PLAN FOR ADDRESSING SIGNIFICANT INTERNAL CONTROL ISSUES AND CONTINUOUS IMPROVEMENT**

Where weaknesses in controls have been identified the Council have taken action to strengthen controls in these areas. No significant weaknesses in internal control have been identified.

The need to achieve improvements in the following areas have been identified:

### 1. Carried over from 2005/06:

- Risk Management
- Comprehensive Performance Assessment - Council's priorities
- Revenue Saving Targets
- Partnership Working
- Business Continuity Planning
- Procurement

### 2. Newly identified this year:

- Improvements to data quality
- Review of governance arrangements
- Review of effectiveness of internal audit

An action plan that addresses these issues follows this report.

Recommendations not yet implemented from internal audit reports issued in 2006/07 are in the process of being reviewed by senior managers. A report on internal audit coverage in 2006/07 will be presented to the Standards and Audit Committee in September 2007.

## STATEMENT ON INTERNAL CONTROL 2006/07

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### 6. OPINION

We acknowledge the responsibility for ensuring that an effective system of internal control is maintained in connection with the resources applied.

Our assessment of the effectiveness of the Council's system of internal control is informed by:

- The work of the Standards and Audit Committee in reviewing this Statement
- The work of managers within the Council;
- Adherence to protocols within the Constitution;
- Comprehensive reports to Members and Directors' management team;
- The work of the Internal Audit Section and the Monitoring Officer as outlined above;
- The Annual Governance Report and other reviews completed by the External Auditor;
- The Comprehensive Performance Assessment undertaken by the Audit Commission and published in April 2004, and the Use of Resources assessment published in March 2007.

We are satisfied with the effectiveness of the system of internal control exercised by the Council, the Standards and Audit Committee and the Review Board, and that plans to address weaknesses and ensure continuous improvement of the system are in place.



**Councillor J Furey**  
Leader of the Council  
28 June 2007



**Mr T Williams**  
Chief Executive Officer  
28 June 2007

# STATEMENT ON INTERNAL CONTROL 2006/07

## Action Plan

Item	Issue	Actions taken	Further actions required	Timescale
<b>Actions identified in the Statement of Internal Control 2005/06 action plan</b>				
1.	<p><u>Risk Management</u></p> <p>1. Develop a stronger and more embedded approach to identifying and managing risk throughout the Council.</p> <p>2. The Audit Commission recommend that reporting of risk management to Members be made at least on a quarterly basis.</p>	<p>The Council's first comprehensive risk management strategy was approved in September 2003 and the latest risk management strategy was approved in September 2006. The annual risk refresh exercise was carried out in April 2006 and the outcome was reported to the Standards and Audit Committee in September 2006. The Corporate Management Committee also reviews progress. Action plans are developed for each cluster of risk. The Directors Management Team is charged with the responsibility for reviewing and monitoring the plan.</p> <p>Risk management is now included as one of the "Core Requirements for Managers" and performance will be formally reviewed as part of the new staff Performance Development Scheme.</p>	<p>1. The next risk refresh exercise was carried out in April 2007 and the findings will be reported to the Standards and Audit Committee in September 2007. More frequent reporting arrangements will also be considered.</p> <p>2. Service level risks will be fed into the Committee Service level plans.</p>	<p>1. September 2007.</p> <p>2. Currently underway.</p>
2.	<p><u>Comprehensive Performance Assessment - Council's priorities</u></p> <p>The main issue arising from the Comprehensive Performance Assessment review in 2004 was that the links between the Council's priorities and those of its residents were not always clear.</p>	<p>In April 2005 the Council approved a revised policy making framework to address the key issues identified in the improvement actions set by the Audit Commission. The new framework includes a Strategic Plan that captures the key themes of the Council's existing strategy documents in a format that reflects best practice and reflects the aspirations of the local community. The Audit Commission "Direction of Travel" assessment, included in the Annual Audit and Inspection Letter 2004/05" reported that the Council was making good progress. Each Committee has reviewed Service plans for 2006/07 accordingly.</p>	<p>No further action required.</p>	<p>Not applicable</p>

## STATEMENT ON INTERNAL CONTROL 2006/07

Item	Issue	Actions taken	Further actions required	Timescale
3.	<p><u>Revenue Saving Targets and Efficiency Savings</u></p> <p>The Council's five-year financial forecast identifies the need for significant revenue reductions to be achieved in order to balance net expenditure with income from government grant and taxpayers. The process of identifying achievable savings that are consistent with the aims and objectives of the Council is underway. There will be a need to continuously monitor progress in achieving agreed savings targets.</p>	<p>1. The Council received reports in March 2005 and September 2005 on proposals for revenue reductions totalling £2.6m. These make a significant contribution to the target of £3.2m. Reports on monitoring progress on agreed proposals are made to the Corporate Management Committee on a quarterly basis – the savings target is one of the Council's key priority areas of performance.</p> <p>2. The Council approved the latest Financial Forecast in October 2006. The Forecast identified the need to make significant further savings in order to achieve a balanced budget in the medium term.</p> <p>3. The Budget Report 2007/08 included a detailed statement showing the progress in achieving each of the planned savings.</p>	<p>1. Monitoring reports on progress to achieve the approved revenue reduction programmes will continue to be made.</p> <p>2. Further proposals for revenue reductions will be brought forward to Committees during 2007. The next financial forecast will be updated to reflect the latest position.</p>	<p>1. Quarterly reports.</p> <p>2. October 2007</p>
4.	<p><u>Partnership Working</u></p> <p>There is a growing pressure for the Council to deliver services and policy objectives in partnership with a wide range of organisations from the public, private and voluntary sectors. This is an issue that gets national coverage, with a presumption that local authorities enter into partnerships without due regard to controls or risk.</p>	<p>The Council's internal control framework deals with aspects of joint working in a comprehensive way e.g. contract standing orders set out the arrangements to follow for contractual arrangements, service level agreements are established with organisations receiving annual revenue grants.</p> <p>The Best Value on Partnership Working was reported to the Corporate Management Committee in June 2006.</p>	<p>The improvement plan for the Best Value review sets out a number of actions. The improvement plan is due to be completed during 2007.</p>	<p>September 2007</p>
5.	<p><u>Business Continuity Planning</u></p> <p>A business continuity plan is a series of arrangements that will be put in place to ensure that standards of service are maintained during a period of disruption. There is concern that existing plans are not regularly updated, and that there are gaps in the planning process.</p>	<p>There are a number of plans in place (e.g. disaster recovery for IT), but these have not been formally reviewed for some time. The Action Plan for 2006/07 required a report to be made to the Standards and Audit Committee in September 2006. The business continuity plan has been updated by consultants and has been considered by the Directors Management Team, but it has not been reported to the Standards and Audit Committee or Corporate Management Committee.</p>	<p>1. Need to review plans in 2007 in view of the move to the new civic offices and consideration of the risk of severe disruption in the new building.</p> <p>2. Need to consider whether a report to Committee is required once plans are reviewed.</p>	<p>1. Autumn 2007.</p> <p>2. Autumn 2007.</p>

## STATEMENT ON INTERNAL CONTROL 2006/07

Item	Issue	Actions taken	Further actions required	Timescale
6.	<p><u>Procurement</u></p> <p>The Council's procurement practices need to be further developed in accordance with the Procurement Strategy. This includes the internal control arrangements for the centralisation and computerisation of the purchasing function, and the introduction of e-procurement.</p>	<p>1. The Corporate Management Committee approved the revised procurement strategy in October 2005. This sets out the Council's strategic approach to the commissioning and procurement of goods and services.</p> <p>2. The Corporate Management committee approved the e-procurement strategy in January 2006. This strategy included a number of proposals to improve procurement practices and create net savings. An implementation plan is included in the strategy.</p>	<p>1. Review the procurement strategy.</p> <p>2. Complete the e-procurement strategy plan.</p>	<p>1. Review in October 2007.</p> <p>2. Complete by September 2007.</p>
<b>Actions identified and resolved during 2006/07</b>				
7.	<p><u>Improvements to data quality</u></p> <p>The use of data for, in particular, calculating Best Value Performance Indicators (BVPI's) has been subject to regular audit comment.</p>	<p>1. Data quality is now included as one of the "Core Requirements for Managers", and performance will be formally reviewed as part of the new staff Performance Development Scheme.</p> <p>2. Data collected for BVPI's requires formal sign off by Directors prior to collation of material by the policy staff in the Chief Executive's department. It is then subject to review by the Directors Management Team before presentation to the Corporate Management Committee.</p>	<p>No further action required.</p>	
<b>Actions identified during 2006/07 and not yet resolved</b>				
8	<p><u>Review of governance arrangements</u></p> <p>A new version of the CIPFA/SOLACE document <i>Good Governance in Local Government</i> will be published in 2007. It will be necessary to assess whether the new framework will add value to the overall governance arrangements in Runnymede Borough Council.</p>	<p>None required until document is published.</p>	<p>The document will need to be considered once published. It will be necessary to make sure that any changes introduced are proportionate to the potential benefits.</p>	<p>During 2007.</p>

## STATEMENT ON INTERNAL CONTROL 2006/07

Item	Issue	Actions taken	Further actions required	Timescale
9	<p><u>Review of effectiveness of internal audit</u></p> <p>A new duty, introduced in 2006, requires local authorities to carry out a review of the effectiveness of internal audit. This review must feed into the wider review of internal control that culminates in the Statement of Internal Control. The duty applies to the Statement of Internal Control for 2006/07.</p>	<p>1. The review has been conducted by the Directors Management Team. The Chief Internal Auditor assisted in the review, but did not influence the direction or extent of the review.</p> <p>2. The Department of Communities and Local Government (DCLG) have issued guidance that cites the <i>CIPFA Code of Practice for internal audit in local government in the United Kingdom</i> as proper practice in relation to internal audit. The approach adopted in the review has drawn heavily on the code of practice, using a checklist reproduced from the code. In addition, another CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities' includes a self-assessment checklist for measuring the effectiveness of an audit committee. The results of the review were reported to the Corporate Management Committee in June 2007 and this included the findings detailed against each point in the checklists.</p> <p>3. Directors believe that internal audit operates effectively at Runnymede and that there are no significant points where organisational practices depart from the Code.</p>	<p>1. Submit the review of the effectiveness of internal audit to the Standards and Audit Committee in September 2007 for further comment and development.</p>	<p>Report to Standards and Audit Committee in September 2007.</p>

# STATEMENT OF RESPONSIBILITIES

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## The Council's responsibilities

The Council is required to:

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

The Financial Statements for 2006/07 were approved by the Corporate Management Committee of the Council on 28 June 2007.



**Councillor J Furey**  
**Chairman of the Corporate Management Committee and**  
**Leader of the Council**

**Date: 28 June 2007**

## The Director of Finance's responsibilities

The Director of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

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;
- complied with the Code of Practice.

The Director of Finance has also:

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

I certify that the Financial Statements for 2006/07 presents fairly the financial position of the Council and its income and expenditure for the year ended 31 March 2007.



**Mr S R Cawthorne**  
**Director of Finance**

**Date: 28 June 2007**

# AUDITOR'S REPORT TO THE COUNCIL

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## Independent auditor's report to the Members of Runnymede Borough Council

### Opinion on the financial statements

I have audited the financial statements of Runnymede Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Runnymede Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

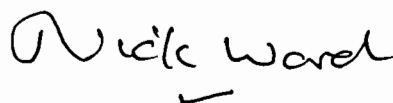
### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.



Nick Ward  
District Auditor

25 September 2007

Audit Commission  
MLS Business Centre  
Crossweys  
28-30 High Street  
Guildford  
Surrey GU1 3HY

# AUDITOR'S REPORT TO THE COUNCIL

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## **VFM conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

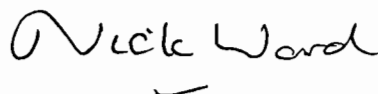
I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Runnymede Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 18 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



*Nick Ward*  
District Auditor

25 September 2007

*Audit Commission*  
*MLS Business Centre*  
*Crossweys*  
*28-30 High Street*  
*Guildford*  
*Surrey GU1 3HY*

# PRINCIPAL ACCOUNTING POLICIES

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## 1. General Principles

The Statement of Accounts summarises the transactions for the 2006/07 financial year and the position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2006, A Statement of Recommended Practice* (the SORP) and the Best Value Accounting Code of Practice 2006: (BVACOP) which are issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and franked by the Accounting Standards Board.

## 2. Changes in Accounting Policies

### Adoption of the new SORP

There is a continuing drive to make public sector accounts generally more compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP") and the 2006 SORP has imposed significant changes to the format and content of the accounts in order to meet these requirements. The statements therefore have a very different look to those for 2005/06.

The main changes in accounting policy are:

- The removal of the requirement to make a capital financing charge (internal interest) for the use of fixed assets in revenue accounts. This represents a change in accounting policy and the comparative figures in the Income and Expenditure Account for 2005/06 have been changed accordingly.
- Government and other capital grants used to finance fixed assets are now written out in the relevant service accounts in the Income and Expenditure Account over the useful life of the asset to match the depreciation of the asset to which it relates. Previously capital grants were written off to the now defunct Asset Management Revenue Account.
- Losses or gains on the disposal of fixed assets, calculated on a current valuation basis, are now disclosed in the Income and Expenditure Account.
- The Balance Sheet now treats the item 'capital grants and contributions unapplied' as a current liability, and the item 'capital grants and contributions deferred' as a long-term liability. The impact of these changes is to reduce the total net worth of the council by £2.428m as at 31 March 2006, and £1.901m at 31 March 2007.
- In-year surpluses and deficits in the Collection Fund are now apportioned between the precepting authorities (Runnymede, Surrey County Council and Surrey Police), and the year-end shares recorded in the Balance Sheet accordingly. The impact of this change is to increase current assets by £160,000 as at 31 March 2006, and £218,000 at 31 March 2007.
- There are also some other changes that have been incorporated into the accounts (e.g. accounting for fixed asset revaluation gains and losses). These are explained in the notes to the statements.

The figures for 2005/06 have been altered where necessary to enable comparison between the 2005/06 and 2006/07 accounts. These changes are identified by the phrase "restated" and are explained in the notes to the accounts. In particular, note 3 to the core financial statements explain the changes on the Income and Expenditure Account in greater detail.

The main presentational changes are:

- The replacement of the Consolidated Revenue Account and Statement of Movement in Reserves with an Income and Expenditure Account and Statement of Movement on the General Fund Balance makes the impact of depreciation and impairment losses clearer. These now score against the bottom line of the Income and Expenditure Account, but are reversed out in the Statement of Movement. Gains and losses on the disposal of fixed assets are reported in a similar way.
- Gains and losses arising from the revaluation of fixed assets are now disclosed on the face of the new Statement of Total Recognised Gains and Losses.

# PRINCIPAL ACCOUNTING POLICIES

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- There is now a Housing Revenue Account Income and Expenditure Account and a Statement of Movement on the Housing Revenue Account to replaced the old style Housing Revenue Account.
- The core financial statements (Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement) are now grouped together followed by the notes to these statements. The supplementary statements (the Housing Revenue Account and the Collection Fund) follow these with each supplementary statement followed by the accompanying notes.

The purpose of each of these statements is set out at the head of each statement.

### 3. Accounting Convention

The accounting convention adopted in these financial statements is historical cost modified by the revaluation of land, buildings, plant and vehicles.

### 4. Accounting Concepts

In preparing the Statement of Accounts the Council has particular regard to the accounting concepts within the SORP. The precise existence and value of assets, liabilities, income and expenditure may be uncertain and where this is the case, professional judgement is used to estimate. In doing so the Council adheres to the accounting concepts set out below to ensure that the accounts present fairly its financial position and performance.

- **Relevance:** The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.
- **Reliability:** The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.
- **Comparability:** A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect of the information, this has been disclosed.
- **Understandability:** The information in the statement is capable of being understood by users having a reasonable knowledge of business and economic activities and accounting and a willingness to study with reasonable diligence the information provided.
- **Materiality:** In using its professional judgement the Council has considered the size and nature of any transaction, or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.
- **Accruals:** The non-cash effects of transactions have been reflected in the statements for the financial year in which they occur, not when any cash is received or paid.
- **Going Concern:** The accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.
- **Primacy of Legislative Requirements:** The Council operates through the power of statute. Where legislation prescribes the express treatment of transactions then the accounting concepts outlined above may be over-ruled.

### 5. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from the customers are accounted for as income at the date the council provides the relevant goods or services.

## PRINCIPAL ACCOUNTING POLICIES

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- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

### 6. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payments required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### 7. Reserves

The council set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed asset and retirement benefits and they do not represent usable resources for the council – these reserves are explained in the relevant policies below.

### 8. Government Grants and Other Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## PRINCIPAL ACCOUNTING POLICIES

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### 9. Government grants and other contributions (Capital)

Where grants or contributions are received either from the government grant or a third party contribution that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Grants and Contributions Deferred Account. The balance is then written down to service accounts over the useful life of the asset to match the depreciation charged on the asset to which it relates.

### 10. Pensions

Employees of the council are members of the Local Government Pensions scheme, administered by Surrey County Council. The Local Government Scheme is accounted for as a defined benefit scheme.

The liabilities of the Surrey pension scheme attributable to Runnymede Borough Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond (as measured by the yield on the iboxx Sterling Corporates Index, AA over 15 years).

The assets of the Surrey pension fund attributable to Runnymede Borough Council are included in the balance sheet at their fair value as set out in the table below:

Asset class	Valuation method used
Quoted securities	Mid-market value
Unquoted securities	Professional estimate
Unithised securities	Average of the bid and offer rates
Property	Market value

The change in the net pensions liability is analysed into seven components:

- **Current service cost:** The increase in liabilities as result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue account of services for which employees worked.
- **Past service cost:** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in previous years, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **Interest Cost:** The expected increase in the present value of liabilities during the year as they move a year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account.
- **Expected return on assets:** The annual investment return on the fund assets attributable to Runnymede Borough Council based on an average of the expected long-term return, credited to Net Operating Expenditure in the Income and Expenditure Account.
- **Aims/losses on settlements and curtailments:** The results of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- **Actuarial gains and losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Statement of Total Recognised Gains and Losses

## PRINCIPAL ACCOUNTING POLICIES

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- Contributions paid to the Surrey pension fund: Cash paid as employer's contributions to the pension fund.

Statutory provisions prevent the changes introduced by FRS 17 from impacting on council tax levels and housing finances. The legislation requires that the difference between the charge to taxation and rents, and the FRS 17 charge, be financed by an appropriation to a Pensions Reserve. The pension costs charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees.

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision of the award.

The Balance Sheet discloses the net liability in relation to retirement benefits. The assessment process used to compile the figures takes account of the most recent actuarial valuation updated to reflect current conditions. Therefore the figures presented are based on the actuary's latest calculations. The assumptions used by the actuary are in accordance with the Code and are mutually compatible.

The government have announced a package of changes to the Local Government Pensions scheme and intend that new regulations will come into force from April 2008. In the meantime, the figures for the cost of pensions included in the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, and Balance Sheet have been based by the actuary on the following assumptions:

- Employees continue to earn new benefits in line with the Regulations as they stood as at 31 March 2007
- No allowance has been made for the removal of the 'rule of 85' for new entrants from 1 October 2006 as the actuary considers that the effect is likely to be immaterial to the figures in the accounts, and
- Allowance has now been made for the effect of 25% of members electing to exchange part of their pension for additional tax-free cash at retirement, as permitted from April 2006.

Notes to the Income and Expenditure Account, the Balance Sheet, and the Statement of Total Recognised Gains and Losses provide further information about the Scheme, estimates of the amounts necessary to meet future pension liabilities, and in particular the shortfall in the Pension Fund.

### 11. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

### 12. Overheads and Support Services

The cost of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2006*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the council's status as a multi-functional democratic organisation
- Non-distributed costs – the cost of discretionary pension benefits awarded to employees retiring early and settlements and curtailments, and of unused overheads

The basis of charges to services is set out below:

## PRINCIPAL ACCOUNTING POLICIES

Support Service	Basis of Allocation
Civic Offices	Area occupied
Depot	Area occupied
Computing services	Estimated usage and number of terminals
Central expenses (banking and audit costs)	Estimated usage
Legal, committee servicing, office support services and typing.	Estimated time spent by staff
Payroll services	Number of employees
Payments to creditors	Invoices processed
Debtors accounting and collection	Number of bills sent to debtors
Internal audit	Audit days
Technical (planning & engineering) support services	Time allocations
Financial advice	Time allocations
Income and expenditure accounting	Number of cost codes
Budgeting and final accounts	Turnover
Cash collection and accounting	Number and type of transactions
Personnel services	Number of employees
CCTV Monitoring	Number of cameras & estimated staff time
Other managerial and professional services	Estimated time spent by staff

### 13. Intangible Fixed Assets

Intangible Fixed Assets are assets that do not have a physical substance but are controlled through custody or legal rights. Each asset is held in the books at cost value and is amortised to the appropriate revenue account on a systematic basis over its useful economic life.

Runnymede Borough Council's only intangible assets relate to the capitalisation of purchased computer software systems and licences which are amortised over the lives of the individual contracts with the relevant computer suppliers.

### 14. Tangible Fixed Assets

Tangible Fixed Assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a recurring basis. Expenditure that can be capitalised in this way includes:

- Acquisition, reclamation, enhancement or laying of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works, which are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset; or

## PRINCIPAL ACCOUNTING POLICIES

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- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with functions of the local authority.

**Recognition:** Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services it provides are for more than one financial year.

**Measurement:** Assets are initially measured at cost, comprising all the expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement basis:

- Operational land and properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use.
- Investment properties and assets that are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- Infrastructure assets and community assets are measured at depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Valuations for assets included in the balance sheet at current value are carried out on a five-year rolling programme, or where there are material changes in the value. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

### 15. Impairment

Impairment is caused by either a consumption of economic benefits or a general fall in prices. The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to a clear consumption of economic benefits, the loss is recognised in the relevant service revenue account.
- Other impairments reflecting a general fall in prices are recognised in the fixed asset restatement account.

### 16. Depreciation

Depreciation is provided for on all fixed assets with a determinable finite useful life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Newly acquired assets are depreciated from the date of purchase, although assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is generally calculated using the straight-line method.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

## PRINCIPAL ACCOUNTING POLICIES

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### 17. Disposal of Assets

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on the disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on the disposal (i.e. netted off the carrying value of the assets at the time of disposal).

Under the statutory framework of local authority accounting, profits (or losses) on the disposal of fixed assets are not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance to make the necessary adjusting entries.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government, subject to specified reductions. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment.

The proportion of housing capital receipts payable to the government is charged to the Net Operating Expenditure section of the Income and Expenditure Account, and the same amount is appropriated from the Usable Capital Receipt reserve and credited to the Statement of Movement on the General Fund Balance.

### 18. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service

Amounts set aside from revenue to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately in the Statement of Movement on the General Fund Balance.

The council is not required to charge depreciation, impairment losses or amortisations to council tax. These transactions are therefore reversed in the Statement of Movement on the General Fund Balance by way of an adjusting transaction with the Capital Financing Account.

### 19. Deferred charges

Deferred charges represent expenditure which may be capitalised under statutory provisions, but does not result in the creation of tangible fixed assets (e.g. grants to third parties). Deferred charges incurred during the year have been written off to the relevant service account in the year. A transfer to reverse these transactions is made from the Capital Financing Account to the Statement of Movement on the General Fund Balance so that there is no impact on the level of council tax.

### 20. Leases

Finance leases: The only liability the council has under finance leases is rental payments due in the secondary period of the lease. These sums are not significant, and are charged to services in the Income and Expenditure Account as the rent becomes payable.

Operating leases: Leases that do not meet the definition of finance leases are accounted for as operating leases. Rental payments are charged to the relevant service revenue account

## PRINCIPAL ACCOUNTING POLICIES

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on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable (on an accruals basis).

### **21. Investments**

Investments managed in-house are recorded in the accounts at original cost less provision for loss (if any) on maturity of the investment. The Council's small holding of government stocks are recorded at the original purchase cost.

Investments managed externally are recorded in the accounts at market valuation on the basis that if sold on 31 March that is the actual cash value that would be returned to the Council. This does not fully comply with the SORP requirement for investments in marketable securities to be carried at cost less provision, where appropriate, for loss in value. The marketable securities that the external fund manager uses are Certificates of Deposit and these are made with banks and building societies with high credit rating. These are readily marketable instruments and the capital profit and loss forms an intrinsic part of the overall return on investments. Our accounting policy is to recognise both capital profits and losses in the balance sheet using market valuations at 31 March. The recognition of capital profits does not comply with the SORP. However, the amounts involved are not significant.

### **22. Stocks and Work in Progress**

Stocks and work in progress on works rechargeable to outside bodies or persons are stated at cost price. This does not comply with the SORP, which states that stock should be valued at the lower of cost or net realisable value, although the sums involved are not significant.

### **23. Provisions for Bad and Doubtful debts**

The carrying amount of debtors is adjusted for doubtful debts. Known uncollectible debts are written off.

### **24. Post Balance Sheet Events**

The accounts include the impact of any material post balance sheet events that reflect conditions existing at the balance sheet date. Any material post balance sheet events that reflect conditions after the balance sheet date are disclosed as a note to the accounts (none existing at either 31 March 2007 or 31 March 2006).

### **25. Contingent Assets and Liabilities**

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly in the Councils control. Contingent assets are not recognised in the revenue accounts or the balance sheet, but are disclosed in the notes to the consolidated balance sheet.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly in the Councils control. Contingent liabilities are not recognised in the accounts as items of expenditure, but are disclosed in the notes to the consolidated balance sheet.

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## THE INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account is a summary of the resources generated and consumed by the council in the year. It reports the net cost of all the functions for which Runnymede Borough Council is responsible, and demonstrates how the cost has been financed from general government grant and income from local taxpayers.

It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real value of retirement benefits earned by employees in the year.

The outturn on the Income and Expenditure Account is very different from the movement on the General Fund Balance for the year. This is because there are substantial differences between the capital accounting entries (depreciation and impairments) and charges for financing capital expenditure, and between the charges for pensions in this account compared to the amount paid to the Pension Fund. The substantial deficit in the year does not mean that immediate action is needed to cut expenditure or raise council tax. The following Statement of the Movement of General Fund Balances contains the accounting entries that are required in the setting of council tax.

2005/06 Net Expenditure (restated) £000		2006/07 Gross Expenditure £000	2006/07 Gross Income £000	2006/07 Net Expenditure £000
	<b><u>COST OF SERVICES (All continuing operations)</u></b>			
844	Central services to the public	4,928	3,978	950
6,780	Cultural, environmental and planning services	13,078	5,874	7,204
513	Highways, roads and transport services	1,504	863	641
(903)	Local authority housing (HRA)	12,053	12,947	(894)
1,249	Other housing services	15,589	14,620	969
1,812	Social services	2,541	881	1,660
1,506	Corporate and democratic core	1,685	14	1,671
91	Non-distributed costs	22	0	22
<u>11,892</u>	<b>Net cost of services</b> (notes 1 to 12)	<u>51,400</u>	<u>39,177</u>	<u>12,223</u>
	<b><u>CORPORATE INCOME AND EXPENDITURE</u></b>			
85	(Gains) or losses on disposal of fixed assets (note 13)			0
364	Net (surplus) or deficit on trading accounts (note 14)			(78)
375	Contribution of housing capital receipts to the government pool (note 49)			398
6	Interest payable and similar charges			7
31	Investment losses (note 15)			21
(1,538)	Interest and investment income (note 15)			(1,410)
180	Pensions interest cost and expected return on pensions assets (note 16)			(117)
<u>11,395</u>	<b>Amount to be met from government grants and local taxpayers</b>			<u>11,044</u>
	<b><u>PRINCIPAL SOURCES OF FINANCE</u></b>			
(3,569)	Demand on the Collection Fund - Council tax payers		(3,778)	
(2,376)	General government grant		(822)	
(2,260)	Distribution from non domestic rate pool		<u>(4,245)</u>	
				(8,845)
12	Transfers to and from the Collection Fund			0
<u>3,202</u>	<b>Deficit / (Surplus) on the year</b>			<u>2,199</u>

## **THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the statutory requirements for raising council tax are on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than council tax
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits earned

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

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. Therefore, the Movement on the General Fund Balance is an important part of the council's stewardship.

Note 17 to the Core Financial Statements details the amounts included in this statement.

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
3,202	<b>Deficit (surplus) for the year on the Income and Expenditure Account</b>	<b>2,199</b>
(3,214)	Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year (note 17)	<b>(8,222)</b>
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>
(12)	Decrease (increase) in General Fund Balance for the year	<b>(6,023)</b>
(988)	General Fund Balance brought forward at the start of the year	<b>(1,000)</b>
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>
<b>(1,000)</b>	<b>General Fund Balance carried forward</b>	<b>(7,023)</b>
<hr style="width: 100%; border: 1.5px solid black;"/>		<hr style="width: 100%; border: 1.5px solid black;"/>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase (or decrease) in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2005/06</b>		<b>2006/07</b>
<b>(Restated)</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
(3,202)	Surplus or (deficit) on the Income and Expenditure Account	<b>(2,199)</b>
(38,504)	Surplus (or deficit) arising on revaluation of assets (note 46)	<b>29,307</b>
(410)	Actuarial gains (losses) relating to pensions (note 16)	<b>3,876</b>
10	Collection Fund - Runnymede share of surplus or (deficit) (note 79)	<b>(6)</b>
<u>(42,106)</u>	<b>Total recognised gains and losses for the year</b>	<u><b>30,978</b></u>
352,042	Total reserves as at 1st April	<b>309,936</b>
(42,106)	Total recognised gains and losses for the year	<b>30,978</b>
<u>309,936</u>	<b>Total reserves as at 31st March</b>	<u><b>340,914</b></u>

### Analysis of the change in opening reserves compared to that stated in the Statement of Accounts for 2005/06.

	£000
Total reserves disclosed in the 2005/06 Statement of Accounts	312,204
Capital grants and contributions unapplied now treated as a current liability	(815)
Capital grants and contributions deferred now treated as a long-term liability	(1,613)
Collection fund deficit now treated as attributable to Surrey County Council and Surrey Police Authority as a current debtor	160
Total restated reserves at 31 March 2006	<u>309,936</u>

## BALANCE SHEET

This statement shows the financial position of Runnymede Borough Council as a whole, and summarises its assets and liabilities and balances and reserves at the Council's disposal at the year end. It excludes trust and charitable funds administered for third parties.

31 March 2006

(Restated)

£000

31 March 2007

£000

£000

	<b>Fixed assets</b>		
	Intangible assets (note 22)		
541	- Purchased software licences		326
	Tangible assets (notes 23 to 30)		
	Operational assets		
236,450	- Council dwellings	258,239	
25,907	- Other land and buildings	28,329	
3,794	- Vehicles, plant and equipment	3,784	
1,444	- Infrastructure assets	1,444	
3,720	- Community assets	3,791	
			295,587
	Non-operational assets		
18,328	- Investment Properties	18,545	
1,299	- Assets under construction	5,881	
11,900	- Surplus assets held for disposal	17,677	
			42,103
303,383	<b>Total fixed assets</b>		338,016
	Long-term investments (note 31)		1,050
1,050	Long-term debtors (note 32)		129
762			
305,195	<b>Total long-term assets</b>		339,195
	<b>Current assets</b>		
65	Stocks and work in progress (note 33)	62	
5,654	Gross debtors and payments in advance (note 34)	5,599	
(1,206)	Provision for bad debts on gross debtors (note 35)	(1,173)	
24,662	Investments (note 36)	19,305	
988	Cash and bank balances in hand (note 37)	6	
30,163			23,799
335,358	<b>Total assets</b>		362,994
	<b>Current liabilities</b>		
(36)	Short term borrowing (note 38)	(35)	
(6,643)	Creditors and receipts in advance (note 39)	(7,396)	
(815)	Capital grants and contributions unapplied (note 40)	(294)	
(595)	Deferred revenue credits (note 41)	(340)	
0	Overdrawn at bank (note 42)	(48)	
(8,089)			(8,113)
	<b>Long-term liabilities</b>		
(15,720)	Liability related to the pension scheme (note 16)		(12,360)
(1,613)	Capital grants and contributions deferred (note 43)		(1,607)
309,936	<b>TOTAL ASSETS LESS LIABILITIES</b>		340,914
	<b>Financed by</b>		
257,616	Fixed Asset Restatement Account (note 46)		285,250
49,130	Capital Financing Account (note 47)		51,218
104	Deferred Capital Receipts (note 48)		81
9,009	Usable Capital Receipts Reserve (note 49)		6,267
(15,720)	Pensions Reserve (note 16)		(12,360)
9,797	Revenue reserves, funds and balances (note 50)		10,458
309,936	<b>TOTAL NET WORTH</b>		340,914

## THE CASH FLOW STATEMENT

This consolidated statement summarises the cash inflows and outflows arising with third parties for revenue and capital purposes. Notes to this statement are shown on pages 77 to 79.

2005/06 (Restated) £000		2006/07 £000	£000
	<b><u>Revenue Activities</u></b>		
	<b><u>Cash Outflows</u></b>		
12,808	Cash paid to and on behalf of employees		13,369
15,058	Other operating cash payments		13,146
6,209	Housing benefit paid out		7,419
35,335	Business rate payments to the national pool		36,281
34,867	Precepts paid to Surrey County Council and Surrey Police Authority		37,085
465	Payments to the capital receipts pool		274
104,742			107,574
	<b><u>Cash Inflows</u></b>		
5,614	Rents (after deduction of rent rebates)	4,676	
35,633	Council tax receipts	37,473	
35,396	Business rate receipts from local taxpayers	35,720	
2,260	Business rate receipts from the national pool	4,245	
2,376	Revenue Support Grant	822	
6,791	Government grants for benefits (note 62)	8,176	
397	Other revenue government grants (note 62)	501	
4,259	Cash received for goods and services	5,138	
13,290	Other operating cash receipts	11,790	
106,016			108,541
1,274	<b>Net cash flow from revenue activities (note 59)</b>		967
	<b><u>Returns on Investments and Servicing of Finance</u></b>		
(10)	Cash outflows - interest and finance lease payments	(11)	
1,404	Cash inflows - interest received	1,180	
1,394			1,169
	<b><u>Capital Activities</u></b>		
	<b><u>Cash inflows</u></b>		
2,336	Sale of fixed assets	2,273	
354	Government capital grants and subsidies received (note 62)	224	
269	Other capital grants received	116	
1,266	Other capital cash receipts	636	
4,225		3,249	
	<b><u>Cash outflows</u></b>		
7,643	Purchase of fixed assets and other capital payments	11,768	
1,000	Purchase of long term investments	0	
53	Other capital cash payments	3	
(4,471)	<b>Net cash outflows from capital activities</b>		(8,522)
(1,803)	<b>Net cash inflow (outflow) before financing</b>		(6,386)
	<b><u>Management of Liquid Resources</u></b>		
2,121	Net (increase) decrease in short-term deposits (note 60)		5,357
	<b><u>Financing</u></b>		
(11)	Cash outflows - repayments of amounts borrowed (note 61)		(1)
307	<b>Increase (decrease) in cash</b>		(1,030)

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 ANALYSIS OF ITEMS IN COST OF SERVICES

The following paragraphs explain in a little more detail the content of some of the lines in the Cost of Services section of the Income and Expenditure Account:

2005/06 Net expenditure (restated) £000		2006/07 Gross expenditure £000	2006/07 Gross income £000	2006/07 Net expenditure £000
<b>Housing services</b> comprise the following service areas:				
283	Housing benefits	14,309	14,053	256
713	Deferred charges (see note 18)	439	0	439
253	Other housing services	841	566	275
<u>1,249</u>	Total	<u>15,589</u>	<u>14,619</u>	<u>970</u>

**Other housing services** includes the cost of the councils housing strategy, housing advice, housing advances, homelessness, and private sector renewal assistance services.

**Cultural, environmental and planning services** comprise the following service areas:

3,520	Environmental services	5,275	1,841	3,434
2,724	Cultural services	4,988	1,837	3,151
536	Planning services	2,815	2,196	619
<u>6,780</u>	Total	<u>13,078</u>	<u>5,874</u>	<u>7,204</u>

**Social Services** comprise of a range of services for older people and disabled people. They include day centres, meals for the elderly and disabled, community transport services (including our dial-a-ride service), community alarms, and grants to partner organisations including Runnymede Age Concern.

**Corporate and democratic core** comprises all the costs of the Members (Councillors) activities, and those activities that provide the infrastructure that allows both Council services to be provided, and the information that is required for public accountability.

**Central services to the public** include the costs of local tax collection, elections, emergency planning, local land charges and general grants, bequests and donations. Also included in this section are the cost of paying and administering council tax benefits which in 2006/07 came to £3,331,279 (2005/06, £3,120,341) of which £3,345,103 (£3,132,931) was recovered by government subsidy.

## 2 FINANCE AND OPERATING LEASES

The Council leases cars and operational vehicles under the terms of various operating leases. The amount paid under these arrangements in 2006/07 was £67,525 (2005/06 was £170,256). The future payments required under these leases are:

	£000
2007/08	55
2008/09	36
2009/10 Onwards	25

The Council has finance lease agreements for the supply (in 1988) of wheeled refuse containers to all households in the Borough. All the agreements are in their secondary periods. The cost of the secondary leases in 2006/07 is £3,649 and this is charged to the Income and Expenditure Account as it becomes payable.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3 INCOME AND EXPENDITURE ACCOUNT - PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, we have adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of capital assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted direct to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

Other adjustments have been made to 2005/06 comparatives to reflect the new accounting treatment for impairment charges (now charged direct to services), the treatment of the cost of corporate and democratic core expenses, and for costs associated with the disposal of fixed assets.

These changes had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. Only those figures that have changed are included in this table:

	<b>Consolidated Revenue Account in 2005/06 Statement of Accounts</b>	<b>Removal of capital financing charges</b>	<b>Relocation of government grants deferred credits</b>	<b>Other changes</b>	<b>2005/06 comparatives in Income and Expenditure Account</b>
	£000	£000	£000	£000	£000
Local authority housing (HRA)	7,634	(8,548)	0	11	(903)
Other housing services	1,604	(44)	(311)	0	1,249
Cultural, environmental and planning services	8,528	(1,423)	(355)	30	6,780
Social services	2,005	(176)	(17)	0	1,812
Highways, roads and transport services	677	(160)	(4)	0	513
Corporate and democratic core	1,396	(31)	(4)	145	1,506
Central services to the public	949	(36)	(69)	0	844
Non-distributed costs	137	(46)	0	0	91
Impact on net cost of services	22,930	(10,464)	(760)	186	11,892
Loss on the disposal of fixed assets	0	0	0	85	85
Asset management revenue account (interest payable and similar charges in 2005/06)	0	10,464	760	0	11,224
<b>Impact on Net Operating Expenditure</b>	<b>22,930</b>	<b>0</b>	<b>0</b>	<b>271</b>	<b>23,201</b>

#### Asset Management Revenue Account

The Asset Management Revenue Account no longer features in our Statement of Accounts. The removal of the capital financing charge and the consequent realignment of accounting treatments for depreciation, impairment losses and credits for government grants deferred has made the Asset Management Revenue Account redundant. Interest payable is now disclosed on the face of the Income and Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4 SECTION 137 EXPENDITURE

The Local Government Act 2000 empowers local authorities to promote well being in their area. As a consequence, the majority of the powers contained in Section 137 of the Local Government Act 1972 were repealed with effect from October 2000. Section 137 retains for all authorities the powers to make contributions to certain charitable funds, not-for-profit bodies and mayoral appeals. Actual expenditure incurred during 2006/07 amounted to £2,700 (£2,800 in 2005/06).

### 5 PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. The total expenditure on all forms of publicity is analysed below:

	2005/06 £000	2006/07 £000
Advertisements for staff vacancies	23	30
Advertisements for specific services	28	39
General advertising, including publishing the magazine	2	13
<b>Total expenditure on publicity in the year</b>	<b>53</b>	<b>82</b>

### 6 BUILDING CONTROL TRADING ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of the charges for the administration of the building control function. The council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost (including a capital financing charge to reflect the full cost of overheads) of operating the building control unit divided between the chargeable and non-chargeable activities.

	2005/06			2006/07		
	Non		Total	Non		Total
	Chargeable £000	Chargeable £000		Chargeable £000	Chargeable £000	
<b><u>Expenditure</u></b>						
Employee expenses	213	88	301	215	89	304
Supplies and services	47	16	63	44	18	62
Support service charges	51	64	115	48	58	106
<b>Total Expenditure</b>	<b>311</b>	<b>168</b>	<b>479</b>	<b>307</b>	<b>165</b>	<b>472</b>
<b><u>Income</u></b>						
Building Regulations charges	355	0	355	325	0	325
Miscellaneous income	2	0	2	1	0	1
<b>Total Income</b>	<b>357</b>	<b>0</b>	<b>357</b>	<b>326</b>	<b>0</b>	<b>326</b>
<b>Deficit (surplus) for the year</b>	<b>(46)</b>	<b>168</b>	<b>122</b>	<b>(19)</b>	<b>165</b>	<b>146</b>

This is purely a memorandum item. The above figures are all included within the Planning and Development line in the Income and Expenditure Account.

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **7 AGENCY AND CONTRACT SERVICES**

The Road Traffic Act 1991 provided for the decriminalisation of non-endorsable on-street parking offences with responsibility for enforcement passing from the local police authority to local traffic authorities. Surrey Police ceased enforcement of on-street parking controls with effect from 1 April 2004 when responsibility duly passed to Surrey County Council.

Runnymede Borough Council has entered into an agreement with Surrey County Council to take on the responsibility for on-street parking enforcement within the Borough on an agency basis with the net costs of running the scheme being fully refunded. The total costs reimbursed by Surrey County Council during 2006/07 amounted to £59,137 (2005/06 was £69,058).

### **8 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

The Council made no transactions falling under this Act in 2005/06 and 2006/07.

### **9 MEMBERS ALLOWANCES**

Local authorities are required to disclose the amounts paid to each member. In 2006/07 members were paid a total of £86,065 in basic allowances and £52,302 in special and other allowances (£86,396 and £58,335 in 2005/06 respectively).

Details of these payments are set out in Appendix 'A' at the back of this document.

### **10 REMUNERATION OF SENIOR STAFF**

The statement below shows the number of employees whose remuneration, excluding pension contributions exceeded £50,000 or more in the year, analysed in bands of £10,000. The amounts paid or received include expenses allowances and the estimated money value of any other benefits received other than in cash.

<b>Band</b>	<b>2005/06 Number</b>	<b>2006/07 Number</b>
£50,000 to £59,999	9	10
£60,000 to £69,999	2	3
£70,000 to £79,999	2	1
£80,000 to £89,999	1	3
£90,000 to £99,999	0	0
£100,000 to £109,999	1	0
£110,000 to £119,999	0	1

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 EXTERNAL AUDIT FEES

Runnymede Borough Council paid the following fees relating to external audit and inspection:

2005/06 (restated) £000		2006/07 £000
	<b>Fees payable to the Audit Commission for:</b>	
60	- External audit services carried out by the appointed auditor	66
2	- Statutory inspection	2
37	- Certification of grant claims and returns	30
0	- Other services	1
99		99

## 12 SECTION 106 RECEIPTS

Section 106 receipts are monies paid to the council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of play facilities). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held by the council during the year were as follows:

	31 March 2006 £000	Income £000	Expenditure £000	31 March 2007 £000
Open space schemes	34	0	23	11
Yellow bus schemes	1	20	21	0
Other	4	0	0	4

Sums not yet applied are held as receipts in advance where the purpose set out in the planning permission is a revenue activity, and in capital grants and contributions (unapplied) for those to be spent on capital purposes.

## 13 GAIN OR LOSS ON DISPOSAL OF FIXED ASSETS

Gains or losses on the disposal of fixed assets are now reported on the face of the Income and Expenditure Account. For this purpose assets are valued at current market valuation at the time of disposal.

The loss on disposal disclosed in 2005/06 relates to the sale of part of Waspe Farm car park, Egham to A2 Housing Group for a social housing scheme. The decision to sell this land for less than its marketable value fulfils one of the key elements of the Council's Strategic Plan (access to affordable and decent housing).

The market value of this land at the time of sale has been assessed by the Council's Principal Valuer as £355,000. The land was sold for £270,000 on the basis that the resulting development was for 16 rented units of housing let at social housing rents.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14 TRADING ACCOUNTS

Trading units are maintained where the service manager is required to operate in a commercial environment. Trading account surpluses or deficits are transferred to the Direct Services Organisation Reserve. The following statements summarise the activities of these operations.

2005/06 Surplus/ (Deficit) £000		2006/07 Income £000	2006/07 Expenditure £000	2006/07 Surplus/ (Deficit) £000
	<b>Trading activity</b>			
(426)	Egham Leisure Centre	-	-	-
62	Street Lighting	298	220	78
(364)	<b>Totals</b>	<b>298</b>	<b>220</b>	<b>78</b>

#### Movement on the Direct Services Organisation Reserve

£000		£000
266	Balance in hand on 1st April	310
(364)	Gross surplus/(deficit) for the year	78
427	Deficits funded by General Fund revenue accounts	0
(19)	Transfer to the Egham Leisure Centre Equipment Reserve	0
0	Transfers to the General Fund	(250)
310	<b>Balance in hand at 31st March</b>	<b>138</b>

The Egham Leisure Centre trading unit arrangement was brought to an end at the 31st March 2006, leaving the Street Lighting as the only remaining trading account at the year end.

Surrey County Council has announced its intention to let a long-term county-wide "Private Finance Initiative" contract for the replacement and maintenance of street lighting. It has now given notice to terminate the street lighting maintenance contract with the Council in July 2007.

### 15 INTEREST AND INVESTMENT INCOME

The Council earns interest and investment income on monies held in revenue and capital reserves and on cash flows from day to day operations. The sources of investment income are:

2005/06 £000		2006/07 £000
963	Income on fund with Alliance Bernstein	927
557	Income from external investments	468
8	Interest on mortgages on sold council dwellings	6
10	Bank and other interest earned (net)	9
1,538	<b>Total Investment Income</b>	<b>1,410</b>

Alliance Bernstein are permitted to invest in floating rate notes and corporate bonds. Floating rate notes are instruments with a variable interest rate and adjustments to the interest rate are usually made on a periodic basis (e.g. every six months). These investments are highly marketable and, like many other investment instruments, their capital value can move up or down whilst the investor holds onto them for their running yield. Capital losses incurred on these instruments in 2006/07 amounted to £21,000 (£31,000 in 2005/06). However the higher rate of interest generated from these investments more than compensates for this loss.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 PENSIONS

#### Introduction

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be paid until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

#### Nature of the Scheme

Runnymede Borough Council is a contributor to the Local Government Pension Scheme administered by Surrey County Council. The scheme is regulated by the government. The scheme is a funded, defined benefit scheme. The pensions and the index linked pension increases are met from the Surrey Fund. Contributions to the fund are made from staff, based on 6% of pensionable pay, and from employers. Retired employees receive index linked pensions related to their final pay and length of service.

#### Pension Fund Disclosures

The accounting of pension costs are made in accordance with the accounting standard FRS 17 Retirement Benefits. FRS 17 is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years into the future.

#### Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, legislation requires that the charge on council tax and housing finances is based on the cash payable to the pension fund in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and in the Statement of Movement in the General Fund Balance during the year:

2005/06			2006/07	
£000	% of payroll		£000	% of payroll
<b>Income and Expenditure Account</b>				
Net Cost of Services				
1,570	18.4%	Current service cost	2,042	23.2%
50	0.6%	Past service costs	0	0.0%
0	0.0%	Curtailment and Settlements	22	0.2%
Corporate Income and Expenditure				
2,930	(34.3%)	Interest cost on pension scheme liabilities	3,176	(37.1%)
(2,750)	32.2%	Expected return on assets in the scheme	(3,293)	(36.1%)
<u>1,800</u>	<u>18.9%</u>	<b>Net charge to the Income and Expenditure Account</b>	<u>1,947</u>	
<b>Statement of Movement in the General Fund Balance</b>				
(1,800)		Reversal of net charges made for retirement benefits in accordance with FRS17		(1,947)
1,193		Actual amount charged against the General Fund		
		Balance for pensions in the year (employers' contributions payable)		1,431

**Current service cost:** The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by the Fund currently being in deficit. It is based on the most recent actuarial valuation adjusted by updated financial assumptions to reflect conditions.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 PENSIONS (Continued)

**Past service costs:** These arise where the employer makes a commitment to provide a higher level of benefit than previously promised where such a benefit did not previously exist. For Runnymede, these are where early retirement has been granted with added-on years of service. There was one such instance in the 2005/06 financial year (none in 2006/07).

**Settlements and Curtailments:** These arise from specific decisions made by the Council that are not covered within the normal actuarial assumptions. These include for example a reduction in employees because of the transfer or termination of an operation. The cost arising from the early payment of accrued pension in respect of the redundancy of one member of staff in 2006/07 is included in the non-distributed costs heading in the Income and Expenditure Account accordingly.

**Interest cost:** The interest cost is the amount needed to unwind the discount applied in calculating the current service cost. As members of the scheme are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

**Expected return on assets:** The expected return is a measure of the average rate of return (income from dividends, interest, gains on investments, etc) expected on the actual assets held by the scheme for one year. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure based on assets in the fund and expected returns. The assumptions made by the actuary on the expected average rate of return are set out later in this note.

**Cash payments to the Pension Fund:** The following payments were made to the Pension Fund in absolute terms and as a percentage of pensionable pay:

2005/06			2006/07	
£000	%		£000	%
1,065	12.36	Regular employer contributions	1,101	12.50
75	0.87	Added years awarded for retirees in previous years	78	0.89
53	0.62	Lump sum contributions for early retirees in the year	22	0.25
0	0.00	Backfunding contribution towards Fund deficit	230	2.61
<u>1,193</u>	13.85	<b>Total payments to the Pension Fund</b>	<u>1,431</u>	16.24

#### Assets and liabilities in relation to retirement benefits

**Liabilities** of the scheme are the pension benefits that form part of the terms and conditions of employment of the Council's staff. Although these will not be payable to staff until they retire, the Council has a commitment to make the payments. The liabilities are measured on an actuarial basis, estimating the future cash flows that will arise from the liabilities (based on things such as mortality rates, staff turnover, and salary growth), discounted to present values.

**Assets** are the attributable share of the investments held in the pension scheme measured at fair value at the balance sheet date.

**Status of the figures:** The most recent full actuarial valuation of the Fund for the purpose of setting employers' actual contributions was carried out by the Fund actuary, Hymans Robertson, with a valuation date of 31st March 2004. The contribution rate paid by the Council from April 2005 was set at 12.5% of pensionable pay (previously 9.9%). The next formal valuation will have a valuation date of 31 March 2007 and will be made by the actuary later in 2007.

The figures used in compiling the accounting entries for pensions were supplied by Hymans Robertson. In order to assess the value of the Employer's liabilities as at March 2006, the actuary has rolled forward the value of the Employer's liabilities calculated as at the latest formal valuation, allowing for the different financial assumptions required under FRS 17. In calculating the asset share, the actuary has rolled forward the Employer's share of the assets allocated as at the latest formal valuation, allowing for investment returns, and the effect of contributions paid into and benefits paid out of the Fund.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 PENSIONS (continued)

Readers of these accounts should be aware of the degree of estimation needed to provide these figures. The figures are prepared for the purposes of providing the accounting entries for FRS 17 purposes only. In particular, the figures are not relevant for calculations needed for funding purposes.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. This option should result in a reduction in the cost of benefits. For the valuation of the Council's retirement benefit liabilities as at 31 March 2007 the actuary has assumed, based on the limited evidence of take-up of this option so far, that 25% of members take their maximum tax-free cash allowance. The valuation of liabilities as at 31 March 2006 did not include any allowance for this change to the pension scheme. The actuary has not made allowance for other changes recently made to the Local Government Pension Scheme, because the impact of the changes is likely to be immaterial in actuarial terms.

**Summary of liabilities and assets:** As at 31 March the Council had the following underlying attributable share of the Fund's overall assets and liabilities for pensions. This does not mean that legal title or obligation has passed from the Pension Fund to Runnymede. Therefore, only the net deficit has been included in the Council's balance sheet:

As at 31 March 2006 £000		As at 31 March 2007 £000
	<b>Estimated liabilities in the scheme</b>	
62,980	Funded benefits under the scheme regulations	63,260
1,500	Unfunded discretionary benefits awarded	1,209
64,480	Estimated actuarial value of Fund liabilities	64,469
48,760	<b>Estimated market value of Fund assets</b>	52,109
15,720	<b>Deficit in the Fund</b>	12,360

The deficit in the scheme is the shortfall of the value of the assets in the scheme below the present value of scheme liabilities. The actuary's calculation shows a deficit of £12.360m as at 31 March 2007 (£15.720m at 31 March 2006). This sum represents the underlying commitments that Runnymede has in the long-run to pay retirement benefits. However, it must be recognised that this figure is based on a number of assumptions (set out below) and is a snapshot of the position at 31 March 2007.

The statutory arrangements for funding the deficit is assessed by the actuary. The increased contributions that the deficit suggests are necessary will be made good by increased contributions over the working life of employees.

#### Financial assumptions

The main assumptions used by the actuary for FRS17 accounting purposes at 31st March each year are:

	2003	2004	2005	2006	2007
Inflation rate	2.50%	2.90%	2.90%	3.10%	3.20%
Rate of increase in salaries	4.30%	4.65%	4.40%	4.60%	4.70%
Rate of increase in pensions	2.50%	2.90%	2.90%	3.10%	3.20%
Rate of discounting scheme liabilities	6.10%	6.50%	5.40%	4.90%	5.40%

The increase in salaries is based on a real growth of 1.5%.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 PENSIONS (Continued)

**Pensions increases:** The fund guarantees that pensions will increase by the rise in the Retail Prices Index. Therefore the actuary assumes that long term pension increases will match the assumed inflation rate, and this will also apply to deferred pensions.

**Discount Rate:** From the 2004/05 financial year onwards, the rate of discounting scheme liabilities is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years), at the FRS 17 valuation date. For 2006/07, this produced a discount rate of 5.4% (2.1% in real terms) as at 31 March 2007. The equivalent figure for 2005/06 was 4.9% (1.7% real). For accounting periods prior to 2004/05 the discount rate was calculated using the result of compounding the price inflation assumption with the Treasury's long-term real rate of return assumption of 3.5%.

**Value of Attributable Assets:** The assets attributable to Runnymede in the Surrey Pension Fund have been valued at fair value, principally mid-market value for investments and open market value for property. They consist of the following classes and are shown with their expected rate of return:

	At 1 April 2006		At 1 April 2007	
	Market value	Expected return	Market value	Expected return
<b>Asset classification</b>	£000	%	£000	%
Equity investments (UK and overseas)	36,580	7.4%	38,548	7.8%
Bonds (UK and overseas gilts, and other bonds)	8,590	4.6%	9,280	4.9%
Property	2,760	5.5%	3,251	5.8%
Cash	830	4.6%	1,030	4.9%
<b>Total</b>	<b>48,760</b>	<b>6.8%</b>	<b>52,109</b>	<b>7.1%</b>

	At 1 April 2003		At 1 April 2004		At 1 April 2005	
	Market value	Expected return	Market value	Expected return	Market value	Expected return
<b>Asset classification</b>	£000	%	£000	%	£000	%
Equity investments (UK and overseas)	21,210	8.5%	27,600	7.7%	29,140	7.7%
Bonds (UK and overseas gilts, and other bonds)	4,930	4.9%	5,880	5.1%	7,110	4.8%
Property	2,010	7.0%	2,110	6.5%	2,350	5.7%
Cash	750	4.0%	1,019	4.0%	817	4.8%
<b>Total</b>	<b>28,900</b>	<b>7.7%</b>	<b>36,609</b>	<b>7.1%</b>	<b>39,417</b>	<b>7.0%</b>

### Actuarial gains and losses

Actuarial gains and losses are accounted for as a balance sheet item and are reflected in the Statement of Total Recognised Gains and Losses. Actuarial gains and losses may arise on both scheme assets and liabilities. For scheme assets they comprise the differences between the expected return and the actual return. This figure may be relatively volatile year on year because of the proportion of scheme assets invested in equities and the consequent reliance on the stock market valuation at 31st March each year.

For scheme liabilities, these are changes in actuarial deficits or surpluses that arise because:

- (a) Actual events have not coincided with the actuarial assumptions made for the last valuation (called "experience gains and losses"), and
- (b) The actuarial assumptions have changed. For instance, there are changes in demographic and financial assumptions used to estimate liabilities.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 PENSIONS (Continued)

#### History of experience gains and losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March:

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	(9,000)	(31.1)	5,190	14.2	1,520	3.9	6,780	13.9	(1)	0.0
Experience gains (losses) arising on liabilities	0	0.0	750	1.7	(1,280)	(2.4)	(180)	0.3	267	0.4
Changes in financial assumptions used to estimate liabilities	0	0.0	0	0.0	(7,940)	(14.7)	(7,010)	(10.9)	3,610	5.6
<b>Total of actuarial gains (losses) recognised in the Statement</b>	<b>(9,000)</b>	<b>(21.9)</b>	<b>5,940</b>	<b>(13.7)</b>	<b>(7,700)</b>	<b>(14.2)</b>	<b>(410)</b>	<b>(0.6)</b>	<b>3,876</b>	<b>6.0</b>

#### Change in pension liability

The movement in the net pension liability for the year to 31 March 2007 is set out below. The changes are analysed to show where the elements of the change have been charged in the Council's accounts.

	At 31 March 2006 £000	At 31 March 2007 £000
Deficit in the Fund as at 1 April	(14,703)	(15,720)
Items charged to the Income and Expenditure Account		
Current service cost	(1,570)	(2,042)
Past service costs	(50)	0
Curtailments	0	(22)
Net return on assets	(180)	117
Items in the Movement on the General Fund Balance		
Actual contributions paid	1,193	1,431
Actuarial gains and losses	(410)	3,876
<b>Deficit in the Fund at 31 March</b>	<b>(15,720)</b>	<b>(12,360)</b>

#### Further Information on the Surrey Pension Fund

Further information can be found in the latest Surrey County Council Pension Fund Annual Report which is available from the County Treasurer at Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames, Surrey, KT1 2EA.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17 NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 £000		Note	2006/07 £000	£000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the general fund balance for the year</b>			
(388)	Amortisation of intangible fixed assets	24	(240)	
(1,049)	Depreciation of fixed assets	24	(1,158)	
(26)	Impairment of fixed assets	23	0	
761	General grants deferred amortisation matching depreciation	43	867	
(2,076)	Amounts treated as revenue expenditure in the income and expenditure account, but which are classified as capital expenditure by statute (deferred charges)	18	(1,421)	
(85)	Net gain or loss on sale of fixed assets	13	0	
(1,800)	Pension costs calculated in accordance with FRS 17	16	(1,947)	
<u>(4,663)</u>	<b>Sub Total</b>		<u>(3,899)</u>	
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the general fund balance for the year</b>			
126	Capital expenditure charged to the General Fund Balance	28	0	
(375)	Transfer from usable capital receipts equal to the amount payable to the housing capital receipts pool	49	(398)	
1,193	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	16	1,431	
<u>944</u>	<b>Sub Total</b>		<u>1,033</u>	
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the general fund balance for the year</b>			
1,037	Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA balance		(2,020)	
(532)	Net transfer to or from revenue reserves	20	(3,336)	
<u>505</u>	<b>Sub Total</b>		<u>(5,356)</u>	
<u>(3,214)</u>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>			<u>(8,222)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18 DEFERRED CHARGES

Deferred charges is the name given to those items of capital expenditure that do not create a fixed asset. The deferred charge is written out in the year of expenditure as a charge to revenue services. This is then financed from the Capital Financing Account (see note 47) so that there is no impact on the council tax from these accounting entries. Deferred Charges incurred in the year are as follows:

2005/06 (restated) £000		2006/07 £000
854	Cultural, environmental and planning services	544
145	Social services	154
713	Housing services	439
231	Housing Revenue Account	213
70	Highways, roads and transport services	0
63	Central services	71
<u>2,076</u>	<b>Deferred charges in the year</b>	<u>1,421</u>

### 19 MINIMUM REVENUE PROVISION

Local authorities have a statutory requirement to set aside a minimum revenue provision for the repayment of loans. The minimum revenue provision is calculated by reference to the capital financing requirement of the authority. The Council's minimum revenue provision in 2005/06 and 2006/07 was £nil.

### 20 CONTRIBUTIONS TO AND FROM REVENUE RESERVES

The Council made a number of transfers to and from revenue reserves. The purpose of these reserves is set out in note 50.

2005/06 £000		2006/07 £000
(810)	General Fund Contingency Reserve	(3,287)
129	Safer Runnymede Reserve	120
85	IT Renewals Reserve	14
0	Egham Leisure Centre Equipment Reserve	(25)
0	Addlestone Leisure Centre Equipment Reserve	15
63	Direct Service Organisation Reserve	(172)
1	Museum Purchase Fund	(1)
<u>(532)</u>	<b>Total contributions to and from revenue reserves</b>	<u>(3,336)</u>

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **21 ACCOUNTING FOR THE COLLECTION FUND BALANCE**

The opening balance on the Collection Fund for 2006/07 was a deficit of £176,319. Our forecast for the year was for the Collection Fund to be in balance by 31 March 2007, but over-optimistic assumptions about collection rates had turned this into a £240,322 deficit at the end of the year.

On the basis that surpluses and deficits are shared with the precepting authorities - Surrey County Council and Surrey Police Authority - on the amount of the Band D council tax charged by each authority, the Collection Fund balance was accounted for as follows:

In the Balance Sheet:

<b>At 31 March</b>		<b>At 31 March</b>
<b>2006</b>		<b>2007</b>
<b>£000</b>		<b>£000</b>
	<b>Collection Fund surplus / (deficit) attributable to</b>	
(137)	Surrey County Council	(187)
(23)	Surrey Police Authority	(32)
(16)	Runnymede Borough Council	(22)
<u>(176)</u>	<b>Total surplus (deficit)</b>	<u>(241)</u>

In the Statement of Total Recognised Gains and Losses:

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
	<b>Collection Fund in year surplus (deficit) attributable to</b>	
84	Surrey County Council	(50)
14	Surrey Police Authority	(8)
10	Runnymede Borough Council	(6)
<u>108</u>	<b>Total surplus (deficit) in the year</b>	<u>(64)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22 INTANGIBLE FIXED ASSETS

Intangible Fixed Assets are assets that do not have a physical substance but are controlled by the Council through custody or legal rights. The basis of valuation and classification of intangible assets are explained in the 'Principal Accounting Policies' section of these accounts. The following table identifies in detail the movement of fixed assets in 2006/07.

	INTANGIBLE FIXED ASSETS			
	Purchased software licences	Licences & trademarks	Patents	TOTAL INTANGIBLE ASSETS
	£'000	£'000	£'000	£'000
<b>Gross book value as 1 April 2006</b>	<b>2,263</b>	<b>0</b>	<b>0</b>	<b>2,263</b>
Accumulated depreciation	(1,707)	0	0	(1,707)
Accumulated Impairments	(15)	0	0	(15)
<b>Net book value at 1 April 2006</b>	<b>541</b>	<b>0</b>	<b>0</b>	<b>541</b>
Transfers and restatements	0	0	0	0
Additions (note 28)	25	0	0	25
Disposals	(14)	0	0	(14)
Revaluations	0	0	0	0
Amortisation:				
Amortisation for year	(240)	0	0	(240)
Amortisation on assets revalued	0	0	0	0
Amortisation on assets sold	14	0	0	14
Impairments	0	0	0	0
<b>Net book value at 31 March 2007</b>	<b>326</b>	<b>0</b>	<b>0</b>	<b>326</b>

**Disposals** comprise the writing out of assets sold or otherwise disposed of at book value.

**Impairments** are assets that have materially changed in value during the period under review. Examples of events and circumstances that indicate an impairment may have incurred are physical damage to a fixed asset, or obsolescence (e.g. a computer or computer system that no longer provides a useful service).

#### Amortisation method used

All intangible assets relate to the capitalisation of purchased computer software. Each asset is held in the books at cost value and is amortised to the appropriate revenue account on a systematic basis over its useful economic life. Amortisation on a straight line basis is provided for on all intangible assets from the date of purchase.

#### Amortisation rate used

The intangible assets are amortised over the lives of the individual contracts with the relevant computer suppliers. Purchased software licences are amortised over 5 years.

#### Amortisation charged for the period

The total amortisation charge for 2006/07 is £226,009 (2005/06 was £388,000).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 23 TANGIBLE FIXED ASSETS

Tangible Fixed Assets are assets that yield benefits to the council and the services it provides for a period of more than one year. The basis of valuation and classification of fixed assets are explained in the 'Principal Accounting Policies' section of these accounts. The following table identifies in detail the movement of fixed assets in 2006/07.

	<b>OPERATIONAL ASSETS</b>					<b>TOTAL TANGIBLE ASSETS</b>
	Council Dwellings	Other Land & Buildings	Vehicles & Equip.	Infra- structure Assets	Community Assets	
	£'000	£'000	£'000	£'000	£'000	
<b>Gross book value at 1 April 2006</b>	<b>236,450</b>	<b>27,027</b>	<b>8,034</b>	<b>1,444</b>	<b>3,720</b>	<b>276,675</b>
Accumulated depreciation	0	(828)	(4,240)	0	0	(5,068)
Accumulated impairments	0	(292)	0	0	0	(292)
<b>Net book value at 1 April 2006 (restated)</b>	<b>236,450</b>	<b>25,907</b>	<b>3,794</b>	<b>1,444</b>	<b>3,720</b>	<b>271,315</b>
Transfers and restatements	(1,827)	0	0	0	0	(1,827)
Additions (note 28)	2,987	1,000	1,082	0	71	5,140
Disposals	(1,354)	(97)	(219)	0	0	(1,670)
Revaluations	24,191	1,149	(36)	0	0	25,304
Depreciation:						
Depreciation for year	(2,208)	(297)	(861)	0	0	(3,366)
Depreciation on assets revalued	0	666	79	0	0	745
Depreciation on assets sold	0	1	203	0	0	204
Impairments	0	0	(258)	0	0	(258)
<b>Net book value at 31 March 2007</b>	<b>258,239</b>	<b>28,329</b>	<b>3,784</b>	<b>1,444</b>	<b>3,791</b>	<b>295,587</b>

	<b>NON OPERATIONAL ASSETS</b>				<b>TOTAL FIXED ASSETS</b>
	Investment Properties	Assets under construction	Surplus assets held for disposal	<b>TOTAL INTANGIBLE ASSETS</b>	
	£'000	£'000	£'000	£'000	
<b>Gross book value as 1 April 2006</b>	<b>18,328</b>	<b>1,299</b>	<b>11,900</b>	<b>31,527</b>	<b>308,202</b>
Accumulated depreciation	0	0	0	0	(5,068)
Accumulated Impairments	0	0	0	0	(292)
<b>Net book value at 1 April 2006</b>	<b>18,328</b>	<b>1,299</b>	<b>11,900</b>	<b>31,527</b>	<b>302,842</b>
Transfers and restatements	0	0	1,827	1,827	0
Additions (note 28)	117	4,582	740	5,439	10,579
Disposals	(10)	0	(197)	(207)	(1,877)
Revaluations	110	0	3,407	3,517	28,821
Depreciation:					
Depreciation for year	0	0	0	0	(3,366)
Depreciation on assets revalued	0	0	0	0	745
Depreciation on assets sold	0	0	0	0	204
Impairments	0	0	0	0	(258)
<b>Net book value at 31 March 2007</b>	<b>18,545</b>	<b>5,881</b>	<b>17,677</b>	<b>42,103</b>	<b>337,690</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 23 TANGIBLE FIXED ASSETS (Continued)

**Other land and buildings** include all the operational assets used in the delivery of services by the Council not categorised elsewhere. Expenditure is included in the balance sheet at net current replacement cost. Examples of assets in this category are leisure centres, buildings in parks, offices and depots, and car parks.

Any expenditure on **vehicles, plant and equipment** falling below the Council's de minimis level of £5,000 is charged directly to the Income and Expenditure Account.

**Infrastructure assets** are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Expenditure is included in the balance sheet at historic cost less depreciation where appropriate. The sum shown relates to the construction costs of various local highways and access roads none of which are currently depreciated on the grounds that any the estimated useful life of these assets would make any depreciation charge immaterial.

**Community assets** are assets which the authority intends to hold in perpetuity and that have no determinable useful life. There are often restrictions on their disposal (for example as a result of covenants or trust status). Examples of community assets are cemeteries, parks, and allotments. Expenditure is included in the balance sheet at historical cost. Most of our community assets are land holdings and depreciation is not normally applicable to this type of asset. Any buildings or other assets situated within these areas are separately categorised and depreciated accordingly.

**Non Operational Assets** are assets held by the council but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the council. Examples of these assets are investment properties, assets under construction, and assets that are surplus to requirements, pending sale or redevelopment.

**Disposals** comprise the writing out of assets sold or otherwise disposed of at book value.

**Impairment** occurs when assets have materially changed in value during the period under review. Examples of events and circumstances that indicate an impairment may have incurred are physical damage to a fixed asset (e.g. as a result of a fire), obsolescence (e.g. a computer or computer system that no longer provides a useful service), or a major restructuring.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24 DEPRECIATION & AMORTISATION METHODS

Depreciation on a straight line basis is provided for on all tangible fixed assets with a finite useful life from the date of purchase. Depreciation is not charged on the land element of the valuation. Assets in the course of construction are not depreciated until they are brought into use.

Amortisation on a straight line basis is provided for on all intangible assets from the date of purchase. Purchased software licences are amortised over the lives of the individual contracts with the relevant computer suppliers (usually 5 years).

In general terms the following depreciation and amortisation policy is followed:

Asset class	Depreciation period
General (non-housing) buildings	From 20 to 50 years dependant on estimated useful life
General equipment	Up to 20 years (dependant on type of equipment)
Plant and vehicles	Up to 10 years (dependant on type of vehicle)
Leisure related play equipment	10 years
Safer Runnymede equipment	5 years
Computer hardware	Up to 5 years (dependant on type of equipment)

Depreciation on housing properties is based on the amount of the Major Repairs Allowance (a component of Housing Revenue Account subsidy). This is considered to be a reasonable estimate of depreciation for this asset class.

Total depreciation and amortisation charges are set out in the following table:

	2005/06 £000	2006/07 £000
Depreciation on assets other than council dwellings	1,049	1,158
Amortisation of intangible assets	388	240
	1,437	1,398
Depreciation on housing properties	2,247	2,208
<b>Total depreciation and amortisation charged in the year</b>	<b>3,684</b>	<b>3,606</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25 VALUATION DISCLOSURE

All of the authority's properties were originally valued over a nine month period from October 1994 to June 1995. The table below shows when these properties were revisited and revalued as part of the Council's continuous revaluation rolling programme.

It should be appreciated that valuation of assets is not a precise science. A number of assumptions must be made to come to a valuation. For example, Council houses have not been individually valued, instead each category of dwelling has been valued based on averages. In particular, it must be understood that the valuations do not necessarily mean the price the asset might fetch on the open market; for instance, land currently valued as recreation space will have a completely different valuation if deemed in the future to be surplus to requirements and available for sale as building land. It is emphasised that the valuations are of assets in existing use.

**Council dwellings** were comprehensively valued in April 2005. The valuation for 2005/06 and 2006/07 was adjusted to take into account movements in property prices since the previous comprehensive valuation in April 2005 (by reference to relevant price indexes published by the Nationwide Building Society). Directions made by the government set down particular arrangements for the valuation of social housing. The valuation in this statement complies with this Direction. Further information on the valuation of housing assets is set out in the notes to the Housing Revenue Account.

**Operational properties** of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non - specialised nature were valued by reference to the open market value of equivalent assets of similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use.

**Non - operational** properties were valued by reference to their open market value for an alternative use sanctioned by planning permissions.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. All property related assets are valued by members of the authority's Valuation Section, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. The valuations carried out in 2005/06 and 2006/07 were undertaken by David Yetton FRICS, all prior year valuations were carried out by Paul Surrey FRICS. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles & Equip. £'000	Infra-structure Assets £'000	Community Assets £'000	Non Operational Assets £'000	Intangible Assets £'000	TOTAL £'000
Valued at:								
Historical cost	-	-	2,763	1,389	3,655	-	869	8,676
Current value:								
2006/2007	24,191	1,149	(37)	-	-	3,517	-	28,820
2005/2006	(38,331)	(1,214)	-	-	-	109	-	(39,436)
2004/2005	(524)	645	-	-	-	5,441	-	5,562
2003/2004	13,334	(1,224)	8	-	-	219	-	12,337
2002/2003	92,639	2,726	18	-	-	74	-	95,457
2001/2002	-	2,499	-	-	-	828	-	3,327
2000/2001	92,812	-	-	-	-	-	-	92,812

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26 STATEMENT OF PHYSICAL ASSETS

The Council's fixed assets comprise the following physical assets:

	31st March 2006	31st March 2007
<u>Council Housing</u>		
Houses, bungalows, flats and maisonettes	3,121	2,980
Garages	1,321	1,304
Heathervale Caravan Site - number of plots	71	71
<u>Technical and Administrative</u>		
Civic Offices, Addlestone	1	1
Depot, Fordwater Road, Chertsey	1	1
<u>Leisure Services</u>		
Leisure Centres		
- Council Owned (Egham Leisure Centre)	1	1
- Joint Use (Addlestone Leisure Centre)	1	1
Museum, The Cedars Chertsey	1	1
Recreation grounds, playing fields & open spaces (hectares)	317	317
Cemeteries		
- Number of cemeteries	4	4
- Area (hectares)	12	12
Allotments		
- Number of Council managed sites	11	11
- Number of sites managed by plot holders	3	3
Public halls - number	4	4
Addlestone Community Centre	1	1
<u>Other Services</u>		
Public conveniences - number	10	9
Day centres for the elderly	5	5
Car Parks - number	23	23

### 27 SHARED OWNERSHIP PROPERTIES

Under the shared ownership scheme, the Council brought a proportion (usually between 25% and 75%) of a property, and the purchaser would finance the remainder of the purchase price. The purchaser has the option to buy all or part of the Council's share of the property, at the current market value, at any time in the future. During the year 7 properties were purchased outright. On 31st March 2007 the Council has a share in 97 (104 at 31 March 2006) properties ranging from one bedroom flats to four bedroom houses.

The valuation of the Council's share of these properties is included under the 'Council dwellings' category in the balance sheet.

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **28 CAPITAL EXPENDITURE AND FINANCING**

#### **Capital expenditure**

The following statement is a summary of all expenditure which is regarded as capital expenditure for capital control purposes.

<b>2005/06</b>		<b>2006/07</b>
<b>(restated)</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
	<b>Housing Schemes</b>	
2,374	Major improvement works to council dwellings	2,987
231	Estate redevelopment projects (Council stock)	587
499	Improvement grants for private sector properties	439
214	DIYSO & Homebuy low-cost home ownership schemes	0
0	Cash incentive scheme	20
	<b>General Schemes</b>	
1,299	Civic office reprovion scheme	4,613
719	Leisure and recreational services	2,201
2,881	Purchase of capital investments	1,294
32	Town centre redevelopments, improvements & land purchases	534
229	Improvement works to Civic property	386
198	Investment in new technology	133
1,403	Purchase of new municipal vehicle fleet	22
0	Environmental & waste recycling initiatives	14
640	Addlestone Community Centre reprovion	5
305	Other services	83
<b>11,024</b>	<b>Total capital expenditure</b>	<b>13,318</b>

#### **Capital financing**

The following statement identifies the expenditure which is regarded as capital expenditure for fixed asset accounting purposes and other expenditure which may be capitalised, and how this expenditure was financed.

<b>2005/06</b>		<b>2006/07</b>
<b>(restated)</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
	<b><u>Capital investment</u></b>	
5,994	Tangible fixed assets (note 23)	10,579
73	Intangible fixed assets (note 22)	25
2,881	Capital investments	1,293
2,076	Deferred charges (note 18)	1,421
<b>11,024</b>		<b>13,318</b>
	<b><u>Source of finance</u></b>	
8,028	Capital receipts (note 49)	10,248
623	Capital grants and contributions (note 43)	862
2,247	Major Repairs Reserve (note 64)	2,208
126	Revenue contributions from the HRA (note 69)	0
<b>11,024</b>	<b>Total sources of finance</b>	<b>13,318</b>

The Council has a "capital financing requirement" of zero as at 31 March 2007 (nil at 31 March 2006). This means that sources of finance have been identified for all capital expenditure and that there is no underlying borrowing for capital purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29 DISCLOSURE OF APPROVED AND CONTRACTED EXPENDITURE

The Council has a capital programme listing expenditure in the next financial year of £20.8 million of which £10.8 million has been contracted. A further £9.2 million relates to schemes approved to proceed which are not yet contracted. These commitments include the following significant schemes:

	Expenditure approved and contracted at 31 March 2007 £'000	Expenditure approved but <b>not</b> contracted at 31 March 2007 £'000
New Civic Offices	9,120	1,454
Housing repair and improvement programme	1,157	3,279
Investments in IT	73	290
Wapshott Road estate redevelopment scheme	-	983
Roakes Avenue estate redevelopment scheme	-	700
Hythe Park, Egham	-	511
Investment in CCTV	-	400

Each capital scheme is examined in detail before authority to proceed is granted. A full financial appraisal, including associated revenue implications, is submitted with each scheme. Schemes which do not meet the policy aspirations are rejected.

### 30 BARTER SCHEMES

There were no schemes involving an element of barter during 2006/07 (i.e. the swapping of a Council owned asset in return for another asset of equal value).

### 31 LONG TERM INVESTMENTS

The Council currently has the following two long term investments:

1. The Council invested in a debenture of £50,000 in 1991 for the provision of accommodation for the Association of District Councils (now subsumed within the Local Government Association).
2. In 2005/06 the Council made an investment with the HSBC bank of £1million for a period of 5 years. This investment included an option where the bank may repay all of the money back at any one of the 6-monthly intervals during this term. Although the bank may opt to repay this investment within the next 12 months they could also hang onto it until maturity. Given this uncertainty, the Council are treating this as a long term investment. The investment remained with HSBC throughout the 2006/07 financial year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32 LONG TERM DEBTORS

31 March 2006		31 March 2007
£000		£000
	<b>Balances on general debts:</b>	
600	Sums due from sale of land at Fox Lane, Chertsey	0
50	Loan to Addlestone Community Association	44
	<b>Balances on mortgages granted to:</b>	
104	Council house purchasers	81
3	Private house purchases and improvement loans	3
	<b>Balances on other advances granted to:</b>	
3	Car advances to employees	0
2	Individuals in respect of works in default	1
<u>762</u>	<b>Total long term debtors</b>	<u>129</u>

### 33 STOCKS AND WORK IN PROGRESS

31 March 2006		31 March 2007
£000		£000
37	General stores at Chertsey Depot	22
27	Sundry stocks at various locations	37
0	Work in progress	0
1	Postage stamps and credits	3
<u>65</u>	<b>Total stocks and work in progress</b>	<u>62</u>

### 34 CURRENT DEBTORS AND PAYMENTS IN ADVANCE

31 March 2006		31 March 2007	
(restated)		£000	£000
£000			
	<b>Taxpayers Accounts</b>		
1,166	Council Tax payers arrears	1,177	
138	Business ratepayers arrears	<u>168</u>	
			1,345
	<b>Other Debtors</b>		
1,280	General debtors and payments in advance		1,456
1,200	Sums due from sale of land at Fox Lane, Chertsey		600
274	Interest due from investments		483
444	Council tenants arrears		417
162	Sums due from HM Revenue and Customs		353
0	Payments in advance for computer systems support		221
160	Share of Collection Fund deficits attributable to Surrey County Council and Surrey Police Authority (note 78)		218
156	Other sums due from Surrey County Council		297
674	Sums due from other central government bodies		209
<u>5,654</u>	<b>Gross current debtors and payments in advance</b>		<u>5,599</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35 PROVISION FOR BAD DEBTS ON GROSS DEBTORS

31 March 2006 £000		31 March 2007 £000
(466)	Council tax payers arrears	(479)
(73)	Business ratepayers arrears	(78)
(415)	General debtors	(407)
(252)	Council tenants arrears	(209)
<u>(1,206)</u>	<b>Total provision for bad debts on gross debtors</b>	<u>(1,173)</u>

### 36 INVESTMENTS

31 March 2006 (restated) £000		Market Value £000	31 March 2007 £000
<b>Externally managed cash fund</b>			
15,207	Certificates of Deposit	16,923	16,923
4,953	Floating rates notes	0	0
<b>Investments managed in-house (term deposits)</b>			
4,500	Banks and other major financial institutions	2,380	2,380
0	Building Societies	0	0
2	<b>Government stocks (nominal value)</b>	2	2
<u>24,662</u>	<b>Total investments</b>		<u>19,305</u>

#### Externally managed funds

In 2004, Alliance Bernstein were appointed to manage funds that were available for investment over the medium term. The fund commenced with £20 million on 1 March 2005. Earnings from the investments have been allowed to accumulate in the fund. In February 2007 a withdrawal of £5m was made to meet cash flow requirements.

Alliance Bernstein work under parameters approved by the Council and use a mix of investment instruments, including certificates of deposit, floating rate notes, government stock and corporate bonds. A balance of the funds managed by Alliance Bernstein is maintained in an account with the fund custodian, HSBC. In past years the sum at 31 March on this account has been treated as part of the investments held by the council. However, recognising the balance held with HSBC as a cash balance at bank is now considered a more appropriate treatment, and the sum outstanding at 31 March 2007 of £61,274 (£886,263 at 31 March 2006) is now included with the 'Cash at Bank and Balances in Hand' heading (see note 37) or 'Cash overdrawn at Bank' (see note 42) heading as appropriate.

#### Long-term investment

In 2005/06 the Council undertook an investment with the HSBC bank for a period of 5 years. This investment included an option where the bank may repay all of the money back at any one of the 6-monthly intervals during this term. Although the bank may opt to repay this investment within the next 12 months they could also hang onto it until maturity. Given this uncertainty, the Council are treating this as a long term investment and is reported accordingly under note 31.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37 CASH AND BANK BALANCES IN HAND

The cash balances at bank line consolidates all bank balances held at 31st March. Where this combined amount is an overdrawn figure, the net liability is shown in the 'Overdrawn at Bank' line (see note 42). The holding at 31 March 2006 has been restated to include the balance held with the investment fund custodian (see note 36).

31 March 2006 (restated) £000		31 March 2007 £000
3	Cash balances in hand	6
985	Cash balances at bank (see note 42)	0
988	<b>Cash and balances in hand</b>	<b>6</b>

### 38 SHORT TERM BORROWING

Balances are held on behalf of the following local Trusts. The Council is a Trustee of all these Trusts. Interest is paid to the Trust Funds on the sums invested with the Council.

31 March 2006 £000		31 March 2007 £000
	Cabrera Recreation Ground Trust	
33	Specific investment	33
1	General balance	1
2	Egham War Memorial Trust	1
0	Victory Park Trust	0
36	<b>Total Temporary Loans</b>	<b>35</b>

### 39 CREDITORS AND RECEIPTS IN ADVANCE

31 March 2006 £000		31 March 2007 £000
2,129	General accruals and provisions	2,452
1,002	Council tax payers credits and receipts in advance	1,017
1,809	Business ratepayers credits and receipts in advance (see note below)	935
0	Sums due to contractors for the new Civic Office project	701
402	Council housing tenants credits and receipts in advance	382
309	Sundry deposits held	373
172	Sums payable to Surrey County Council	348
270	Payroll taxation - sums due to HM Revenue and Customs	289
0	Sums due to contractors for kitchen refurbishment programme	234
313	Other sums payable to central government	400
237	Other monies received in advance	265
6,643		7,396

#### Business ratepayers credits

The large sums due to business ratepayers at 31 March 2006 were in respect of downwards revaluation of their rating liability notified by the Valuation Office late in the 2005/06 financial year. These refunds were made to ratepayers in 2006/07.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

This account shows the capital grants and contributions received by the council, and how they have been applied. Capital grants from the government, capital contributions from developers through the planning system, and other capital grants and contributions are all credited to this account. These are applied to finance capital schemes that meet the terms or purpose of the grant or contribution. Sums unspent are carried forward to be used in future years for new capital investment. A summary of the movements on this account is set out below:

<b>2006/07</b>				
	Opening balance	New receipts	Applied in year	Closing balance
	£000	£000	£000	£000
Government grants				
Improvement grant subsidy	0	224	224	0
Implementing electronic government grant	70	0	70	0
Developers contributions				
Affordable housing schemes	475	0	475	0
Leisure projects	187	0	83	104
Other schemes	83	0	0	83
Other grants and contributions	0	116	9	107
<b>Totals</b>	<b>815</b>	<b>340</b>	<b>861</b>	<b>294</b>

<b>2005/06</b>				
	Opening balance	New receipts	Applied in year	Closing balance
	£000	£000	£000	£000
Government grants				
Improvement grant subsidy	0	204	204	0
Implementing electronic government grant	33	150	113	70
Developers contributions				
Affordable housing schemes	541	0	66	475
Leisure projects	188	0	1	187
Other schemes	87	0	4	83
Other grants and contributions	0	235	235	0
<b>Totals</b>	<b>849</b>	<b>589</b>	<b>623</b>	<b>815</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41 DEFERRED REVENUE CREDITS

These sums are released to the Income and Expenditure Account to match the relevant liability or period of maintenance.

MOVEMENT IN DEFERRED CREDITS				
Credits as at 01 April 2006 £000	Description of the Commuted Sum	Sums received in year £000	Credited to revenue £000	Credits as at 31 March 2007 £000
211	Homewood Park	10	23	198
88	Sums for other parks & open spaces	0	25	63
79	CCTV maintenance	(15)	18	45
0	Egham Leisure Centre	20	0	20
217	Planning Delivery Grant	53	256	14
<b>595</b>	<b>TOTALS</b>	<b>68</b>	<b>322</b>	<b>340</b>

The sum for Homewood Park is drawn down each year to match the expenditure incurred in maintaining the site. Interest is added each year on the balance in hand. Deferred credits in respect of both the other Parks and Open Spaces and CCTV maintenance are written to revenue over a reasonable period of time based on the annual maintenance costs when the receipt is received. The credit of £15,000 on the CCTV maintenance line represents a refund of an overpayment.

Planning Delivery Grant is issued by the Department for Communities and Local Government to help local authorities improve planning performance and to deliver a quality, customer focused planning service. This money is written to revenue to offset the on-going additional costs of initiatives introduced to meet these targets.

### 42 OVERDRAWN AT BANK

This note discloses holdings in bank accounts, which includes cheques sent to creditors but not yet presented, and cash in transit to banks and in clearing accounts. The holding at 31 March 2006 has been restated to include the balance held with the investment fund custodian (see note 36).

31 March 2006 (restated) £000		31 March 2007 £000
341	Unpresented cheques and payments	468
(336)	Cash in transit and in clearing accounts	(263)
(990)	Bank account balances (in hand)	(157)
<u>(985)</u>	<b>Cash in hand at bank as at 31st March 2006 (see note 37)</b>	
	<b>Cash overdrawn at bank as at 31st March 2007</b>	<u>48</u>

### 43 CAPITAL GRANTS AND CONTRIBUTIONS DEFERRED

Government grants and other contributions applied to finance capital expenditure are credited to this account. They are written out over the useful life of the asset to match the depreciation (if applicable) of the asset to which it relates. Movement on this account is summarised below:

2005/06 £000		2006/07 £000
1,751	Balance as at 1st April	1,613
623	Total capital grants and contributions applied in year (note 28)	861
(761)	Amortisation of grants to match depreciation (note 17)	(867)
<u>1,613</u>	Balance as at 31st March	<u>1,607</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 44 SUMMARY INTRODUCTION TO DETAIL ON MOVEMENT ON RESERVES

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

This note shows the changes to the Balance Sheet in summary terms. Further information on each reserve can be obtained from the additional notes provided.

	Balance 01 April 2006 £000	Net movement in year £000	Balance 31 March 2007 £000	Purpose of reserve
Fixed Asset Restatement Account (Note 46)	257,616	27,634	285,250	Store of gains on revaluation of fixed assets
Capital Financing Account (Note 47)	49,130	2,088	51,218	Store of capital resources set aside to meet past expenditure
Deferred Capital Receipts (Note 48)	104	(23)	81	Sums not yet due from purchasers of council dwellings
Usuable Capital Receipts (Note 49)	9,009	(2,742)	6,267	Proceeds of fixed asset sales available to meet future capital investment
Pension Reserve (Note 16)	(15,720)	3,360	(12,360)	Balancing account to allow inclusion of pensions liability in the Balance Sheet
Housing Revenue Account (Note 50)	3,820	(2,020)	1,800	Resources available to meet future running costs for council houses
Major Repairs Reserve (Note 64)	0	0	0	Resources available to meet capital investment in council housing
General Fund (Note 50)	4,287	2,736	7,023	Resources available to meet future running costs for non-housing services
Other Reserves (Note 50)	1,690	(55)	1,635	See note 50 for details.
<b>Total</b>	<b>309,936</b>	<b>30,978</b>	<b>340,914</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 45 TRUST FUNDS

Runnymede Borough Council acts as sole or custodian trustee for three trust funds, and one of several trustees for a further one fund (Cabrera Recreation Ground Trust). In neither case do the funds represent assets of the council, and they have not been included in the Balance Sheet.

Funds for which Runnymede Borough Council acts as sole trustee are:

	Income	Expenditure	Gains (losses) on investments	Assets
	£	£	£	£
Cabrera Recreation Ground Trust	15,869	22,643	18,186	298,772
Sir Edward Stern Trust	72	72	-	1,806
Victory Park Trust Fund	25	25	-	25
Egham War Memorial Upkeep Fund	120	0	-	2,421

Further information on the trust funds are contained in pages 93 and 94 of this publication.

### 46 FIXED ASSET RESTATEMENT ACCOUNT

The balance on this account represents the valuation surplus which is the difference between the book value of assets and subsequent revaluations. The account is written down by the net book value of assets as they are disposed of and increased or decreased with the surplus or deficits arising on future revaluations. The amounts in this account do not represent cash and are not available, for example, to finance new capital expenditure.

2005/06 (restated) £000		2006/07 £000
298,776	Fixed Asset Restatement Account as at 1st April	257,616
	Increase/(decrease) in value upon revaluation of fixed assets (notes 22 & 23):	
(39,436)	Changes in value of existing assets	28,125
932	Changes in value of assets sold in the year	695
0	Depreciation on fixed assets revalued in the year	744
0	Revaluation of assets impaired in the year	(258)
		<b>29,306</b>
(2,789)	Disposal of fixed assets at book value (notes 22 & 23)	(1,890)
159	Depreciation on fixed assets disposed (notes 22 & 23)	218
(26)	Decrease in asset value from impairment charges (notes 22 & 23)	0
<u>257,616</u>	<b>Fixed Asset Restatement Account as at 31st March</b>	<u>285,250</u>

The impairment of assets in 2005/06 related to deterioration and physical damage of assets and is charged against the relevant services in the Income and Expenditure Account accordingly. The 2006/07 impaired figure of £258,293 relates to equipment due to be scrapped after our move to new offices in 2007/08. The value of the impairment reduces the equipment down to its current value on the basis that it now has a reduced life expectancy, not through obsolescence, a fall in prices or damage, but on the grounds of it being replaced sooner than originally anticipated. Under the SORP this event is classified as a revaluation, and is therefore not chargeable against the Income and Expenditure Account.

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **47 CAPITAL FINANCING ACCOUNT**

This account is an amalgam of entries.

#### **Credits to the Account**

- 1 The reserved part of capital receipts (set aside compulsorily or voluntarily)
- 2 Expenditure on fixed assets financed from capital receipts; the sum used is transferred from the Usable Capital Receipts Reserve (see note 49).
- 3 Amounts set aside from revenue accounts to finance capital expenditure.
- 4 Capital grants and contributions used to finance fixed assets that are written off via the Income and Expenditure Account (see note 43) as the associated asset is depreciated or written out of the accounts.

#### **Debits to the Account**

- 1 Capital receipts and revenue reserves used to finance deferred charges i.e. capital expenditure which (although properly capitalised) does not create a fixed asset. A transfer is made from this account to eliminate the transaction from the balance sheet.
- 2 The excess of depreciation charged to revenue accounts compared to the statutory minimum charge. The difference is transferred to the Statement of Movement on the General Fund Balance (see note 17) to ensure that the effect on the revenue account of the capital accounting regime is neutral.
- 3 Other adjustments necessary to reflect capital transactions.

2005/06 (restated) £000		2006/07 £000
45,572	Balance on Capital Financing Account as at 1st April	49,130
	Financing of capital expenditure (note 28):	
7,981	Use of capital receipts (note 49)	10,248
2,247	Use of the Major Repairs Reserve (note 64)	2,208
126	Use of Housing Revenue Account balances (note 69)	0
	Transfers to the Statement of Movement on the General Fund Balance (note 17)	
(1,049)	Depreciation charge on General Fund assets (note 24)	(1,158)
(388)	Amortisation charge on intangible assets (note 24)	(240)
(2,076)	Deferred charges (note 18)	(1,421)
761	Amortisation of capital grants & contributions to match depreciation (note 43)	867
(2,247)	Transfer to Major Repairs Reserve to match depreciation on HRA assets (note 64)	(2,208)
	Other capital transactions	
(2,050)	Recognition of the sale of certain investments as a capital receipt	(6,208)
47	Barter scheme at Thorpe Village Hall	0
206	Transfer to Usable Capital Receipts for repayment of loan by Hanover Housing Association	0
49,130	<b>Balance on Capital Financing Account as at 31st March</b>	<b>51,218</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 48 DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are the amounts derived from the sale of assets which will be received in instalments over agreed periods of time. The figures below all relate to the sale of council dwellings:

2005/06 £000		2006/07 £000
151	Balance as at 1st April	104
(47)	Less repayments of advances	(23)
104	Balance outstanding at 31st March	81

### 49 USABLE CAPITAL RECEIPTS RESERVE

These are capital receipts which are free to be used for capital purposes.

2005/06 (restated) £000		2006/07 £000
12,977	Balance as at 1st April	9,009
4,641	Capital receipts in the year	7,904
(206)	Transfer from the Capital Financing Account (see note A below)	0
(8,028)	Capital receipts used to finance capital expenditure (note 28)	(10,248)
(375)	Pooling of capital receipts (see note B below)	(398)
9,009	<b>Balance as at 31st March</b>	<b>6,267</b>

A) This adjustment is a reversal of an entry made in 2004/05 made to recognise the repayment of a loan by Hanover Housing Association. The corresponding entry is to the Capital Financing Account (note 47).

B) Local authorities have to pay a proportion of specified housing related receipts into a government "pool". The SORP requires the sum payable to the pool to be disclosed as expenditure in the Income and Expenditure Account, matched by a corresponding appropriation from usable capital receipts.

Capital receipts received in the year (after deducting costs of sale) are as follows:

2005/06 £000		2006/07 £000
	<b>Housing land and assets</b>	
	Sales of council dwellings:	
962	Outright sales and repayment of discounts	695
47	Repayment of mortgages	23
657	Shared ownership sales and receipts	659
406	All other housing asset sales and receipts	32
	<b>Other land and assets</b>	
2,050	Sale of capital investments	6,208
270	Sale of land at Waspe Farm	0
0	Sale of land at Blays Lane	197
249	All other sales and miscellaneous receipts	90
4,641	<b>Total capital receipts in the year</b>	<b>7,904</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 50 REVENUE RESERVES, FUNDS AND BALANCES

The Local Government and Housing Act 1989 introduced a power to raise financial reserves. This replaces the former general power to raise special funds. Certain funds however retain their statutory backing. The movements in reserves, funds and balances in 2006/07 are set out below:

MOVEMENT OF RESERVES				
Reserves as at 1 April 2006 (restated) £000	Name of Reserve	Surplus (deficit) on revenue accounts £000	Transfers between reserves (note 19) £000	Reserves as at 31 March 2007 £000
1,000	General Fund Balance	6,023	-	7,023
3,287	General Fund Contingency	-	(3,287)	0
3,820	Housing Revenue Account Balance	(2,020)	-	1,800
959	IT Renewals Reserve	-	14	973
(16)	Collection Fund Balance	(6)	-	(22)
310	Direct Service Organisation Reserve	-	(172)	138
92	Car Park Equipment Reserve	-	-	92
259	Safer Runnymede Reserve	-	120	379
56	Egham LC Fitness Equipment Reserve	-	(25)	31
-	Addlestone LC Fitness Equipment Reserve	-	15	15
28	Museum Purchase & Conservation Fund	-	(1)	27
2	Maintenance of Graves in Perpetuity	-	-	2
<b>9,797</b>	<b>TOTAL RESERVES</b>	<b>3,997</b>	<b>(3,336)</b>	<b>10,458</b>

The **General Fund Balance and the General Fund Contingency** were combined in 2006/07. These reserves had been increasingly treated as one reserve over the past years and it makes it clearer to combine them accordingly. The reserve also provides a working balance for cash flow purposes and for major unforeseen expenses to be accommodated. This reserve provides the funds that will support service spending over the next few years as revenue reductions are introduced to balance service income and expenditure over the medium term.

The **Housing Revenue Account Working Balance** is kept separately under the "ring-fencing" provisions of the Local Government and Housing 1989 Act.

The **Collection Fund** is kept separately under the provisions of the Local Government Finance Act 1988 and represents an accumulated deficit relating to Council Tax. The sums shown in our balance sheet represent the Runnymede share of Collection Fund surpluses and deficits only (see note 79). The shares of Collection Fund balances attributable to Surrey County Council and Surrey Police Authority are contained as debtors in the balance sheet.

The **Direct Service Organisation Reserve** holds the accumulated net surpluses of those activities.

The **Egham and Addlestone Leisure Centre Fitness Equipment Reserves** hold contributions available to replace equipment in the Fitness Suites as and when required.

The **Museum Purchase & Conservation Fund** is held under Section 15 of the Public Libraries and Museums Act 1964 and holds funds to be used for major purchases and conservation works.

**Maintenance of Graves in Perpetuity** represents funds invested permanently for the benefit of the maintenance of specified cemeteries. Income received of £114 in 2006/07 was applied accordingly.

All other reserves have been set up at various stages to replace existing equipment as and when the need arises, typically when the items concerned have reached the end of their useful lives.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 51 PREPARATION FOR ECONOMIC AND MONETARY UNION (EMU)

The adaptation of operational and information systems to accommodate the euro could become a priority for local authorities. As the euro becomes established as a major currency and the possible date for British participation in Economic and Monetary Union comes closer, local authorities are likely to have to devote increasing resources to dealing with this issue. However, until the intentions of the government become clear it has not been possible to make plans with any certainty in the Council. Contact has been made with the suppliers of the Council's main financial systems and developments will be monitored closely.

### 52 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events. As the liability is not certain to occur, it cannot be recorded in the accounts, but instead must be reported as a note to the accounts for the financial year that it relates to.

Runnymede had the following contingent liabilities at 31st March 2007:

- a) Runnymede has been notified of the designation of certain sites, within and outside the Borough, as "European Sites". The reasons for designation vary, but the most significant designations are a Special Protection Area (SPA) and a Special Area of Conservation (SAC). The SPA is designated to protect certain ground nesting birds, which are particularly susceptible to predation and disturbance from walkers, dogs and cats. The SAC is designated to afford protection to moss, which is adversely affected by the by products of energy generation such as nitrous oxide from motor vehicles. It is generally accepted that the adverse effects on the SPA caused by development can largely be mitigated. The effects on the SAC however, cannot be mitigated in the same way and the impact of the designation is presently unclear. The views of a number of Government bodies, including English Nature, have been sought and are awaited as this is a regional concern which has the potential to sterilise development in the Borough and the South East generally. Where there is likely to be a significant effect on the SAC the Council cannot grant planning permission unless it has carried out an Appropriate Assessment and ascertained that the proposal will not have an adverse affect on the integrity of the European Sites.

Should development in certain areas of the Borough be banned, this will have a significant impact on the Council, not only in terms of loss of income from planning fees etc, but it could also have serious implications for the Council's programme of redevelopment projects and potential land sales.

- b) The Wapshott Road redevelopment scheme involves the demolition of 108 existng pre-cast reinforced dwellings with a replacement redevelopment of 173 dwellings, which will include 103 dwellings to be let at affordable rents. The Council is working in partnership with A2 Housing Group (a registered social landlord). As part of the scheme the Council have entered into a contract that requires liquidated damages to be paid if we do not give vacant possession of parts of the site by certain dates.

The Council are currently taking steps to gain possession of those units that are currently occupied and we are reasonably confident that we will meet the timescales set. However, there is the possibility that someone will refuse to leave, and the courts could also refuse to give vacant possession of tenanted properties or a Compulsory Purchase Order for properties that we need to purchase.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 53 CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly in our control.

Runnymede had the following contingent asset at 31st March 2007:

- a) In November 2005 the Government and Surrey County Council (on behalf of its partners - the Surrey District Councils) signed a Second Generation Local Public Service Agreement for Surrey. This agreement contained 12 ambitious "stretch" targets, the achievement of which will generate income by way of a grant from the Government known as the Performance Reward Grant (PRG).

The PRG is paid upon the successful achievement of the stretch targets. Once 60% attainment is reached by the partners as a whole (not just Runnymede), 60% of that particular targets PRG allocation will be paid and pro rata thereafter up to 100% attainment. This payment will be made in two equal shares in the first and second financial years following the end of the target period (i.e. for targets achieved in 2006/07, payment will be made in 2007/08 and 2008/09).

Of the 12 stretch targets agreed by the Surrey partnership, Runnymede have signed up to meet 5 of them. Achievement of the targets by all the contributing partners would generate £404,692 at 60% attainment, rising to a maximum of £674,487 at 100% attainment.

The Surrey wide partnership monitor performance using a "traffic light" system to denote the likely success of meeting each target. Of the 5 targets that Runnymede have signed up to, 2 have a "green" status - waste recycling and volunteering - and the share of PRG for 2006/07 at 60% attainment is £69,672. This sum has been recognised in the Income and Expenditure account.

## 54 ANALYSIS OF NET ASSETS EMPLOYED

In legal terms, all the assets of the Council are part of the General Fund. This note categorises the net assets of the Council that are attributable to the General Fund, Housing Revenue Account, and to trading accounts.

2005/06 (Restated) £000		2006/07 £000
58,118	General Fund	61,372
251,464	Housing Revenue Account	279,160
354	Trading Operations	382
<u>309,936</u>		<u>340,914</u>

## 55 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events arising after the balance sheet date.

## 56 AUTHORISATION OF THE STATEMENT OF ACCOUNTS

The statement of accounts was authorised for issue on 22nd June 2007 by Mr S.R. Cawthorne IPFA, the Director of Finance for Runnymede Borough Council. The financial impact of any events taking place after the 31 March have been considered up until this authorisation date.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 57 **RELATED PARTY TRANSACTIONS**

The council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

A Register of Members Interests and a Register of Staff Interests is used to record and monitor related party transactions. In addition declaration forms were sent to all councillors and relevant officers at the end of the year. These were all reviewed and no significant transactions were found.

This note exemplifies transactions between related parties and the council.

#### **Central Government**

Central government has effective control over the general operations of the Runnymede Borough Council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties. Details of transactions with government departments are set out in a note to the Cash Flow Statement on page 79.

#### **Members of the Council**

Members of the Council have direct control over the Council's financial and operating policies. Each year the Director of Finance invites members to declare any such interests including related parties. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interest, which is open to public inspection at the Civic Offices in Addlestone. During 2006/07 there were no reported material transactions with related parties advised by Members.

#### **Chief and senior officers**

The Council operates a Code of Conduct whereby staff are required to disclose any pecuniary and non-financial interests with related parties. In addition, on an annual basis chief and other senior staff are required to make a declaration of any such interests including related parties. In respect of the 2006/07 there were no reported material transactions with related parties advised by chief and senior officers.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## 58 THE CASH FLOW STATEMENT – EXPLANATORY NOTE

### Purpose of the cash flow statement

The cash flow statement is designed to provide a greater understanding of the activities of the Council than can be obtained from a review of the revenue account and balance sheet. The statement includes only transactions with third parties and excludes all internal transfers. The statement is produced under five headings so that the cash flow associated with the various activities of the authority are identified:

### Revenue activities

This section reflects all the cash transactions relating to the day to day activities of the authority including those relating to the collection of local taxation. This part of the statement reflects the following:

- Cash paid to and on behalf of employees includes all payments to the HM Customs and Revenue and the pension fund payments of employees and employers contributions.
- Housing benefit expenditure is for cash payments made to claimants who live in private housing.
- Rent income and council tax income are the actual cash received from tenants and excludes benefits awarded.
- Council tax receipts are the actual cash received from taxpayers and exclude council tax benefits awarded.
- The income from the government in relation to benefits awarded is included as government grants for housing rebates.

### Returns on investments and servicing of finance

This section reflects all the cash transactions relating to the revenue element of financing transactions. The interest received is the cash received in the form of interest on investments and cash balances.

### Capital activities

This section reflects the cash flows relating to the purchase and sale of tangible and non-tangible fixed assets. It also includes capital grants and contributions received from the government and other third parties.

This section also includes the purchase of long-term investments.

### Management of liquid resources

Liquid resources are current asset investments held as readily disposable stores of value, and either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market.

The current asset investments are held in either call accounts with banks, or in readily tradable investment instruments (mainly certificates of deposit managed by our fund manager, Alliance Bernstein).

### Financing

This section reflects the cash flows relating to the principal element of amounts borrowed from third parties only. Note 61 provides further detail on this item.

### Increase or decrease in cash

This is the sum of cash movements in the year. Note 61 shows how this movement reconciles to the cash balance in the Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 59 RECONCILIATION OF NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASH FLOW IN THE CASH FLOW STATEMENT

2005/06 (Restated) £000		2006/07 £000	£000
(3,202)	<b>Net surplus (deficit) on the Income and Expenditure Account</b>		<b>(2,199)</b>
	<u>Non-cash transactions in the Income and Expenditure Account</u>		
3,684	Depreciation charged to services (note 24)	3,606	
26	Impairment charged to services (note 22)	0	
(760)	General grants deferred amortisation (note 43)	(867)	
607	Additional pension charges under FRS 17 (note 16)	516	
85	Loss on sale of fixed assets	0	
3,642			3,255
	<u>Change in revenue items on accruals basis</u>		
33	Add decrease (less increase) in stocks	2	
1,059	Add decrease (less increase) in revenue debtors	(520)	
(1,266)	Add increase (less decrease) in revenue creditors	496	
219	Add increase (less decrease) in deferred credits	(255)	
45			(277)
	<u>Items classified elsewhere in the Cash Flow statement</u>		
2,075	Deferred charges treated as a capital activity (note 28)	1,421	
(1,394)	Returns on investments and servicing of finance	(1,169)	
681			252
108	Collection Fund surplus (deficit) in the year		(64)
1,274	<b>Net cash flow from revenue activities</b>		<b>967</b>

### 60 RECONCILIATION OF THE ITEMS SHOWN WITHIN THE FINANCING OF LIQUID RESOURCES TO OPENING AND CLOSING BALANCE SHEET FIGURES

Change in 2005/06 (restated) £000		31 March 2006 £000	Change in year £000	31 March 2007 £000
(2,121)	Current asset investments (short-term deposits)	24,662	(5,357)	19,305

The change in investments during 2005/06 has been restated to reflect the change in classification of the balance held with HSBC as a bank balance, rather than as an investment (see note 36).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 61 RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET FUNDS

Change in 2005/06 (restated) £000		31 March 2006 £000	Change in year £000	31 March 2007 £000
(330)	Cash in hand and at bank	988	(982)	6
637	Bank overdraft	0	(48)	(48)
<u>307</u>	<b>Increase (decrease) in cash and cash equivalents</b>	<u>988</u>	<u>(1,030)</u>	<u>(42)</u>
0	Debt due after 1 year	0	0	0
11	Debt due within 1 year (Short term borrowing)	(36)	1	(35)
<u>11</u>	<b>Total short-term debt</b>	<u>(36)</u>	<u>1</u>	<u>(35)</u>
(2,121)	Current asset investments (Short term deposits)	24,662	(5,357)	19,305
1,000	Long Term Investments	1,050	0	1,050
<u>(1,121)</u>	<b>Total short-term and long-term investments</b>	<u>25,712</u>	<u>(5,357)</u>	<u>20,355</u>
<u>(803)</u>	<b>Change in net funds</b>	<u>26,664</u>	<u>(6,386)</u>	<u>20,278</u>

The restated figures in 2005/06 reflect the change in classification of the balance held with HSBC as a bank balance, rather than as an investment (see note 36).

### 62 ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT

2005/06 £000		2006/07 £000
	<b>Revenue government grants and subsidies</b>	
6,791	Housing and council tax benefit subsidies	8,176
205	Planning Delivery Grant	249
49	Recycling Fund grant (revenue element)	75
121	Building Safer Communities Fund	122
21	Other government grants and subsidies	55
<u>7,187</u>		<u>8,677</u>
	<b>Capital government grants and subsidies</b>	
204	Improvement Grant Subsidy	224
150	Improving Electronic Government grant	0
<u>354</u>		<u>224</u>
<u>7,541</u>	<b>Total government grants and subsidies</b>	<u>8,901</u>

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## THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) is a record of revenue income and expenditure relating to the council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax. The HRA statement has two parts:

1. HRA Income and Expenditure Account, and
2. Statement of Movement on the Housing Revenue Account Balance

Notes to the Housing Revenue Account follow these two statements.

<b>HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT</b>
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2005/06 (restated) £000		2006/07 £000	£000
	<b><u>INCOME</u></b>		
11,717	Dwelling rents (gross) (note 67)	11,930	
612	Non-dwelling rent income (gross)	612	
405	Charges for services and facilities	386	
21	Contributions towards expenditure	19	
12,755	<b>Sub Total - Income</b>	12,947	
	<b><u>EXPENDITURE</u></b>		
1,912	Repairs and maintenance (note 69)	1,990	
3,069	Supervision and management	2,997	
(2)	Rents, rates, taxes and other charges	1	
4,555	Negative HRA subsidy payable to the government (note 70)	4,936	
61	Housing benefits - rent rebates granted (note 67)	(83)	
11	Increase in provision for uncollectible rents (note 68)	5	
2,247	Depreciation on fixed assets (note 71)	2,208	
11,853	<b>Sub Total - Expenditure</b>	12,054	
(903)	<b>Net cost of HRA services as included in the Income and Expenditure Account</b>	(894)	
146	HRA services share of corporate and democratic core costs	176	
0	HRA services share of non-distributed costs (note 74)	22	
21	HRA share of other amounts (note 73)	20	
(736)	<b>Net Cost of HRA Services</b>	(676)	
	<b>HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Accounts</b>		
(148)	Interest and investment income (includes mortgages interest and interest on notional cash balances)	(134)	
(884)	<b>(Surplus) or deficit for the year on HRA services</b>	(810)	

## THE HOUSING REVENUE ACCOUNT

This Statement takes the surplus or deficit on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

### STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2005/06 £'000		2006/07 £'000
(884)	Surplus or deficit for the year on the HRA Income and Expenditure Account	(810)
(152)	Net additional items required by statute and non-statutory proper practices to be taken into account in the movement in the Housing Revenue Account Balance	2,830
<u>(1,036)</u>	Increase or decrease in the Housing Revenue Account Balance	<u>2,020</u>
(2,784)	Surplus at the beginning of the year	(3,820)
<u>(3,820)</u>	Balance carried forward at the end of the year	<u>(1,800)</u>

### NOTE TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2005/06 £'000		2006/07 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the Statement of Movement on the HRA Balance</b>	
0	Depreciation and impairment of fixed assets	0
(231)	Amounts treated as revenue expenditure in the income and expenditure account, but which are classified as capital expenditure by statute (deferred charges) (note 18)	(213)
0	General grants deferred amortisation matching deferred charges	116
(196)	Net charges made for retirement benefits in accordance with FRS 17 (notes 16 and 74)	(257)
	<b>Items not included in the HRA Income and Expenditure Account but included from the Statement of Movement on the HRA Balance</b>	
126	Capital expenditure funded by the HRA (note 28)	0
149	Employer's contributions to the Surrey Pension Fund for the HRA (notes 16 and 74)	184
0	Transfer to the General Fund Working Balance	3,000
0	Transfer to/from the Major Repairs Reserve	0
<u>(152)</u>	<b>Net additional items required by statute and non-statutory proper practices to be taken into account in the movement in the HRA Balance</b>	<u>2,830</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 62 HOUSING ASSETS

#### Stock Numbers

The Council was responsible for managing the following dwellings during 2006/07:

	DIYSO stock	Houses & bungalows	Flats & maisonettes	Total stock
<b>Stock at 1st April 2006</b>	59	1,919	1,200	<b>3,178</b>
Sales of dwellings	(3)	(4)	(1)	(8)
Properties vacacated for demolition		(13)	(121)	(134)
<b>Stock at 31st March 2007</b>	<u>56</u>	<u>1,902</u>	<u>1,078</u>	<u><b>3,036</b></u>

At 31st March 2007 the Council also had 38 hostel rooms incorporating 114 bed spaces available for the homeless. Additionally, the Council owned mobile home site at Heathervale Way has 71 mobile home plots, of which 25 are owned by the Council.

#### Stock Valuation - Balance Sheet Basis

The basis for the balance sheet valuation for the bulk of the Council's housing stock is Existing Use Value - Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV-SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The adjustment factor applied in 2005/06 and 2006/07 to the vacant possession value is 45% (was 54% in 2004/05). The factor is set as the ratio of local authority rents and yields to private sector rents and yields for the south-east region. The mobile home site at New Haw, and garages, have been valued using the Market Value in Existing Use method (MV-EU). The shared ownership stock was valued using a mix of market valuation and capitalisation of rental income methods. The valuation was carried out by a qualified internal valuer.

The original valuation of HRA assets was carried out in April 2000. These HRA properties were then comprehensively revalued by the Council's Valuer in April 2005. For the latest year these valuations have been adjusted by reference to relevant house price indices as published by the Nationwide Building Society.

The balance sheet value increases where new dwellings and properties are built or acquired, and when capital works that improve or significantly enhance the value of assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduces the balance sheet valuation.

Valuations for HRA assets are:

	1 April 2006 £000	31 March 2007 £000
Dwellings (valued at EUV-SH)	228,857	250,419
Other operational land and buildings		
Mobile home site and garages (valued at MV-EU)	4,453	4,456
Shared ownership properties (specific valuation method)	7,343	7,545
Non operational land and buildings (open market value)	7,770	13,084
<b>Total HRA Assets</b>	<u>248,423</u>	<u><b>275,504</b></u>

Non operational assets are fixed assets held by the local authority but not directly occupied, used or consumed in the delivery of services. For the HRA, non operational assets include development sites and a number of miscellaneous property assets.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 63 HOUSING ASSETS (Continued)

#### Stock Valuation - Vacant Possession Value

The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

The April 2005 revaluation has produced a new valuation of £501m for housing assets with a further £14.5M placed upon the value of the non-operational assets and development land. Using this latest valuation, the vacant possession value as at 1 April 2006 has been estimated at £515m and £14.9m respectively.

### 64 MAJOR REPAIRS RESERVE

The Major Repairs Reserve is a reserve established by the government as part of the resource accounting system in the HRA. Movements in the Major Repairs Reserve during the year were:

2005/06 £000		2006/07 £000
0	<b>Opening balance at 1 April 2006</b>	0
2,247	Transfer from the Capital Financing Account (equivalent to HRA depreciation)	2,208
(2,247)	Financing of capital expenditure on HRA assets	(2,208)
0	<b>Closing balance at 31 March 2007</b>	0

The transfer from the Capital Financing Account is equal to the depreciation on dwellings charged to the HRA (matching the Major Repairs Allowance) of £2,208,294. The total balance in the Major Repairs Reserve during 2006/07 has been used to finance capital works (improvements and major repairs and enhancements) to the housing stock.

### 65 CAPITAL EXPENDITURE ON HRA PROPERTY

The following table summarises total capital expenditure on land, houses and other property within the council's HRA during 2006/07, and the source of finance:

Total 2005/06 £000		Source of Funding in 2006/07			Total £000
		Capital receipts £000	Revenue contribu- tions £000	Major Repairs Reserve £000	
	<b>Works to existing stock</b>				
937	Central heating and insulation	0	0	819	819
0	Kitchen & bathroom upgrade works	0	0	807	807
1,436	Other major works & improvements	778	0	582	1,360
	<b>New developments</b>				
232	Site redevelopment schemes	193	0	0	193
	<b>Other capital schemes</b>				
0	Tenants cash incentives	20	0	0	20
2,605	<b>Total capital expenditure on HRA assets</b>	991	0	2,208	3,199

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 66 CAPITAL RECEIPTS FROM HRA PROPERTY

The following table summarises total capital receipts from the disposal of land, houses and other property accounted for within the HRA:

2005/06 (restated) £000		2006/07 £000
1,009	Sale of council houses (including mortgage repayments)	718
657	Shared ownership sales and receipts	659
406	Other sales and receipts	32
<u>2,072</u>	<b>Total capital receipts from HRA disposals</b>	<u>1,409</u>

With effect from April 2004 an element of housing receipts have to be pooled and paid over to the Government. As a debt free authority Runnymede was eligible for "transitional protection" during 2006/07 which reduced the Council's contribution by 75% to a net payment of £397,997.

### 67 GROSS RENT INCOME

This item comprises the income from rents and charges in respect of houses and other property within the account. It includes rent remitted by way of rebate. Average weekly rents for 2005/06 are shown below:

2005/06	Average weekly rents by property type	2006/07
£42.50	Bedsits	£44.49
£60.68	1 bed dwellings	£63.59
£71.34	2 bed dwellings	£75.69
£79.88	3 bed dwellings	£83.71
£86.57	4 bed dwellings	£90.69
£102.85	5 or more bed dwellings	£110.71

At 31st March 2007, 121 properties were empty, of which 28 were Reception Centre rooms and 21 Council mobile homes used as temporary accommodation for the homeless. Of the remaining empty properties there were 61 properties which are currently awaiting redevelopment, and these comprised 24 flats located in Wapshott Road and 37 flats in the Pinefields sheltered scheme.

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. During 2006/07 approximately 1,750 of all Housing tenants received some help with their rents of which around 1,040 were wholly relieved of the rent burden.

### 68 ARREARS AND PROVISION FOR UNCOLLECTABLE RENTS

Rent arrears on all HRA housing as a proportion of gross rent income (including some small other charges collected with rents) was 2.47% as at 31st March 2007. This compares to 2.94% as at 31st March 2006. The figures are as follows:

2005/06 £000		2006/07 £000
283	Current tenants	249
77	Former tenants	60
<u>360</u>	<b>Total tenants arrears of rent at 31st March</b>	<u>309</u>

A provision of £208,601 has been made for HRA arrears estimated to be uncollectable as at 31st March 2007, a reduction of £40,685 on the provision of £249,286 as at 31st March 2006. Amounts written off in the year totalled £45,397 (£3,218 in 2005/06). The total charged to the Housing Revenue Account was £4,606 in 2006/07. These figures exclude arrears balances on non HRA tenancies. In addition to the arrears of rent, there are £35,123 of court and debt collection costs outstanding as at 31st March 2007 (£36,731 at March 2006).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 69 HOUSING REPAIRS AND MAINTENANCE

This is the expenditure on repairs, maintenance supervision and management of houses and other property within the account. Work regarded as expenditure for capital purposes is not charged to the HRA. This analysis shows all works to tenanted HRA property including capital improvements and replacement schemes.

2005/06 £'000		2006/07 £'000
937	Central heating and insulation programme	819
0	Kitchen & Bathroom upgrade works	807
1,502	Other major repairs and improvements	1,443
887	Cyclical maintenance	852
629	Demand and responsive maintenance	700
330	Repairs on empty dwellings and redecoration allowances	355
<u>4,285</u>	<b>Total repairs and maintenance</b>	<u>4,976</u>
(126)	Revenue contribution to capital expenditure	0
0	Financed by capital receipts	(778)
(2,247)	Financed from the Major Repairs Reserve	(2,208)
<u>1,912</u>	<b>Charged to the Housing Revenue Account</b>	<u>1,990</u>

### 70 HOUSING REVENUE ACCOUNT SUBSIDY

HRA subsidy is calculated in accordance with determinations made by the government under Section 80 of the Local Government and Housing Act 1988. It is calculated by reference to a notional account broadly comprising management and maintenance costs and capital charges on one hand, and income from rents and other receipts on the other. HRA subsidy represents the difference between notional costs and income. The sums involved are not the same as those recorded in the actual HRA.

The Council is in a negative HRA subsidy position, that is, income exceeds expenditure on the notional account. This means that the Council now pays into the government pool. The cost of rent rebates granted to council tenants, and the government subsidy receivable, are accounted for in the General Fund.

2005/06 £'000		2006/07 £'000
4,256	Management and maintenance allowances	4,534
2,247	Major Repairs Allowance	2,208
<u>49</u>	Other reckonable expenditure and allowances	<u>35</u>
6,552	<b>Total reckonable expenditure</b>	<u>6,777</u>
(11,120)	<b>Notional rental and other reckonable income</b>	<u>(11,699)</u>
13	Adjustment to previous years HRA subsidy entitlement	(14)
<u>(4,555)</u>	<b>HRA Subsidy receivable from (payable to) the government</b>	<u>(4,936)</u>

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

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### **71 DEPRECIATION ON FIXED ASSETS**

The HRA is constructed under a resource accounting framework whereby all housing assets must be considered for depreciation. The amount of the Major Repairs Allowance (a component of HRA subsidy) is used as a reasonable estimate of depreciation for council housing. The charge for depreciation is set at the level of the Major Repairs Allowance for 2006/07 in the sum of £2,208,294 (2005/06, £2,247,397).

Depreciation has not been charged on investment properties (principally garages) or on non operational housing assets.

### **72 DEFERRED CHARGES ATTRIBUTABLE TO THE HRA**

The HRA Income & Expenditure Account includes £212,840 (£231,424 in 2005/06) in respect of deferred charges. These charges represent capital expenditure on HRA property that does not give rise to the creation of a fixed asset.

The amounts for 2006/07 and 2005/06 comprise mainly of preliminary expenditure on sites that are scheduled for redevelopment.

### **73 HRA SHARE OF OTHER AMOUNTS**

In accordance with the Best Value Accounting code of Practice, the HRA receives a complete allocation of the cost of support and other services. This includes a capital financing charge to represent the cost of capital tied up in the provision of IT equipment. This cost was previously included in the 'Supervision and Management' line of the HRA.

### **74 CHARGES TO THE HRA FOR PENSIONS**

Charges for the pension costs of staff in the HRA Income and Expenditure Account are made on the FRS 17 accounting basis for the current service cost element of pension costs and settlements and curtailments only. The amount included in the 2006/07 accounts is £237,400 (£196,600 in 2005/06) for current service cost, plus £22,000 in respect of a curtailment. The curtailment represents the pension element of the cost of a redundancy and this cost is treated as a "non-distributed cost".

The total charge of £257,400 is reversed out in the Statement of Movement on the HRA Balance and replaced with the sum payable (£183,923) to the pension fund under the statutory arrangements for the HRA.

No charges are made to the HRA for the pensions interest cost and expected return of assets elements of FRS 17. This is because the net amount of this charge, based on a simple apportionment basis of the overall sum of £117,000, is not significant for the HRA.

Details on the overall revenue charges for pensions are provided in note 16.

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## THE COLLECTION FUND

The Collection Fund is a separate statutory fund established under the provisions of the Local Government Finance Act 1988 as amended by the Local Government Finance Act 1992. Regulations and directives govern the accounting entries made to the Fund which is maintained on an accruals basis.

It shows the transactions relating to non-domestic rates (business rates), and council tax, and illustrates the way in which these have been distributed to Surrey County Council, the Surrey Police Authority and to the Runnymede Borough Council General Fund. Notes to this statement are on the following pages.

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT	
2005/06 £000	2006/07 £000
<b><u>INCOME</u></b>	
35,445	37,537
3,120	3,355
36,285	36,618
132	0
15	0
74,997	77,510
<b><u>EXPENDITURE</u></b>	
Precepts and demands	
29,966	31,727
5,021	5,358
3,569	3,778
Council Tax	
48	81
0	12
Business rates	
36,145	36,480
139	138
74,888	77,574
109	(64)

## THE COLLECTION FUND

### MOVEMENT ON FUND BALANCE

The Movement on Fund Balance statement shows the overall movement on the Collection Fund during the year, calculated in accordance with statutory provisions. Notes to this statement are on the following pages.

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
(285)	Balance at start of the year	(176)
109	Surplus (deficit) in the year	(64)
<b>(176)</b>	<b>Balance at end of the year</b>	<b>(240)</b>
<b>(176)</b>		<b>(240)</b>

### SHARES ATTRIBUTABLE TO PRECEPTING AUTHORITIES IN 2006/07

The Collection Fund statement is prepared on the statutory basis applicable to local authorities. This statement shows the shares of the Collection Fund that are attributable to Surrey County Council, the Surrey Police Authority and to the Runnymede Borough Council General Fund, based on normal accounting conventions. Note 79 supports this statement.

<b>Opening balance at 1 April 2006</b>		<b>In year deficit 2006/07</b>	<b>Closing balance at 31 March 2007</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
(137)	Surrey County Council	(50)	(187)
(23)	Surrey Police Authority	(8)	(31)
(16)	Runnymede Borough Council	(6)	(22)
<b>(176)</b>		<b>(64)</b>	<b>(240)</b>
<b>(176)</b>		<b>(64)</b>	<b>(240)</b>

## NOTES TO THE COLLECTION FUND

### 75 COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Surrey County Council, the Surrey Police Authority and Runnymede Borough Council for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for dwellings where discounts apply) and converting this into an equivalent number of band "D" dwellings. The calculation of the Council Tax Base for 2005/06 and 2006/07 together with the resulting Council Tax for each band is set out below:

<b>COUNCIL TAX BASE AND AMOUNTS CHARGED FOR 2005/06 and 2006/07</b>						
<b>2005/06</b>		Band	Range of property values	Proportion	<b>2006/07</b>	
Band D equivalent No	Council Tax £000				Band D equivalent No	Council Tax £000
803	0.79	A	Up to £40,000	6/9	816	0.83
743	0.92	B	£40,000 to £52,000	7/9	746	0.96
3,926	1.06	C	£52,001 to £68,000	8/9	3,953	1.10
8,709	1.19	D	£68,001 to £88,000	1	8,822	1.24
7,293	1.45	E	£88,001 to £120,000	11/9	7,324	1.52
4,915	1.72	F	£120,001 to £160,000	13/9	4,949	1.79
4,387	1.98	G	£160,001 to £320,000	15/9	4,403	2.07
1,728	2.38	H	More than £320,000	18/9	1,762	2.49
43			Other properties		45	
<b>32,547</b>		<b>Council Tax Base</b>			<b>32,820</b>	

The source of Council Tax income is set out below:

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
35,445	Due from council tax payers	37,537
3,120	Council tax benefit granted	3,355
(48)	Council tax written off	(81)
<b>38,517</b>	<b>Council Tax income</b>	<b>40,811</b>

### 76 NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

Business Rates is organised on a national basis. The Government specifies a rate poundage and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The rate poundage set for 2006/07 was 43.3p (2005/06 was 42.2p). The latest rating list came into force on 1 April 2005, and the rate poundage was adjusted so that the total raised nationally was not increased. Small businesses had a lower rate poundage of 42.6p in 2006/07 (41.5p in 2005/06).

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to the local authorities' General Funds on the basis of a fixed amount per head of population. The payment to the national pool is set out below:

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
41,450	Gross Business Rates due	41,105
5,305	Less: Allowances and other adjustments	4,625
<b>36,145</b>	<b>Payment to the National Pool</b>	<b>36,480</b>

## NOTES TO THE COLLECTION FUND

The total non-domestic rateable value of the 2000 valuation list at 31st March 2007 was £91.6m (£92.6m at 31st March 2006). The 2005 valuation list has a rateable value of £100.2m as at 31st March 2007 (£100.7m at 31st March 2006).

### 77 PROVISION FOR DOUBTFUL DEBTS AND APPEALS

A provision of £464,000 has been made for Council Tax estimated to be uncollectible as at 31 March 2007, an increase of £12,000 from the previous year. This provision is based on a realistic assessment of the likely non-collection of Council Tax calculated by reference to the status of the debtor and the stage of the collection process reached, and in assessing the outcome of appeals against banding decisions by local taxpayers. Actual write offs of Council Tax in the year amounted to £81,241 (£47,867 in 2005/06).

Changes in provisions for Business Rates arrears are included within the income figure for that tax. Write offs of Business Rates in 2006/07 totalled £54,349 (£40,910 in 2005/06).

### 78 CONTRIBUTIONS FROM PREVIOUS YEARS SURPLUSES AND DEFICITS

Council tax is set before each financial year on the basis of the Collection Fund balancing to zero. However, changes in yields and assumptions about collectability during the year will result in a surplus or deficit on the Fund at the year-end. There are statutory arrangements that ensure that any surplus or deficit arising is distributed to or recovered from the billing authority (Runnymede) General Fund and from precepting authorities in succeeding financial

The estimate of the surplus or deficit on the Collection Fund is made before the start of the tax year. The estimate of the deficit of £132,000 at 31 March 2005 was made in January 2005 and paid by precepting authorities in 2005/06. In January 2006, it was estimated that the Collection Fund would be in balance by March 2007. The amounts charged to precepting authorities are based on the relative proportion of precepts and demands set in the previous financial year.

The table below shows the payments made by the precepting authorities to clear the estimated deficit on the Collection Fund in each year.

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
103	Surrey County Council	0
17	Surrey Police Authority	0
12	Runnymede Borough Council	0
<b>132</b>	<b>Council Tax deficit</b>	<b>0</b>

### 79 ATTRIBUTION OF COLLECTION FUND SURPLUS/DEFICITS AND BALANCES

In accounting terms the real substance of the surplus or deficit on the Collection Fund and year end balances is shared between Runnymede and the precepting authorities. The shares are calculated based on the relative proportion of precepts and demands set in the year.

<b>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
	Attribution of in year surplus (deficit)	
84	Surrey County Council	(49)
14	Surrey Police Authority	(9)
10	Runnymede Borough Council	(6)
<b>108</b>	<b>Total surplus (deficit) in the year</b>	<b>(64)</b>
	Attribution of year end balances	
(137)	Surrey County Council	(186)
(23)	Surrey Police Authority	(32)
(16)	Runnymede Borough Council	(22)
<b>(176)</b>	<b>Total surplus (deficit) at the end of the year</b>	<b>(240)</b>

## CABRERA RECREATION GROUND TRUST

The Council are trustees of the Cabrera Recreation Ground Trust under a scheme of management made by the Secretary of State for Education and Science in March 1972. The Trust lands are:

- a) 1.9 acres of open space land at Trumps Green, Virginia Water, being the remnant of land the rest of which has been sold to the Surrey County Council for educational purposes under the terms of a Compulsory Purchase Order.
- b) 51.74 acres of land either side of the River Bourne between Wellington Avenue and Virginia Water Station car park. The land is completely undeveloped and has a considerable interest because of its fauna and flora content.

The Trust also has powers to make payments to other recreational institutions in Virginia Water to be applied in or towards the achievement of the Trust's objectives.

The Committee of Management consists of three Virginia Water ward members and two officers of Runnymede Borough Council. This arrangement places the management of Trust land in the hands of local residents.

The Charity has holdings with the Charities Official Investment Fund (Income Shares) and M&G Charifund Shares with the aim of providing an attractive yield, steadily growing income and capital appreciation.

The accounts for 2005/06 have been restated to reflect the new accounting requirements for charities. The main change introduced for this Charity is the recognition of gains and losses in the market value of investments, and the inclusion of investments at market value in the Balance Sheet.

### CABRERA RECREATION GROUND TRUST FUND ACCOUNTS

Revenue Account		
2005/06 Actual (restated) £		2006/07 Actual £
24,175	Income from investments etc.	15,869
(29,369)	Expenses and works	(22,643)
42,406	Gain in valuation of investments	18,186
<u>37,212</u>	Surplus (Deficit) for Year	<u>11,412</u>

Balance Sheet as at 31st March		
As at 31 March 2006 (restated) £		As at 31 March 2007 £
250,148	Fund balance at 1st April	287,360
37,212	Add Surplus (Deficit) for Year	11,412
<u>287,360</u>	<b>Fund Balance at 31st March</b>	<u>298,772</u>
<b>Represented By:</b>		
	Investments at market valuation	
33,000	Runnymede Borough Council	33,000
104,105	Charities Official Investment Fund - Income Shares	109,252
142,792	M&G Charifund	155,830
6,363	Net current assets	
1,100	Cash at Bank	690
<u>287,360</u>		<u>298,772</u>

## OTHER TRUST FUNDS

The Council acts as sole custodian trustee for three other trust funds. In these cases the funds do not represent assets of the Council and they have not been included in the consolidated balance sheet.

Information on these other trust funds are set out below:

<b>OTHER TRUST FUNDS HELD BY THE COUNCIL</b>					
Registered Charity No.	Name of Trust	Balance as at 31 March 06 £	Receipts in year £	Payments in year £	Balance as at 31 March 07 £
304999	Sir Edward Stern Trust Fund	1,806	72	72	1,806
289262	Victory Park Trust Fund	25	0	0	25
257032	Egham War Memorial Upkeep Fund	2,301	120	0	2,421
	<b>Totals</b>	<b>4,132</b>	<b>192</b>	<b>72</b>	<b>4,252</b>

### **Sir Edward Stern Trust Fund**

The Sir Edward Stern Trust Fund relates to a legacy made by Sir Edward Stern of Fan Court, Chertsey to the Chertsey Urban District Council in 1954. The sum left to Chertsey UDC is invested in 4% Consols which have a nominal value of £1,806. Income from the investment is credited to the Chertsey Recreation Ground, for the purposes of maintenance of that recreation ground, in accordance with the provisions of the will.

### **Victory Park Trust Fund**

In 1985, a small part of Victory Park recreation ground was sold to Surrey County Council for £25 for the purpose of a road improvement scheme. This area of land was part of the area of Victory Park which the Council holds in charitable trust and, on the directions of the Charity Commissioners, the sale proceeds of £25 have been invested in trust for Victory Park and the income from the investment is applied towards the maintenance and improvement of Victory Park.

### **Egham War Memorial Upkeep Fund**

The Egham War Memorial Upkeep Fund is a trust set up in 1923 for the upkeep in perpetuity of the War Memorial in Egham Churchyard and in 1985 was amended to include the upkeep of other war memorials in the area of the former Civil Parish of Egham. The trustees are the Council and the Vicar of Egham. Income from investments is accumulated in the Fund and may be used for expenditure which falls within the terms of the trust. The Fund's monies at 31st March 2007 were £1,421 invested with Runnymede Borough Council and £1,000 invested with the Charities Official Investment Fund (market valuation of £1,805).

### **Other Land Holdings**

The Council holds various pieces of land (often for recreational purposes) which have been donated by benefactors, often with conditions that the land is held in trust. So far as it can do so under the trust, the Council manages these land holdings as if they were Council owned property. No endowment was given with such land holdings and the Council bears any deficit on the running costs thereto.

**MEMBERS' ALLOWANCES**

The Local Authorities (Members' Allowances) (Amendment) Regulations 2003 which came into force on 1 January 2004 requires the Council to report the total payments made each year to individual Councillors under the Members' Allowance Scheme.

**ALLOWANCES PAID TO MEMBERS - Financial Year 2006/2007**

Member's Name	Basic Allowance	Special Allowance	Depedents' Carers' Allowance	Co-optees' Allowance	Total
	£	£	£	£	£
Mr A Alderson	2,067.96	653.17			2,721.13
Mrs FM Angell	2,067.96	1,205.04			3,273.00
Mr JR Ashmore	2,067.96	1,205.04			3,273.00
Mrs FJ Barden	2,067.96	0.00			2,067.96
Mr J Broadhead	2,067.96	2,239.08			4,307.04
Mrs P Broadhead	2,067.96	1,551.00			3,618.96
Mr MJ Brown	2,067.96	1,034.04			3,102.00
Mr H Butterfield	1,856.71	0.00			1,856.71
Mrs D Clarke	2,067.96	0.00			2,067.96
Mr AJ Davis	1,567.92	2,067.96			3,635.88
Mr J Dean	2,067.96	1,804.15			3,872.11
Mrs R Denby	1,856.71	0.00			1,856.71
Mr R Edis	1,856.71	0.00			1,856.71
Mr JM Edwards	2,067.96	3,618.96			5,686.92
Mr JR Furey	2,067.96	6,864.24			8,932.20
Mrs CE Gant	2,067.96	897.84			2,965.80
Mrs E Gill	2,067.96	0.00			2,067.96
Mrs L Gillham	2,067.96	1,346.70			3,414.66
Mr PA Greenwood	211.25	326.89			538.14
Mr JE Haas	2,067.96	1,034.04			3,102.00
Mr RK Habgood	211.25	211.24			422.49
Mrs R Haylor	2,067.96	0.00			2,067.96
Miss M N Heath	2,067.96	965.93			3,033.89
Mrs S Jacobs	2,067.96	0.00			2,067.96
Mrs CY Jones	211.25	0.00			211.25
Mr C Knight	2,067.96	1,205.04			3,273.00
Mr Kusneraitis	1,856.71	1,046.31			2,903.02
Mrs Y Lay	2,067.96	1,046.31			3,114.27
Mr HW Meares	2,067.96	2,239.08			4,307.04
Mr AM Moore	2,067.96	0.00			2,067.96
Mr CJ Norman	2,067.96	2,067.96			4,135.92
Mrs J Norman	2,067.96	1,205.04			3,273.00
Mr DW Parr	2,067.96	3,443.04			5,511.00
MR RJ Ray	211.25	0.00			211.25
MR BJ Relph	2,067.96	1,205.04			3,273.00
Mrs M Roberts	2,067.96	158.73			2,226.69
Mr P Roberts	1,856.71	392.03			2,248.74
Mr C Ruane	2,067.96	0.00			2,067.96
Ms CM Simmons	2,067.96	988.73			3,056.69
Mrs C Spurling	0.00	0.00		258.00	258.00
Mr N Stewart	1,856.71	1,046.31			2,903.02
Ms G Switalski	1,990.12	0.00			1,990.12
Mr N Thewlis	2,067.96	1,931.77			3,999.73
Mr AP Tollett	2,067.96	0.00			2,067.96
Mr PB Tuley	2,067.96	1,795.57			3,863.53
Mr PJ Waddell	2,067.96	3,102.00			5,169.96
Mr JR Whiteley	211.25	123.10			334.35
Mr GB Woodger	2,067.96	2,022.23			4,090.19
	<b>86,065.19</b>	<b>52,043.61</b>	<b>0.00</b>	<b>258.00</b>	<b>138,366.80</b>

# GLOSSARY

## Accounting Policies

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet is presented.

## Accruals basis

an accounting convention in which transactions are reflected in the accounts of the period in which they take place as opposed to the period in which payments are made or received.

## Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of:

- Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund or
- The actuary changing the assumptions used in the current triennial valuation exercise from those used previously

## Agency arrangements

Services performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

## Asset

An item that is intended to be used for several years such as a building or a vehicle.

## Audit

An independent appraisal of a piece of work or process.

## Balances

The accumulated surplus of income over expenditure which can be used to finance expenditure. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested.

## Benefits we have awarded for added years

Added years are additional pensionable years that an authority may grant when a member of staff retires early because of redundancy or in the efficiency of the service. These additional years will increase the employee's retirement benefit which are paid for by the authority, not the pension fund, and are usually financed from the savings that will be made.

## Best Value

Under the Local Government Act 1999, local authorities must constantly aim to improve their services. Best Value was the approach introduced that gives local authorities a duty to provide local people with high-quality and efficient services.

## Billing authority

A local authority empowered to set and collect council taxes, and manage the Collection Fund, on behalf of itself and local authorities in its area

## Budget

The Budget is a statement of an authority's plans for net revenue expenditure over a specified time period.

## Budget requirement

An amount calculated, in advance of each year, by an authority. It is broadly the authority's estimated net revenue expenditure allowing for movement in reserves. It is, therefore, the estimate of the amount to be met from revenue support grant, redistributed non-domestic rates and any additional grant, and from council tax income.

## Business rates (Non-Domestic Rate – NDR)

Businesses pay business rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

## Capital expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing asset.

The statutory definition extends to:

- the acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;
- the acquisition of share or loan capital in any body corporate.

## Capital financing costs

Each service is charged with an annual capital financing charge for each asset it owns. The charge is made up of a depreciation element and a notional interest element. This system provides an appropriate charge for the use of assets, but has a neutral impact on the Council's accounts and budget requirement as the capital financing costs are set against the actual costs of capital financing (interest and debt repayments).

# GLOSSARY

## Capital grants

Grants received towards Capital Expenditure incurred on specific schemes.

## Capital programme

Our plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

## Capital Receipts

Monies from the sale of assets, which can finance capital expenditure or repay any outstanding loan debt according to rules set down by Central Government. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.

## Capping

A power under which the Government may limit the maximum level of local authority spending or increases in that level year on year, which it considers excessive. It is a tool to restrain increases in council tax.

## Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

## CIPFA

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes which specialises in the public sector.

## Collection Fund

The Collection Fund is a separate statutory fund, which details the transactions in relation to non-domestic rates and the council tax, and the distribution to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the Authority.

## Community Assets

These are assets that the Council intends to hold forever and which have an indeterminable useful life. An example is civic regalia.

## Comprehensive Performance Assessment (CPA)

This is a process used by the Audit Commission to assess how well local authorities are performing. Authorities are assessed as being in categories ranging from "Excellent" to "Poor". Those authorities which are considered to be well run and have a rating of "Good" or "Excellent" have been given greater flexibilities and freedoms, and are subject to lower levels of inspection than poorer performing authorities.

## Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control.

## Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## Corporate and democratic core

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

## Council Tax

This is a banded property tax levied on domestic properties in the Borough. The banding is based on estimated property values.

## Council Tax Base

An assessment by each billing authority of the number of converted to Band D equivalents (the average band), after properties, allowing for non-collection and new properties, on which a tax can be charged.

## Council Tax surpluses/losses

The District Councils' tax bases are calculated using estimated collection rates. Actual collection rates in a given year may give rise to a surplus/deficit to be taken into account when setting tax levels for the following year. Amounts in respect of Council Tax are shared between the District Council concerned, the County Council and the Police Authority pro-rata to the share of the aggregate of the precepts and demands on the collection fund. These surpluses and losses are applied to reduce or increase the spending of the authority.

## Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

## Current assets

Short-term assets that constantly change in value such as stocks, debtors and bank balances.

# GLOSSARY

## **Current liabilities**

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

## **Current service cost**

The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's on-going membership of the pension scheme.

## **Debtors**

Sums of money due to the Council but not received at the end of the financial year.

## **Deferred charges**

Deferred charges are capital expenditure, which does not result in tangible assets. An example is improvement grants made to private landlords.

## **Deferred liabilities**

These are liabilities that are payable beyond the next year; they are primarily mortgage repayments and deferred purchase repayments.

## **Demand on the Collection Fund**

Between 1 April 1990 and 31 March 1993, represented the amount required from the Collection Fund by a charging authority in order to finance its own expenditure, and funded by revenue support grant, non-domestic rates and community charges. After 1 April 1993, represents the amount calculated by a billing authority to be transferable from its Collection Fund to its General Fund.

## **Depreciation**

Depreciation is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence.

## **Direct Service Organisation (DSO)**

An organisation which consists of workers directly employed by a local authority to carry out work specified under the Local Government Act 1988.

## **Earmarked reserves**

Money set aside for a specific purpose.

## **Estimation Techniques**

The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

## **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

## **Financial Reporting Standards (FRS)**

Financial Reporting Standards are accounting standards which set out the framework and requirements that need to be adopted for certain transactions in the published accounts.

## **Finance Lease**

This is a lease that transfers most of the risks and rewards of ownership of an asset to the lessee.

## **Financial Year**

Local authority financial years start on 1 April and end on 31 March.

## **Fixed assets**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year. They can be Tangible (have a physical substance) or Intangible (no physical substance)

## **Fixed-Asset Restatement Account**

This is an account that shows the change in the value of our assets from the historic cost to their current valuation.

## **Floors**

The minimum level of grant, as determined by government, that an authority will receive.

## **Formula Grant**

This is the name given for the cash that the Council receives from the government in the form of general grant. Formula Grant comprises two elements; the Council's share of Business Rates; and Revenue Support Grant. Business Rates is distributed to local authorities on a head of population basis. Revenue Support Grant is calculated by the government and is based on the difference between what the government calculates an authority should spend income from Business Rates, and the government assumption for the level of Council Tax. The result of this calculation is subject to minimum and maximum increases in cash grant.

## **General Fund (GF)**

The General Fund is the main revenue fund of the Authority. This account includes the net cost of all services financed by local taxpayers and Government grants.

## GLOSSARY

### **Going Concern**

The assumption that an organisation will continue to provide operational services for the foreseeable future.

### **Government grants**

Payment by the Government towards the cost of local-authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

### **Government grants deferred account**

The amount of money given to us by government to spend on assets that have a lasting value, for example, land and buildings. This amount is reduced each year as the value of the asset reduces due to wear and tear.

### **Gross expenditure**

The overall cost of providing our services before allowing for government grants or other income.

### **Housing benefit**

Financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances 95% of the cost of benefits to non-HRA tenants ('rent allowances') and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy). Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

### **Housing Revenue Account (HRA)**

The Housing Revenue Account is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas.

### **Impairment**

The drop in value of an asset caused by either a consumption of economic benefits or a general fall in prices.

### **Infrastructure assets**

These are fixed assets such as highways and footpaths.

### **Investment Properties**

Interest in land or buildings which are held for their investment potential, with any rental income being negotiated at arm's length.

### **Leasing**

A method of renting the use of vehicles, machinery and equipment. These items do not belong to the Council, but are the property of the leasing company to whom rentals are paid.

### **Liabilities**

Money we will have to pay to people or organisations in the future.

### **Liquid (Resources) / Liquidity**

Current asset investments that are readily disposable without disrupting the business and are either readily convertible into known amounts of cash at or close to the carrying amount, or traded in an active market.

### **Loss**

The amount left over when expenses are higher than all income received.

### **Major Repairs Allowance (MRA)**

An allowance received as part of the Housing Subsidy grant.

### **Major Repairs Reserve (MRR)**

The MRR is a reserve to which the Council's Major Repairs Allowance is transferred. The balance on the account will be used to finance future major housing repairs.

### **Minimum Revenue Provision (MRP)**

The statutory minimum amount by which the council must set aside to repay loans.

### **Non-Domestic Rates**

The NDR poundage is set annually by the government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by Central Government as a grant to authorities in accordance with a government formula.

### **Net asset value**

The total value of an organisation's assets, less its liabilities and capital charges.

### **Net Book Value (NBV)**

This is the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative depreciation.

### **Net spending**

The cost of providing a service after allowing for specific grants and other income from fees and charges (i.e. not including Council Tax and money from the Government).

# GLOSSARY

## **Non-distributed costs**

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

## **Non-Operational Assets**

Fixed Assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## **Operating leases**

These are leases under which the Council pays for, to use an asset but does not get the risks and rewards of ownership.

## **Operational assets**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **Overheads**

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

## **Past service costs**

The past service cost is the extra liability that arises when the council grants extra retirement benefits that did not exist before.

## **Pensions interest cost and expected return on assets**

The net interest cost is the increase in the value of the pension scheme liabilities that arise because those liabilities are one year closer to being paid. The expected return on assets is the forecast of accrued benefit from investments of the pension fund in the long-term.

## **Petty Cash**

Small sums of cash kept by departments to pay minor expenses.

## **Planned underspend**

The transfer of budget from one financial year to another as specified in the Council's Financial Regulations

## **Precepts**

This is a charge levied by one Council, which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

## **Prior period adjustments**

Material adjustments applicable to prior years which arise from changes in accounting policies or from the correction of fundamental errors.

## **Provisions**

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date it will arise is uncertain.

## **Rateable Value (RV)**

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

## **Reconciliation**

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

## **Related Party**

An individual or organisation that has the potential to control or influence the Council or to be controlled or influenced by the Council.

## **Reimbursements**

Payments we receive for work we do for other public organisations, for example, the Government.

## **Remuneration**

All sums paid to or receivable by an employee.

## **Reserves**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

## **Residual Value**

The net value of an asset that can be reasonably expected from its sale at the end of its useful life.

## **Restated**

This is where the Council has changed figures that it has published in the past to show like-for-like comparisons with later year's figures.

## GLOSSARY

### **Revenue expenditure**

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from the Council Tax, government grants, fees and charges.

### **Revenue support grant (RSG)**

A Government grant that does not vary with a local authority's spending and is designed to compensate for differences in costs of providing a standard level of service.

### **Settlement**

The "Local Government Finance Settlement" is the annual determination made in a Local Government Finance Report by affirmative resolution of the House of Commons in respect of the following year of: the provision for local authority expenditure; the amount of central government support for that expenditure; how that support will be distributed; and the support for certain other local government bodies.

### **Specific grants**

Payments from the Government to cover local-authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project

### **Statement of standard accounting practice (SSAP)**

Recommendations on the way we need to treat certain items in our accounts. A majority of these have now been superseded by Financial Reporting Standards (FRS)

### **Statement on Internal Control (SIC)**

A statement communicating governance issues to stakeholders with the aim of enhancing public confidence in the Council.

### **Stock and stores**

Goods bought which have not been used.

### **Surplus**

The remainder after taking away all expenses from income

### **Tax Base**

The tax base is an assessment by each billing authority of the likely yield of a Council Tax of £1, taking into account the number of properties on which a tax can be levied. The Tax base counts properties as Band D equivalents. For setting Council Tax, the tax base is based on the District or Borough Council's number of Band D equivalent properties within each local authority area, allowing for non-collection of Council Tax and new properties.

### **Total Gross Expenditure**

Gross spending, taking all local authority accounts together (except Superannuation), after eliminating double counting of flows between services, accounts and other authorities, where this is possible. Total gross expenditure is divided into gross revenue expenditure and gross capital expenditure.

### **Trading services**

Local authority services which are, or are generally intended to be, financed mainly from charges levied on the users of the service.

### **Trust fund**

Money that does not belong to us but is managed by us for the owners of the money.

### **Unapportionable central overheads**

Costs that do not relate to a single service or services, and so are held centrally.

### **Underwriting**

An agreement by a fund manager to buy any unsold new issue of shares in exchange for a fee.

### **Virement**

The transfer of budget from one spending head to another. Limits on the amount of transfers are specified in the Council's Financial Regulations.