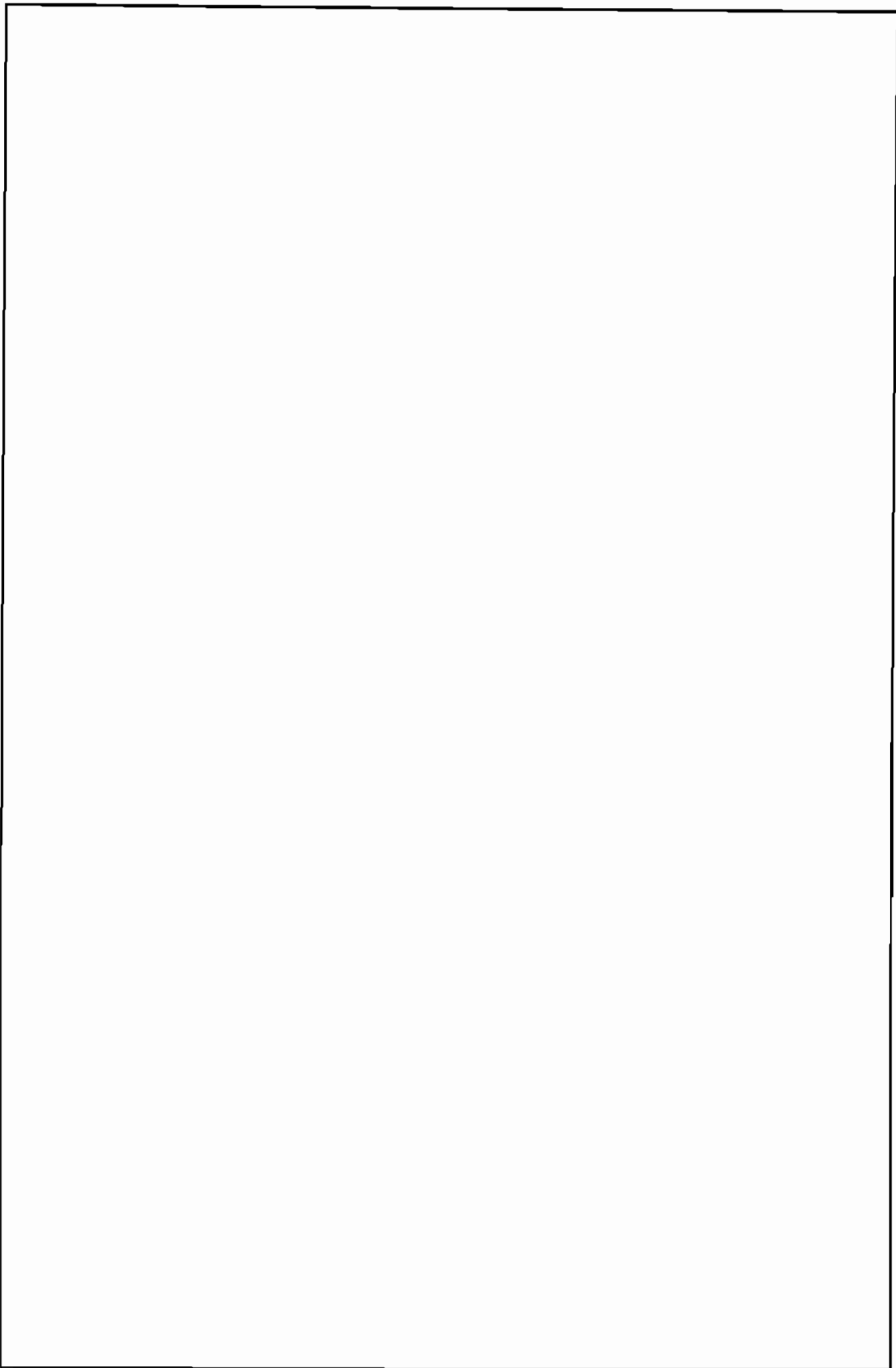


Financial Statements 2007/2008



FINANCIAL STATEMENTS 2007/08

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FINANCIAL STATEMENTS 2007/08

RUNNYMEDE BOROUGH COUNCIL

Address and Telephone Number

Address: Runnymede Civic Centre, Station Road, Addlestone, Surrey,
KT15 2AH

Telephone (All Departments): 01932 838383

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Mayor and Deputy Mayor in the 2007/08 Municipal Year

Mayor: Councillor H. W. V. Mears, MA (Cantab), FCA, MBA (Insead)

Deputy Mayor: Councillor J. Broadhead, MCIM

Chairmen of Committees and Review Boards in 2007/08

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

Chief Officers in 2007/08

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 2007/08

Appointed Auditor: KPMG LLP

Address: 38th Floor, 1 Canada Square, Canary Wharf, London, E14 5AG

Bankers in 2007/08

Bankers: Co-Operative Bank,

Address: 17 High Street, Kingston-upon-Thames, Surrey, KT1 1LP

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

INTRODUCTION

It is my pleasure to introduce the Council's Statement of Accounts for 2007/08. 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 the services we provide
- Our sources of income
- Assets and liabilities at the year-end

The statements are in a format that meets legal and professional accounting requirements. In particular, the statement follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2007* (the 2007 Code) and associated guidance. 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 more changes in the content of the accounts this year as a result of the drive to make public sector accounts generally more compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP"). But we have the comfort that they are not quite as significant as in 2006/07. The main changes introduced by the 2007 Code are:

- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account.
- The accounting treatments and disclosures in respect of what are termed "financial instruments"

The 2007 Code requires the establishment of new reserves to hold capital balances. In particular, our Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve. The changes also impact on the way we are required to account for revaluation gains and impairment of assets. All these changes are explained in detail in the notes to the financial statements.

The new arrangements for accounting for financial instruments represent the first major development in accounting arrangements for local government arising from the influence of International Financial Reporting Standards (FRS) on UK GAAP. The 2007 Code adopts Financial Reporting Standards (FRS) 25, FRS 26 and FRS 29 which deal with the recognition, measurement and disclosure of financial instruments. In particular, these accounts now set out much more information on the investments that Runnymede Borough Council makes, and how we measure and control the risks associated with investing funds. The difficulties experienced in the wholesale money markets in 2007 and 2008 highlight the need to manage these risks effectively.

There is no respite from accounting changes and in future years we shall see new accounting treatments and further disclosures as local authority accounting is further adapted to meet the provisions of International Financial Reporting Standards.

THE ACCOUNTING STATEMENTS

The main financial statements are divided into 'core' statements and 'supplementary' statements. The core statements are 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 2007/08 BY THE DIRECTOR OF FINANCE

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.

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 2007/08.

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 Borough Council was amongst nine local authorities that were subjected to council tax capping. We had to reduce council tax bills in line with the government requirement. 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 our medium-term spending plans was significant. The decision effectively locked us 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 sixth lowest in England in 2007/08. There is now a need to make substantial net revenue expenditure 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.

Our total revenue reserves now stand at £11.350m. This is a substantial sum, but our budget for 2008/09 relies on the use of £1.284m of reserves alone. Our reserves will only just be sufficient to allow the necessary savings to be phased in over a five-year period.

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 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 2007/08 of £4.216m 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 £4.216m into a net transfer to General Fund reserves of £678,600.

The main reasons for the loss disclosed in the Income and Expenditure Account in 2007/08 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.
- 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.

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

- Gains and losses on the disposal of fixed assets are calculated in accordance with UK GAAP principles and included in the Income and Expenditure Account.
- Pension costs: Our Income and Expenditure Account 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.

All these entries are reversed out in the Statement of Movement on the General Fund Balance so that the impact for council tax and rent levels is neutralised.

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

Comparing our performance in 2007/08 to our budget

Our budget is used for a number of purposes. Obviously, it provides the information necessary for setting council tax and use of our reserves. 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 and 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 2007/08:

Comparison of budget to actual for major elements of the General Fund in 2007/08			
Budget element	Original Budget	Revised Budget	Actual
	£000	£000	£000
Net expenditure	10,567	10,372	9,819
Transfers to and from other reserves	314	176	(721)
Business Growth Incentive Grant	-	(162)	(561)
General government grant	(5,217)	(5,217)	(5,217)
Council tax	(3,999)	(3,999)	(3,999)
Decrease (increase) in General Fund Balance	1,665	1,170	(679)

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 income from council tax and general government grant. The reduction in net expenditure of £553,000 compared to the revised budget – from £10.372m to £9.819m - 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:

- Cemeteries and closed churchyards (£40,400)
- Environmental services (£53,500)
- Recycling and refuse collection (£47,500)
- Planning policy, development control, and building control services (£75,000)
- Local highways and street cleansing (£55,800)
- Land drainage (£101,800)
- Energy management (£31,700)
- Civic Offices (£68,800)
- Performance Reward Grant recognised for the year (£110,400)

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

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

planned savings made in one year to the next. Planned savings (included in the above list) of £355,100 on General Fund services were made in 2007/08 and these will be spent in the 2008/09 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

Total general government grant received in 2007/08 was £5.788m and comprised of:

- Formula Grant - a combination of general government grant and the distribution from the central non-domestic rate pool - from the government of £5,217m. This was an increase of £150,190 (2.96%) over the 2006/07 settlement.
- The Local Authority Business Growth Incentives scheme (LABGI) is designed to give local authorities an incentive to encourage local economic and business growth. In simple terms, the increase in a local authority's business rateable value is used as a proxy for business growth. Our revised budget allowed for Local Authority Business Growth Incentives Grant (LABGI) of £162,522. This new grant receipt was the result of the LABGI methodology being changed by the government to recognise rating increases on existing properties. More recently, the government announced a further distribution to include all categories of assessment that record a potential increase in rateable value. This includes cases where there has been a change in address and a revaluation, properties that have ceased to be exempt from business rates and properties that have been previously domestic but are moving onto the rating list. This change provided another £399,000 and the total LABGI recognised for the first time in our accounts in 2007/08 is £561,000. The future of the LABGI scheme is uncertain and the government have recently consulted on proposals to change the system.

Treasury Management

Treasury management takes a high profile in Runnymede and treasury policies were refined throughout the year to take account of best practice. In 2007, the external fund manager we had used for a number of years - Alliance Bernstein - gave notice that they are withdrawing from the local authority cash management market. At the end of March 2007 Alliance Bernstein managed £16.984m of our funds, and this was reduced steadily with the final withdrawal made in August 2007. All funds are now managed in-house.

We now have an arrangement with Tradition UK to provide advice on the management of £10m of our funds.

We have made a number of longer-term investments to take opportunities offered from the higher rates of interest available during 2007. Great care is taken to ensure that liquidity and credit risks are taken into account before investing public funds. Our mix of short and longer-term investments, the longest of which matures in 2010, provide a balance approach and offer protection against the risk of reduced investment income should interest rates fall.

PENSION FUND ACCOUNTING

Surrey Pension Fund

Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council. 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 five 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 2007) compiled by Hymans Robinson will set the level of contributions for the three-year period commencing April 2008. Therefore, the contributions made in 2007/08 are still based on the 2004 valuation. The following table compares the main elements of the 2004 and 2007 valuations:

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

Comparison of Pension Fund valuations for 2004 and 2007		
	2004	2007
Deficit	£7.4m	£5.8m
Funding level	82.9%	90.2%
Employer's contribution	12.5% of pay	16.3% of pay
Annual back funding contributions:	£481,000 in 2007/08	£380,000 in 2008/09

The 2007 valuation shows that the deficit has reduced. The main reason for this is the greater than expected returns from investments in the fund. This will allow the back funding contribution to be reduced. However, the amount of employer's contributions as a percentage of pay will increase substantially from 2008/09. The main reasons for this are the increased life expectancy of staff along with the impact of future inflation.

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 2008 is a deficit of £7.033m, a reduction of £5.327m on the deficit at March 2007 of £12.360m.

The main reason for the reduction in the deficit was that the real-terms discount rate for measuring the scheme liabilities has changed from 2.1% at 31 March 2007 to 3.2% at 31 March 2008. This is primarily due to the increase in the corporate bond yields over the year. All things being equal, a higher real discount rate leads to a lower value being placed on the liabilities. The higher discount rate when applied to future cash flows reduced the total liabilities by £11.783m in 2007/08. A benefit of FRS17 is that it uses a transparent set of financial assumptions that promotes consistency between organisations. Regrettably, the cost of this is volatility between years. The notes to the accounts set out these financial assumptions for the previous 5 years to enable users to see trends or be able to smooth out the peaks and troughs that FRS17 introduces.

The actual investment return was £5.436m lower than the expected return on pension scheme assets. Again, the 5 year picture gives a more revealing picture of actual against expected investment returns. Unsurprisingly, there is a reduction in the deficit when stock markets are buoyant and an increase in the deficit when share values fall (as they did in 2007/08).

There was also an increase in liabilities of £2.222m (£1.769m in 2006/07) in respect of an increase in the allowance in longevity.

The pension fund deficit of £7.033m 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 of certain financial assumptions. However, it is the long-term position of the Fund that determines the amounts that must be provided for pension commitments.

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 entity's 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.

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

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.

This Statement shows the impact on our overall cash flows of the considerable amount of local taxation receipts (council tax and business rates) that we collect. These receipts are mainly collected for Surrey County Council and the Surrey Police Authority (council tax) and the government (for business rates). However, even after excluding these transactions from the revenue activities, there are sizeable payments and receipts on our own operating activities. Particularly noteworthy in 2007/08 are the capital expenditure payments (including £9.5m on the new civic centre) and capital receipts (including £9.7m from the sale of the Roakes Avenue site).

HOUSING REVENUE ACCOUNT

Council housing remains an important service for Runnymede Borough Council and we own a total stock of some 3,000 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 2007/08:

Comparison of budget to actual for the net cost of HRA services in 2007/08			
	Original budget	Revised budget	Actual
	£000	£000	£000
General & special management expenses	3,027	3,065	2,747
Housing repairs and maintenance	2,663	2,606	2,484
Depreciation and other expenses	2,223	2,223	2,182
HRA subsidy paid to the government	5,448	5,371	5,363
Total expenditure	13,361	13,265	12,776
Total income	13,263	13,311	13,392
Net cost (surplus) of HRA services	98	(46)	(616)

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
- Housing repairs: Savings on planned and cyclical maintenance expenditure
- Rental and other income benefited from lower tenancy voids and better collection rates

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

The main source of income to the HRA is property rents. The increase applied to rent levels in April 2007 was a flat rate 4.75%. Examples of average rents charged in 2007/08 are £46.60 a week for a bedsit type dwelling and £87.68 a week for a three-bed house.

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

The HRA does not include expenditure on the large capital repair and improvement programme on our housing stock. In 2007 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 £7.162m. Total capital expenditure on capital repair and improvements to our existing stock totalled £2.289m in 2007/08 and this is financed from resources in the major repairs reserve (£2.198m) with the balance from capital receipts.

The HRA working balance started the year with a surplus of £1.801m which is in line with our long-term business plan for the HRA. The HRA working balance ended the year with a very healthy surplus of £2.787m.

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 from the council tax and business rates.

The following table shows the council tax band D charges in 2006/07 and 2007/08, and the percentage increase for each element of the charge:

Council tax at band D in 2006/07 and 2007/08			
	2006/07	2007/08	Increase
	£	£	%
Surrey County Council	966.69	1,009.62	4.4
Surrey Police Authority	163.26	171.27	4.9
Runnymede Borough Council	115.11	120.78	4.9
Total at band D	1,245.06	1,301.67	4.5

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 £1.119m at 31st March 2008 (£1.177m at 31st March 2007). Business ratepayers' arrears including arrears of court costs stood at £148,900 as at 31st March 2008 (£167,700 at 31st March 2007).

CAPITAL FINANCE

Capital expenditure in 2007/08 totalled £15.216m. 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.

Major capital schemes during the year included:

- New Civic Centre (£9.517m)
- Improvement works to Council dwellings (£2.289m)
- Housing estate redevelopment projects (£833,100)
- Low cost home ownership schemes (£864,200)
- Investment in new technology (£549,400)

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

New Civic Centre

This is by far the largest single capital scheme that Runnymede Borough Council has undertaken. The total budget for the construction costs of the new Civic Offices is £16.575m. The budget for fitting out costs, including a state of the art control centre for our Safer Runnymede team and all IT equipment and furniture, totals a further £1.117m. The office was substantially completed by March 2008 and the fitting out works completed in April and May. The building opened to the public on 14 May 2008.

A project of this scale takes many years to complete. Capital expenditure of incurred to March 2008 was £15.519m and comprises of £90,000 in 2004/05, £1.299m in 2005/06, £4.613m in 2006/07 and £9.517m in the 2007/08 financial year.

The new building includes provision for the Surrey Police and the Addlestone library. In 2008 Surrey Police will pay a capital receipt for the long-term lease of their part of the building. Also planned in 2008 is the sale of the old police station and civic office sites for housing purposes. The substantial receipt from this sale will reduce the net overall cost of the project significantly.

There are, of course, uncertainties and risk with a project of this size and complexity and the management and control of these risks form an important part of the project. A number of councillor and management working groups have been dealing with and monitoring various aspects of the overall project, headed by the Civic Offices Re-provision Sub Committee.

We have also been planning for how we use the new building to deliver services. Projects range from using new technology effectively, especially of document imaging, security arrangements, and serving the public through improved reception.

Capital receipts

The Council has usable capital receipts of £7.957m at 31 March 2008. 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.

Wapshott Road redevelopment

Good progress has been made on the redevelopment of the unsatisfactory system built housing at Wapshott Road in Egham. The redevelopment is being carried out by the A2 Housing Group, our registered social landlord partner who has worked with Runnymede Borough Council to produce a scheme that meets the needs of tenants, and addresses concerns about local flooding.

Housing capital receipts pooling

Since April 2004 we must pay (in cash) a proportion of our housing capital receipts over to the Government. We must pay 75% of the receipts from sales of dwellings made under the Right-to-Buy arrangements to the government, and the payment in 2007/08 was £149,700. For other housing capital receipts, we have the choice of paying a proportion over to the Government pool, or retaining the receipt to use on housing schemes. Our choice is to retain receipts locally wherever possible.

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 2007, the Audit Commission again assessed the Council's performance as "performing strongly". This is the highest possible under the system. In 2007, Runnymede was one of only 13 district councils that achieved this top rating for use of resources.

FINANCIAL REVIEW OF 2007/08 BY THE DIRECTOR OF FINANCE

AUDIT

The Audit Commission appoints the external auditors that examine our financial statements and, for the first 33 years of Runnymede Borough Council, this was undertaken by the District Audit service (or its successors). 2007/08 is the first year that the external audit of our financial statements is being carried out by KPMG LLP and I welcome them to Runnymede Borough Council.

Interested members of the public have a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2007/08 the inspection dates were Friday 18 July 2008 until Thursday 14 August 2008 inclusive. The appointed day for raising queries with the External Auditors was Friday 15 August 2008.

FINANCIAL PLANNING

Each year, Runnymede Borough 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. The latest forecast was approved in December 2007. 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, we are drawing on revenue reserves to meet the gap between spending and income.

CONCLUDING REMARKS

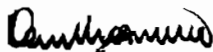
The Statement of Accounts is intended to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. I would welcome any constructive comments which would help improve this information.

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 2007/08 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 22 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. 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 2008

ANNUAL GOVERNANCE STATEMENT 2007/08

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 putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Runnymede Borough Council has not adopted a code of corporate governance as recommended in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This is because the current arrangements for corporate governance, as set out in the Council's Constitution, are considered fit for purpose and the adoption of the Framework would not add to this process. This statement explains how Runnymede Borough Council meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Runnymede Borough Council for the year ended 31 March 2008 and up to the date of approval of these Financial Statements.

THE GOVERNANCE FRAMEWORK

Identifying and communicating our purpose and intended outcome for citizens and service users

Runnymede Borough Council has many duties and powers. The processes that are in place to properly reflect these functions in our 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 our existing strategy documents in a format that reflects best practice drawing from the Community Strategy and other 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 rolling five-year financial forecast identifying areas of growth, revenue reductions and capital expenditure plans.
- 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

ANNUAL GOVERNANCE STATEMENT 2007/08

performance indicators, are consolidated and analysed in a set of Service Plans reported regularly to service committees, so as to enable the Council to monitor progress towards the requirement of continuous improvement and take corrective action where necessary.

Policy and decision making framework

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 also contains a wide range of control and policy documents to support sound corporate governance. These policy documents can be viewed on the Council's website at www.runnymede.gov.uk

The Constitution is reviewed in total each year. This process includes consultation with staff, a report to the Corporate Management Committee on proposed changes, and the approval of the revised constitution by the Full Council. Changes are made through the year as appropriate.

Taken together, the Constitution defines how decisions are taken and the processes and controls required to manage risk.

Measuring the quality of services and ensuring that they represent the best use of resources

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 performance by staff and Members alike.

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.

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.

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

Committee based service plans have been established to collate all the performance management information for a service area in one place. These plans build on a whole range of management information which consistently analyses our 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 Runnymede Borough 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.

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Financial management and controls

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;
- 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.

Codes of Conduct

The Constitution includes codes of conduct that set the standards of behaviour of councillors and staff. These conform to ethical standards and are renewed annually. There are also specific codes of conduct for planning matters and licensing functions. The Constitution also has protocols for the use of IT by Members, a staff e-mail/internet policy, and a Member/Officer protocol.

Audit Committee and the internal audit function

The Constitution sets out the role and function of the Standards and Audit Committee. The Council has an Internal Audit Section that reports to the Director of Finance. Internal Audit Section reports are also copied to the Chief Executive Officer, Monitoring Officer and the external auditor. The Chief Internal Auditor provides 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.

Ensuring compliance with established policies, procedures, laws and regulations

Directors are ultimately responsible to the Council for ensuring compliance with established policies, procedures, laws and regulations. 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 Council's Legal Section reviews all reports to service committees to ensure propriety and to advise on the impact of legislation. This includes a review of forthcoming legislation likely to impact on Runnymede.

Arrangements for whistle-blowing and receiving complaints

The Constitution includes an anti-fraud and corruption policy including whistle-blowing policy. Runnymede Borough Council has an established complaints policy and procedures. These arrangements are publicised on the Runnymede Borough Council web site and in our "How to make a complaint against the Council" leaflet. The Standards and Audit Committee receive reports on matters being investigated by the Local Government Ombudsman and on any complaints against Members.

Development of Members and Senior Officers

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.

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Control of risk

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.

Consultation strategy

Listening to and understanding the views of residents, service users, business people, visitors and staff, is important to Runnymede Borough Council. The Consultation strategy sets guidance to Members and staff in all matters relating to internal and external consultation. A publicity and media handling protocol that sets out procedures for handling communications with the news media.

REVIEW OF EFFECTIVENESS

Runnymede Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance for the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Role of Full Council

Full Council makes all significant financial and strategic decisions. In 2007/08 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;
- Best Value reviews;
- Government grant settlements;
- Capital forecasts and outturn reports;
- 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;

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- 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.

The Standards and Audit Committee

Summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee twice annually. In 2007/08 the Committee has also considered the arrangements for risk management and a review of the arrangements for internal control (including the preparation of this Statement), 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. The Board prepares an Annual Report on their work programme for the Full Council.

Internal audit and external audit

The role of the internal audit function is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of 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 by:

- Providing assistance 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;
- 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.

Recommendations not yet implemented from internal audit reports issued in 2007/08 are in the process of being reviewed by senior managers. A report on internal audit coverage in 2007/08 will be presented to the Standards and Audit Committee in September 2008.

Runnymede Borough Council's external auditor (KPMG) 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

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by internal audit and utilised by the external auditors in respect of fundamental systems has been a combination of detailed system reviews and quality management reviews of key controls.

The external auditor submitted to the Corporate Management Committee his Annual Governance Report for 2006/07 (in September 2007) and the Annual Audit and Inspection Letter for 2006/07 (in March 2008). 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 our website (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 the Standards and Audit Committee twice annually.

Local authorities are also required to review the effectiveness of their system of internal audit once a year and present the findings to a committee, or full Council, as part of the consideration of the system of internal control. The Corporate Management Committee duly considered the results of this review in conjunction with this Statement.

Other explicit review and assurance mechanisms.

A corporate compliance and review guidance mechanism 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 investigations provide scrutiny of the required actions and report on instances of non-compliance.

Runnymede Borough 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 our website (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 2008, 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.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Standards and Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

SIGNIFICANT GOVERNANCE ISSUES


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:

- Risk Management
- Revenue Saving Targets
- Partnership Working
- Business Continuity Planning
- The internal control risks of moving into the new civic offices
- Establishing appropriate internal controls surrounding new ways of working, in particular the desire to minimise use of paper records

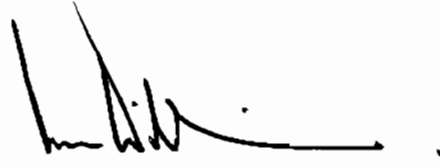
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An action plan that addresses these issues follows this report.

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



Councillor J Furey
Leader of the Council
26 June 2008



Mr T Williams
Chief Executive Officer
26 June 2008

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Action Plan

Item	Issue	Actions taken	Further actions required	Timescale
1.	<p><u>Risk Management</u></p> <p>1. Develop a strong and 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 annual risk refresh exercise was carried out in April 2007 and the outcome was reported to the Standards and Audit Committee in September 2007. 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 most recent risk refresh exercise was carried out in June 2008 and the findings will be reported to the Standards and Audit Committee in September 2008.</p> <p>2. Service level risks will be fed into the Committee Service level plans.</p>	<p>1. September 2008</p> <p>2. Currently underway.</p>
2.	<p><u>Revenue Saving Targets and Efficiency Savings</u></p> <p>The five-year financial forecast identifies the need to achieve significant revenue reductions 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. Income generation also forms a fundamental (but volatile) part of the financial forecast and monitoring both occasional (e.g. capital receipts) and routine sources (e.g. car parking and planning application income) remains crucial.</p>	<p>1. 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 December 2007. 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 Financial Forecast also included a statement showing the progress in achieving the planned savings that were originally approved in 2005.</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 2008. The next financial forecast will be updated to reflect the latest position.</p>	<p>1. Quarterly reports.</p> <p>2. October 2008</p>

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Item	Issue	Actions taken	Further actions required	Timescale
3.	<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.</p> <p>The pressures from government and others to create partnerships creates a risk that local authorities may enter into partnerships without due regard to controls, financial and operational risks, and robust governance procedures.</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>There remains increasing pressure to work in partnership with other organisations and this can lead to governance issues being dealt with as an after thought. Also, obtaining partners approval for effective governance arrangements can be difficult</p>	<p>The improvement plan for the Best Value review on Partnership Working sets out a number of actions. These actions need to be reviewed.</p>	September 2008
4.	<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. The greatest risk is an incident that leaves all or a substantial part of the civic offices unusable for a period of time.</p> <p>However, in the event of disaster, we at least have the advantage of a property portfolio (e.g. leisure centres, halls, depot) that office based services could decant to.</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 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>With the move to the new civic offices a further review of the adequacy of the current business continuity plan is appropriate.</p>	<p>1. Need to review plans in 2008 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 2008.</p> <p>2. Autumn 2008.</p>

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Item	Issue	Actions taken	Further actions required	Timescale
5	<p><u>New civic offices: Control risks</u></p> <p>The internal control risks of moving into the new civic offices, particularly the potential loss of valuable records.</p>	<p>The Members Working Group and a number of number of officer groups are dealing with the move to the new civic offices.</p> <p>A document retention policy has been produced to guide staff on what must be retained. However, awareness of this document – although widely publicised – can vary with staff and their managers.</p>	<ol style="list-style-type: none"> 1. Directors to ensure that their staff are aware of the document retention policy and that updating of the document becomes an embedded practice. 2. Internal audit of compliance. 	<ol style="list-style-type: none"> 1. Throughout 2008 2. Throughout 2008 as part of routine audits
6	<p><u>New methods of working</u></p> <p>Establishing appropriate internal controls surrounding new ways of working, in particular the desire to minimise use of paper records and the customer services (front of house) arrangements.</p>	<p>The use of the DMS system has been widely adopted as a way of keeping a record of documents. This has proved useful. However, there is a risk that some documents may be improperly or inadequately categorised.</p> <p>Front of House (Customer Service) now cater for a wide range of services. Procedures for the recording and safekeeping of confidential information will need to be embedded.</p> <p>Issues of security and confidentiality are being addressed in the new open plan offices, although it will take time before procedures are finalised and become embedded.</p>	<ol style="list-style-type: none"> 1. Directors to ensure that staff are aware of the need to deal with confidential records in a secure and appropriate way and to revise procedures as necessary. 2. Internal audit of compliance. 	<ol style="list-style-type: none"> 1. Throughout 2008 2. Throughout 2008 as part of routine audits

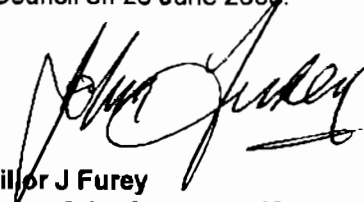
STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

Runnymede Borough 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 2007/08 were approved by the Corporate Management Committee of the Council on 26 June 2008.



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

Date: 26 June 2008

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).

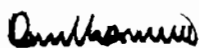
In preparing this statement of accounts, the Director of Finance has:

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

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 2007/08 presents fairly the financial position of Runnymede Borough Council and its income and expenditure for the year ended 31 March 2008.



**Mr S R Cawthorne
Director of Finance**

Date: 26 June 2008

AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the Statement of Accounts and related notes of Runnymede Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Statement of Accounts comprises the Explanatory Foreword, the Income and Expenditure Account, the Statement of 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. The 2007-08 Statement of Accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Runnymede Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Runnymede Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Runnymede Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditors

The Director of Finance's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Statement of Accounts, and relevant notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Statement of Accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of Runnymede Borough Council's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our 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 Statement of Accounts, and related notes. It also includes an assessment of the significant estimates and judgments made by Runnymede Borough Council in the preparation of the Statement of Accounts, and related notes, and of whether the accounting policies are appropriate to Runnymede Borough Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Statement of Accounts and related notes.

Opinion

In our opinion:

The Statement of Accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Runnymede Borough Council as at 31 March 2008 and its income and expenditure for the year then ended.

KPMG LLP
Chartered Accountants
London
4 September 2008

AUDITOR'S REPORT

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Runnymede Borough Council's Responsibilities

Runnymede Borough Council 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, 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 2008.

Certificate

We certify that we 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.

KPMG LLP
Chartered Accountants
London
4 September 2008

PRINCIPAL ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the transactions for the 2007/08 financial year and the position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice* (the SORP) and the *Best Value Accounting Code of Practice 2007*: (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

The 2007 SORP has imposed further changes to the format and content of the accounts as part of the continuing drive to make public sector accounts generally more compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP") and. The main changes are for accounting for capital and financial instruments:

Accounting for capital

The main changes are:

- A Revaluation Reserve has been established to store gains on revaluation of fixed assets not yet realised through sales. The reserve was established on 1 April 2007 with a nil balance. Therefore it does not hold revaluation gains prior to 1 April 2007.
- A Capital Adjustment Account has been established to account for the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- The balances on the Fixed Asset Restatement Account and the Capital Financing Account have been transferred to the Capital Adjustment Account.
- Impairments that arise through a general fall in prices are now treated as a revaluation. Where there are sufficient previous revaluation gains, the decrease in value is recognised in the Statement of Recognised Gains and Losses. Thereafter, the decrease is recognised in the relevant service account in the Income and Expenditure Account. Previously such impairments were written off to the Fixed Asset Restatement Account.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 13). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £285m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£51m credit balance) to form the new Capital Adjustment Account with a balance of £336m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Revaluation Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Financial instruments

The accounts now treat financial instruments in accordance with the requirements of Financial Reporting Standards (FRS) 25, 26 and 29. No material changes arising from adopting these standards were required to balances within the Balance Sheet as at 31 March 2007. The minor adjustments required have been absorbed within the Income and Expenditure Account in 2007/08. The treatment of interest accrued on investments in 2007/08 is to roll it up into an increase in the value of investments, rather than as a debtor, in the Balance Sheet. Interest payable and receivable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. In accordance with the SORP, comparatives for 2006/07 have not been restated.

3. Accounting Convention

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

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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.
- 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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.

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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 – 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.

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 revenue to offset the depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

10. Retirement benefits

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

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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 following table:

Asset class	Valuation method used
Quoted securities	Mid-market value
Unquoted securities	Professional estimate
Unlisted 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.
- **Gains/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
- **Contributions paid to the Surrey pension fund:** Cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax and housing rents to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits and credits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

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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 notes to the core financial statements provide further information about the pension scheme, estimates of the amounts necessary to meet future pension liabilities, and in particular the shortfall in the Pension Fund.

11. Value Added Tax (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 2007*. 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 any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

13. Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one year. The balance is amortised to the appropriate revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

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. These assets are not revalued, but are subject to impairment where appropriate.

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 out 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
- 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.

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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. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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 property and other operational assets are included in the balance sheet at the lower of net current replacement cost or 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 or net realisable value. In the case of investment properties, this is normally open market value.
- Dwellings, other land and buildings and vehicles, plant and equipment are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use.
- 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

Assets included in the balance sheet at current value are revaluated where there have been material changes in value, but as a minimum as part of a five-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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16. 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). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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 Receipts reserve and credited to the Statement of Movement on the General Fund Balance.

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 Adjustment Account from the Statement of Movement on the General Fund Balance to make the necessary adjusting entries.

17. 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.

Assets that have major components with different estimated useful lives are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- 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.

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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 Adjustment Account.

19. Deferred charges

Deferred charges represent expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible 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. Where the Council has determined to meet the cost of the deferred charges from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in 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: Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. The only liability Runnymede Borough Council currently 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. Rentals payable are charged to the relevant service revenue account 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. Financial Liabilities

Finance liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all borrowings, this means that the amount presented in the balance sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

22. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

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

Runnymede Borough Council has made no loans at less than market rates (soft loans).

Trade receivables are recorded at their nominal amount less an allowance for doubtful debts. The Balance Sheet and notes to the accounts disclose the amount accordingly.

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Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and loss that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable.

Available-for-sale assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity share with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

23. 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.

24. Provisions for bad and doubtful debts

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

25. 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 2008 or 31 March 2007).

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26. 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.