

## How we spent your money 2007/08

All the money we receive from the Council Tax, service charges and the Government is ultimately your money, which we spend on your behalf. We aim to spend your money as efficiently as possible and to prioritise the areas you have told us are important.

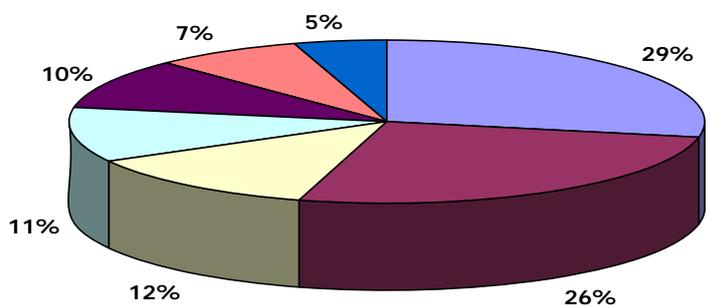
Each year, our auditors check that our accounts are accurate. Until the auditors have finished their work, the accounts are not final, but we believe the information set out below is correct. Our full set of accounts is published on our website and can be found at:

<http://www.rbkc.gov.uk/yourcouncil/councilfinances/default.asp>

### Our total spending on services

In 2007/08, we spent a total of £555 million on services. In accounting terms, this total is known as our 'gross revenue expenditure'. More details can be found in **Annex A**. We spent a further £34 million on items such as interest payments, levies paid to other public bodies and contributions to our reserves.

### Gross Spending on Services 2007/08 (£555 million)



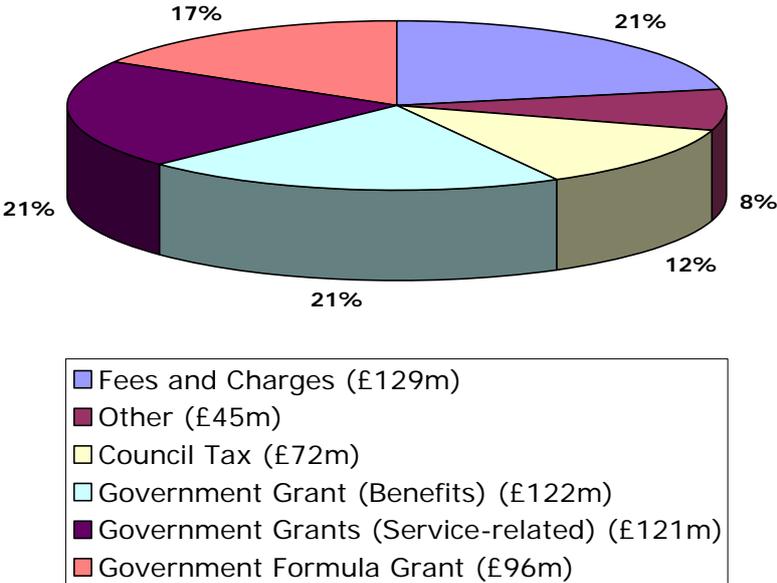
■ Housing Services (£156m)
■ Children's and Education Services (£146m)
■ Cultural, Environmental and Planning Services (£69m)
■ Adult Social Care (£61m)
■ Housing Revenue Account (£55m)
■ Highways and Transport Services (£41m)
■ Central Services (£27m)

The law requires us to distinguish between 'Housing Services' and the 'Housing Revenue Account'. Housing Services describes our spending on helping homeless residents, providing temporary accommodation and other services that help people to either find or afford somewhere to live. The Housing Revenue Account concerns our spending on Council Housing; the houses and flats that we own and let to residents and which are managed by the TMO. Housing was our largest area of expenditure in 2007/08.

**How our total spending is funded**

Council Tax pays for only a small proportion of our total spending. In 2007/08 only £72 million (12 per cent) of the £585 million we spent in total came from Council Tax, compared with £73 million in 2006/07. The majority of our funding comes from the Government. More detail is shown in **Annex A**.

**Funding of 2007/08 Revenue Spending (£585 million)**



In 2007/08, we raised £129 million in fees and charges, including rents from council housing, to help pay for services. Although this may seem a large sum of money, our charges are low compared to other local authorities in London.

Each year, the Government pays us a sum of money, known as the 'Formula Grant', to help meet the cost of services. In 2007/08, it totalled £96 million. The Government paid us a further £121 million to help pay for specific services and £122 million to pay for housing benefit and Council Tax benefits.

**Our net spending on services**

Our accounts summarised at **Annex A** state our 'net cost of services'. This is calculated by deducting from our total spending fees, charges and the funding we receive from the Government to help pay for specific services. In 2007/08, our net spending totalled £155 million compared with £149 million in 2006/07. The decrease was caused by budget savings, higher Government grants and increased income from fees, charges and the interest we earn from our bank accounts.

### Our 'budget requirement' and the Council Tax

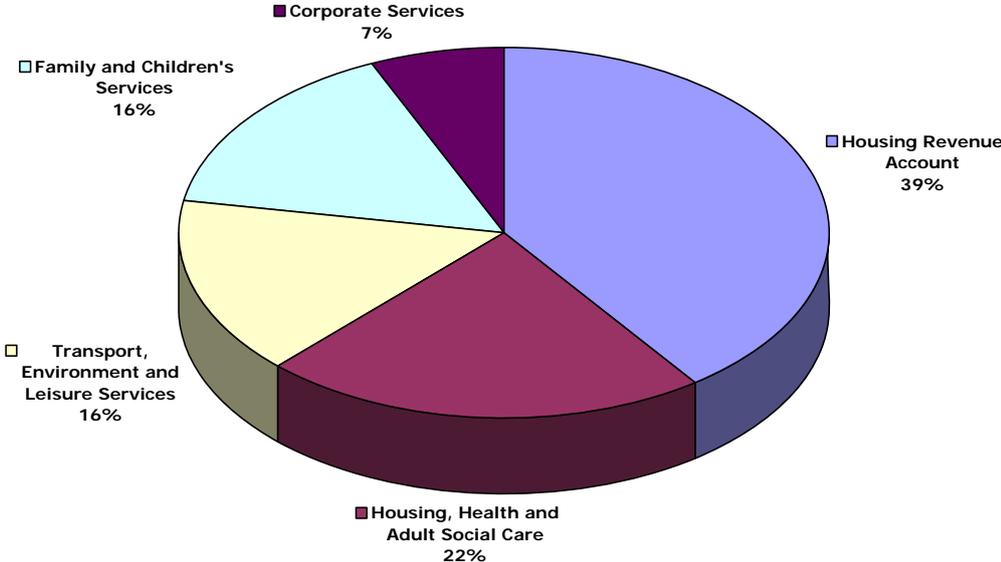
Each year, we establish our 'budget requirement', referred to in Annex A as 'Amount met by Government Grants and Local Taxpayers'. This is the amount of money needed from the Formula Grant and the Council Tax to pay for our services. Once the Government has announced the size of the Formula Grant, we deduct this from the budget requirement, which leaves the amount of money we must raise through the Council Tax.

The amount of Council Tax you pay depends on which 'band' the property you live in has been placed by the Government's Valuation Office Agency. Added to this sum, is the amount of money that the Greater London Authority also needs to raise through the Council Tax. People who live in Garden Squares pay an additional sum towards the upkeep of their local Garden Square.

### Capital spending

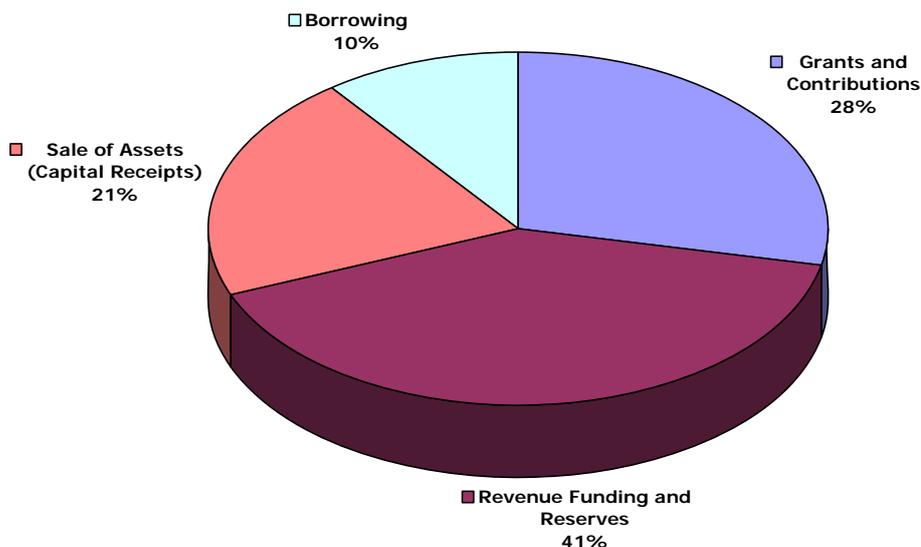
We invest significant sums of money to improve our buildings, schools, streets, council housing and other property that we will own for a long time. This spending is known as 'capital spending' and is separate from our spending on services. In 2007/08, our capital spending totalled nearly £50 million compared with £47 million in 2006/07.

**Capital Spending by Service 2007/08 (£50 million)**



We funded our capital spending through a mixture of proceeds from the sale of property assets, known as 'capital receipts', Government grants and contributions from others, use of our reserves and borrowing.

## Funding of Capital Spending 2007/08 (£50 million)



Where we use the term 'General Fund', we mean spending that is not related to the Housing Revenue Account. In our reports and accounts we normally use the term 'capital financing requirement' to describe the amount of money that we may need to borrow.

### Our balance sheet

Our balance sheet shown in **Annex B** is a snapshot of everything we own (assets) and that we owe others (liabilities) on the last day of the financial year.

Our finances are very strong, which is why we are able to fund our ambitious capital programme. The value of our capital assets, which mainly comprise of buildings and land, rose to over £900 million. This financial strength has been recognised by Standard & Poors, which is one of the world's leading specialists at assessing the financial strength of organisations. Standard & Poors has given us its top rating of 'AAA' for the eighth year in a row.

We invest our surplus cash by lending it to other organisations so that it earns interest. This helps to pay for services and keep the Council Tax low. This is described as 'money lent by the Council' in **Annex B**. The total invested by us was £208 million at the end of 2007/08.

We hold reserves so that we can fund our future capital spending and to meet any potential demands that we cannot foresee and which may require us to spend significant sums of money. Our reserves also allow us to manage any reduction in funding from the Government without a large Council Tax increase.

We currently hold £210 million in usable reserves, including £164 million in relation to the General Fund and £10 million in relation to the Housing Revenue Account. All our General Fund reserves are held for a specific purpose, which

includes £64 million earmarked to help pay for our capital spending over coming years, so that we do not need to borrow too much money in the future.

## Annex A: Income and expenditure

This shows the expenditure and income for the year for all our services. The net cost of services and other items are shown together with transfers to or from reserves, the latter being reflected in the balance sheet.

Revenue Account	2007/08 Gross Expenditure £m	2007/08 Income £m	2007/08 Net Expenditure £m	2006/07 Net Expenditure £m
<b>Service Expenditure</b>				
Cultural and Related Services	19	4	15	13
Environmental Services	36	9	27	27
Planning and Development Services	14	13	2	-1
Children's and Education Services	146	110	37	41
Highways Roads and Transport Services	41	44	-3	-6
Housing Services	156	153	3	5
Housing Revenue Account	55	53	2	12
Adult Social Care	616	27	34	43
Central Services	27	4	23	19
<b>Net Cost of Services</b>	<b>555</b>	<b>417</b>	<b>138</b>	<b>151</b>
Other Items*			17	-3
<b>Net Operating Expenditure</b>			<b>155</b>	<b>149</b>
Net Transfer to Reserves			13	15
<b>Amount met by Government Grants and Local Taxpayers</b>			<b>168</b>	<b>163</b>
<b>Financed by:</b>				
Council Tax Payers			72	73
Formula Grant			97	92
			<b>168</b>	<b>165</b>
<b>Surplus for the year:</b>			<b>-1</b>	<b>-2</b>
<b>Total</b>			<b>167</b>	<b>163</b>

\* Other items mainly includes interest on balances, levies paid to other bodies, interest on historic debt and housing capital receipts paid to the Government.

## Annex B: Balance sheet

The balance sheet shows the value of the Council's assets and liabilities as at the end of the financial year.

<b>Balance Sheet as at 31 March</b>	<b>2008 £m</b>	<b>2007 £m</b>
Value of Council Housing owned by the Council	444	453
Value of other assets owned by the Council	487	410
Money lent by the Council	208	210
Money owed to the Council (debtors) less money owed by the Council (creditors) due within a year	-17	-35
<b>Our total assets less short term liabilities</b>	<b>1,122</b>	<b>1,038</b>
<b>Less long term liabilities:</b>		
Money owed by the Council – long term debt	-205	-213
Shortfall of Pension Fund assets compared to liabilities	-86	-136
Other long term liabilities	-31	-29
<b>Total assets less liabilities</b>	<b>800</b>	<b>660</b>
<b>Represented by:</b>		
Statutory/non-usable reserves	590	462
'Usable' reserves	210	198
<b>Total equity</b>	<b>800</b>	<b>660</b>