

**REPORT TO EXECUTIVE**

<b>DATE</b>	26th July 2011
<b>PORTFOLIO</b>	Resources
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**Statement of Accounts 2010/11 – Revenue Account Issues****PURPOSE**

1. To report on the final position on the Council's revenue account for 2010/11
2. To consider variations in income and expenditure against the revised budget for 2010/11
3. To approve transfers to and from earmarked reserves.

**RECOMMENDATION**

4. Members are requested to:
  - a) note the final position on the Council's revenue account for 2010/11 and the net overall surplus compared with the revised budget of £1.610m. See Appendix 1
  - b) note the increase of £1.454m in the 2010/11 revenue account surplus since the estimated position disclosed in the latest monitoring report. An analysis of this overall figure is also shown in Appendix 1
  - c) recommend Full Council to approve the transfers to and from earmarked reserves of £1.317m as summarised at Appendix 3

**REASONS FOR RECOMMENDATION**

5. To conclude the revenue budget monitoring process for 2010/11 and report the final revenue account position as outlined in the Council's Statement of Accounts for 2010/11

**SUMMARY OF KEY POINTS**

6. Revenue Surplus  
Members will recall that there were four regular budget monitoring reports to the Executive during 2010/11. These reports disclosed that there were anticipated variations in spending

and income compared with the revised budget. The fourth and most recent in-year monitoring report to the Executive in March 2011, which was based upon actual spending and income up to the end of January 2011, estimated a surplus of £156k for the year compared to the revised budget.

7. The final position on the Council's revenue account for 2010/11 was a net overall surplus compared with the revised budget of £1.610m. Appendix 1 shows an analysis of this net surplus figure. This can be summarised as follows:

	£000	£000
Vacant Posts savings in excess of target	(277)	
Princess Way Capital Scheme underspending	(250)	
Utility costs	(215)	
Concessionary Travel	(174)	
Grants & contributions received in advance of spend	(427)	
Other Net Underspends	(722)	
		<b>(2,065)</b>
Leisure & Recreation income shortfall	110	
C Tax/NNDR Court Costs income shortfall	141	
Landsbanki impairment	204	
Major overspends		<b>455</b>
Net Revenue Surplus for the year		<b>(1,610)</b>

8. It can be seen from Appendix 1 that an end of year provision for bad debts of £238k has been included within the Council's accounts for 2010/11. This was provision was included to increase the overall provision to meet potential liabilities from not receiving monies due by way of Council tax and housing benefit overpayments. Deducting this provision from the net revenue surplus shown above leaves a figure of £1.372m which is the balance of the net revenue surplus represented by the movement in the Council's earmarked reserves (see paragraph 12).
9. Statement of Accounts Disclosures  
The Director of Resources certified the Council's 2010/11 Statement of Accounts on 30<sup>th</sup> June 2011. For 2010/11 there was an operating deficit on the Consolidated Income and Expenditure Statement before adjustments and transfers from reserves of £3,031k which includes provision for bad debts. This appears to be a very large figure produced mainly by technical accounting adjustments for asset values and pensions which do not affect the Council Tax or the Council's financial reserves. Members need to be aware that the underlying figure after these technical accounting entries have been adjusted is substantially different and represents a net operating surplus.
10. These adjustments for items such as depreciation and the gains and losses on the sale of

assets are made in the Movement in Reserves Statement and are known as “Adjustments between Accounting Basis and Funding Basis under Regulations”. After allowing for these adjustments there was a net operating surplus on a normal service provision basis amounting to £1.372m before the transfer of funds to and from earmarked reserves. This is the figure referred to in paragraph 8 above.

11. Reserves Transfers

Included within the Statement of Accounts are transfers to and from earmarked reserves. Appendix 3 summarises the movements in reserves which shows a net overall increase £1.317m and the table below shows the changes resulting from the Final Accounts closure:

	£000	£000
<u>Community Regeneration Reserve</u>		
- Additional Performance Reward Grant	169	
- Princess Gateway funds not utilised	250	
- Other contributions	<u>47</u>	466
Local Planning Reserve		157
Utilities Equalisation Reserve		100
Housing Benefit Administration Subsidy Reserve		60
<u>Selective Licensing Reserve</u>		
- Surplus for year	83	
- Transfer from Modernisation Reserve – re. 2008/09	<u>74</u>	157
Building Control Reserve		24
Other Reserves		26
Financial Instrument Shortfall Reserve		(204)
<u>Modernisation Reserve</u>		
- Carry Forwards	262	
- VAT refund receipt	124	
- Government grants and developer contributions	155	
- Transfer to Selective Licensing Reserve	(74)	
- <b>Balance of Net Surplus</b>	<u>119</u>	586
Total Net Contribution to Earmarked Reserves		<b>1,372</b>

12. The overall position can be summarised as follows:

	£m
<u>Fourth revenue monitoring report – March 2011</u>	
Estimated contribution required <u>from</u> Earmarked Reserves	(0.055)
Statement of Accounts - final position	
Net Revenue Surplus transferred to earmarked reserves	<u>1.372</u>
Net increase in earmarked reserves in 2010/11	<u>1.317</u>

13. It can be seen that the first item in the above table is “carry forwards”. Requests have been made by Heads of Service to carry forward unspent budget provision from 2010/11 into 2011/12 and a recommendation from the Executive to approve them is going to Full Council on the 14<sup>th</sup> July. An analysis of all “carry-forward” requests is attached for information as Appendix 2 to this report. It can be seen that the total of carry-forward requests is £262,273. In each case it can be confirmed that there was sufficient net

underspending within the service unit concerned to meet carry forward requests made by that service unit.

14. A new reserve has been established during the closure of the 2010/11 accounts. The Utilities Equalisation Reserve is to cover potential fluctuations in the cost of gas, electricity etc. given recent announcements of significant future price increases and has utilised £100k of a £215k underspend in utilities budgets.
15. £204k has been withdrawn from the Financial Instruments Shortfall Reserve for the impairment of the deposit with the Landsbanki Islands HF. This is based on the latest prediction that the Council will receive approximately 95% of the deposit back subject to the confirmation of preferred status.
16. In December 2010 and February 2011 reports were produced for the Executive on earmarked reserves and general fund balances which the Council approved. In these reports it was outlined and recommended that general balances should remain at the recommended level of £1.1m. The transfers to earmarked reserves referred to in this report have enabled the Council to maintain the level of general balances at the minimum figure of £1.1M which is the agreed policy.

#### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

17. As shown in the body of the report and appendices

#### **POLICY IMPLICATIONS**

18. The Statement of Accounts shows the spending by the Council in pursuit of declared objectives in that financial year and the reserves and balances available for future spending.

#### **DETAILS OF CONSULTATION**

19. Audit Committee and Management Team

#### **BACKGROUND PAPERS**

20. Statement of Accounts 2010/2011  
Final Accounts Working Papers

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Phil Moore - Head of Finance**

**ALSO:**

**Nick Aves - Director of Resources**

