

## REPORT TO EXECUTIVE



<b>DATE</b>	<b>19<sup>th</sup> August 2008</b>
<b>PORTFOLIO</b>	<b>Resources</b>
<b>REPORT AUTHOR</b>	<b>Phil Moore</b>
<b>TEL NO</b>	<b>(01282) 477173 or 01282 425011 x2216</b>
<b>EMAIL</b>	<b>pmoore@burnley.gov.uk</b>

## Statement of Accounts 2007/08 – Revenue Account Issues

## PURPOSE

1. To report on the final position on the Council's revenue account for 2007/08
2. To consider under and over-spending in 2007/08
3. To recommend that requests to carry forward unspent budgets from 2007/08 to 2008/09 will not be approved
4. To endorse the transfers to and from earmarked reserves approved by the Audit Committee

## RECOMMENDATION

5. Members are requested to:
  - a) note the final position on the Council's revenue account for 2007/08 and the requirement for funding from general balances to support revenue spending of £185k
  - b) note the unplanned revenue account deficit for 2007/08 of £93k and the analysis of this overall figure as shown in Appendix 1
  - c) agree that requests from Heads of Service for carrying forward unspent budget provision from 2007/08 into 2008/09 shown at Appendix 2 be refused in view of the Council's overall financial position
  - d) endorse the approval by the Audit Committee of the transfers to and from reserves as summarised at Appendix 3

## REASONS FOR RECOMMENDATION

6. To assist in finalising the Council's Statement of Accounts for 2007/08

## SUMMARY OF KEY POINTS

7. The Audit Committee approved the Council's 2007/08 Statement of Accounts on 26<sup>th</sup> June 2008. This report shows the final position on the Council's General Fund revenue account for 2007/08 and outlines the final transfers from general balances and transfers between reserves incorporated within the Statement of Accounts.
8. Revenue Account Deficit  
For 2007/08 there was an operating deficit before adjustments and transfers from reserves of £6,527k. This is 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 less and represents the net operating surplus or deficit on a normal service provision basis.
9. These adjustments for items such as depreciation and the gains and losses on the sale of assets are made in the Statement of Movement in General Fund Balance. After allowing for these adjustments and the transfer of funds to and from earmarked reserves there was a requirement for funding from general balances to support net revenue spending of £185k.
10. Members will recall that there were regular budget monitoring reports during 2007/08. These reports disclosed that there were some areas where overspending on the revenue budget may occur, mainly as a result of reductions in income received compared to budget in a number of areas including car parking, leisure and recreation services, and green spaces and amenities.  
The final monitoring report in March 2008 estimated a deficit of £268k for the year and a requirement to make a further £56k salary savings in order to achieve the £400k targeted salary savings. The salary savings target was achieved.
11. During the course of 2007/08 there were two factors which led to around half of the £185k funding requirement from general balances i.e. decisions were taken in the knowledge that this would lead to a use of general balances and a reduction in the amount remaining.
12. The first was that in setting the budget for 2007/08, the Council approved a transfer from general balances of £46k in order to achieve a balanced budget.
13. The second was the granting of supplementary budgets during the year. The total of supplementary budgets approved during 2007/08 was £46k.
14. The Council has an agreed policy to maintain the level of general balances to the minimum figure of £1.1M. The closure of accounts has revealed the necessity to draw £185k from general balances towards the financing of the net spend in 2007/08. Therefore in 2008/09, the Council has budgeted for a £100k contribution to general balances in anticipation of an overspending in 2007/08. A further £85k will be budgeted for either in 2008/09 by way of the revenue budget monitoring process or, in 2009/10 in setting that year's budget. This will replenish the level of general balances back to the minimum figure.
15. The variations between actual spend and budget are shown in more detail in Appendix 1 which shows differences of £10k or more across the Council. Members are asked to consider the variations in all service areas and any associated action to be taken as a

consequence of these variations.

16. A major overspending has occurred in Leisure and Recreation and the Head of Service has produced an action plan to deal with this overspending. This action plan is attached at appendix 1A.
17. Requests to Carry Forward Budgets  
Requests have been made by Heads of Service to carry forward unspent budget provision from 2007/08 into 2008/09. An analysis of all "carry-forward" requests, is attached as Appendix 2 to this report. It can be seen that the total of carry-forward requests is £131k. 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. However, in view of the overall financial position it is recommended that requests to carry forward unspent budgets from 2007/08 to 2008/09 should not be approved.
18. Reserves Transfers  
Included within the Statement of Accounts are transfers to and from earmarked reserves.
19. Two new reserves have been established during the closure of the 2007/08 accounts. The Local Housing Allowance Reserve (LHA) relates to the balance of funding from the Department of Communities and Local Government (DCLG). The Head of Revenues and Benefits is producing a business plan to utilise this. The Highways and Parkwise Reserve has been set up to fund any additional costs that are deemed to fall outside the Decriminalisation of Parking Enforcement (DPE) agreement with LCC (Parkwise) together with any financial matters arising from the termination of the Highways Agency agreement with LCC. This reserve was used to fund the off street car parking cash collection costs for the period 1/8/04 to 31/3/07 of £85k, which has been decided were not covered as part of the Parkwise agreement. A further sum of £9k has been used to write-off Highways Agency debts that are no longer recoverable.
20. In November 2007 the Director of Resources produced a report on earmarked reserves and general fund balances which the Council approved and which dealt amongst other things with the treatment of LABGI. In the report it was outlined that there should be an equalisation of the sums received so that the revenue budget did not experience a significant reduction in resources at the end of the LABGI funding period after 2007/08. The additional £27k contribution to the LABGI reserve has increased the balance to £207k but means there is only enough to maintain the support to revenue in 2008/09 of £180k and insufficient for 2009/10 (£120k) and 2010/11 (£60k).
21. The balance of the amount received from Lancashire County Council relating to the LPSA performance reward grant which the Council earned through meeting targets for service delivery during the course of the LPSA which totalled £99k has been utilised in 2007/08.
22. The Local Plan Development Framework Reserve has been fully utilised in 2007/08 as was approved at Council on the 21<sup>st</sup> August 2007 as part of the revenue budget monitoring report. The Forest of Burnley Post Project Reserve was also fully utilised as approved on the 5<sup>th</sup> September 2007.
23. A summary of all transfers to and from reserves is shown at Appendix 3. These transfers were included within the Statement of Accounts approved by the Audit Committee on 26<sup>th</sup> June 2008.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

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

## **POLICY IMPLICATIONS**

25. 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**

26. Audit Committee.

## **BACKGROUND PAPERS**

27. Statement of Accounts 2007/2008  
Report to Audit Committee 26<sup>th</sup> June 2008  
Final Accounts Working Papers

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Phil Moore - Head of Finance**

**ALSO:**

**Nick Aves - Director of Resources**

[Appx 1](#)

[Appx 2](#)

[Appx 3](#)