



AGENDA ITEM: 8

OVERVIEW & SCRUTINY BOARD

DATE: 2 June 2009

Reserves and Balances 2009

PAUL SLOCOMBE: DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT

- 1 To present Overview and Scrutiny Board with an update as to the position in regard to the level of available Reserves and Balances and to seek approval for resources to be allocated to a fund, which will be used for projects, that 'make a difference'. The projects are to be identified by services based on the criteria set out in the report.

BACKGROUND

- 2 The current Budget Strategy is based on the key principles of appropriate financial planning in that all known financial commitments are provided for from within our annual budgets and medium term financial planning. In particular, care is taken to ensure that budgets are set in real terms in that:
 - a. structural budget issues are addressed;
 - b. services receive, in full the impact of inflationary increases (including pay awards);
 - c. the impact of legislative changes are considered; and
 - d. the impact of budget proposals (growth or efficiency savings) are clarified over the medium term in terms of resource implications, impact on service delivery and performance.
- 3 One of the key factors within our approach to financial management and planning has been to ensure that the funding base of our expenditure is secure, in that the Council is not dependant on 'one off' available balances to underpin our regular 'day to day' operational expenditure. In setting the 2009/2010 revenue budget the Council has not applied general balances to support annual revenue expenditure.

- 4 The Council is required to maintain appropriate reserves and balances together with adequate provisions to meet assessed future liabilities. The position is subject to regular review. General Balances are being maintained, on the advice of the Director of Resources, at a minimum of £4.5 million (approximately 3% of net annual expenditure). Provisions have also been made for all known future liabilities.
- 5 In addition the Council has earmarked reserves, which are maintained for specific purposes. Appendix A provides the estimated level of earmarked reserves as at 31st March 2009 and Appendix B provides the estimated level of provisions as at 31st March 2009
- 6 The Council has on a regular basis reviewed its levels of Reserves and Balances including the General Fund Balances and the VAT Shelter Scheme. Over recent years significant resources from annual General Fund savings and the Vat exemption scheme have been applied in accordance with key Council priorities. A summary of the additional expenditure is provided in the following table:-

Details	Amount £`000s
General Fund	
Headstone replacement programme	260
Town Centre Regeneration Initiatives	100
Building Schools for the Future	1,800
HR Initiatives and Equal Pay	5,000
Asbestos Removal	50
DDA Access	40
Repairs & Maintenance	200
Winter Maintenance	70
Review of Accommodation	830
Service Middlesbrough Contract Renewal	860
Social Care & Vulnerable Children Demand Led Pressures	940
Social Care – Independent Sector price increases	250
Invest to Save/Change Programme	3,600
Concessionary Fares	140
Future Developments in the provision of schools	250
Town Hall Health & Safety Work	50
VAT Exemption Scheme	
Home Visiting officer	370
Environmental Standards	2,900
Housing Renewal	3,200
Environmental Grass Verges	500
	21,410

REVIEW OF REVENUE BALANCES 2009/2010

- 7 Following the completion of the 2008/2009 accounts a review of the level of Reserves and Balances has been undertaken, including General Fund balances, and the VAT shelter scheme.
- 8 A statement of revenue balances 31st March 2009 is set out below: -

	General Fund £000's	Lane Rental Income £000's
Opening Balance	5,477	208
Add		
Forecast net savings	- 59	
Less:		
Used in 2008/2009		-208
Estimated Balances 31st March 2009	5,536	0

It is estimated that £1 million revenue funding is available for use in 2009/2010.

OPTION APPRAISAL/RISK ASSESSMENT

- 9 Services are invited to put forward schemes for consideration by members on the basis of the following criteria:-
- projects must meet Council priorities with clear identified outputs;
 - use of the funding must be consistent with the current financial strategy;
 - projects must be of a one of nature with no ongoing revenue liabilities;
 - projects must represent either:-
 - an infrastructure enhancement of a visible nature;
 - an invest to save initiative
 - a performance driven improvement.
- 10 A further report will be brought once the 2008/2009 accounts have been audited. The report will also present the proposed schemes for consideration and approval.

RECOMMENDATIONS

- 11 OSB are asked to note and consider the report;

REASONS

- 12 Proper financial management requires a regular review of reserves and balances.

14 Whilst the Council is required to maintain appropriate reserves, balances and provisions, where resources are available they should be considered for use in accordance with the budget strategy, the medium term financial plan and the Councils priorities.

BACKGROUND PAPERS:

The following papers were used in the preparation of the report:-

- Middlesbrough Final accounts 2007/2008 audited
- Middlesbrough Final accounts 2008/2009 unaudited
- VAT Exemption Scheme: Erimus report 17th July 2008

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