

## COUNCIL'S POLICY ON OTHER RESERVES AND BALANCES

The Council is required to monitor and maintain its levels of reserves and balances within the range determined by its agreed policy.

The Council's policy for reserves and balances should be based on a thorough understanding of its needs and risks, and should be properly and clearly reported to members. Existing controls relate specifically to revenue balances. The Council's policy on other reserves and balances and the current position on each is shown below.

Below is a summary of the Balance Sheet as at 31 March 2011 (and comparatives at 31 March 2010). An understanding of the balance sheet will identify which balances need to be reviewed as part of budget monitoring. The annual statements of accounts are approved by the Audit Committee in September.

	31 March 2010		31 March 2011	
	£000	£000	£000	£000
<b>Total Fixed Assets</b>		49,112		50,994
<b>Long-Term Debtors (Mortgages)</b>		1,806		2,649
<b>Total Long-Term Assets</b>		50,918		53,643
<b>Current Assets</b>				
Inventories	22		19	
Debtors	6,885		5,601	
Cash & Bank	0		0	
Investments	28,726		26,067	
		35,633		31,687
<b>Total Assets</b>		86,551		85,330
<b>Current Liabilities</b>				
Creditors	(4,203)		(4,333)	
Cash Overdrawn	(931)		(812)	
		(5,134)		(5,145)
<b>Total Assets less Current Liabilities</b>		81,417		80,185
<b>Long-Term Liabilities</b>				
Pensions Liability		(33,611)		(12,529)
Grants & Contributions Unapplied		(584)		(366)
<b>Total Assets Less Liabilities</b>		47,222		67,290
<b>Financed By:</b>				
<b>Usable Reserves</b>				
General Fund Balance		(8,232)		(7,933)
Capital Receipts Reserve		(17,486)		(14,357)
Capital Grants Unapplied		(15)		(15)
Earmarked Reserves		(4,324)		(4,074)
		(30,057)		(26,379)
<b>Unusable Reserves</b>				
Capital Adjustment Account		(37,598)		(37,492)
Deferred Capital Receipts		(1,806)		(2,649)
Collection Fund Adjustment		48		50
Revaluation Reserve		(11,514)		(13,502)
Accumulated Absences Reserve		94		153
Pension Reserve		33,611		12,529
		(17,165)		(40,911)
<b>Total Reserves</b>		(47,222)		(67,290)

The following balances are reviewed on a regular basis:

### **Fixed Assets**

Under the Valuers' Conditions of Engagement, the Council has a five year rolling programme of valuations for all land and buildings, which is carried out throughout the year. Interim valuations are undertaken where major capital works are carried out and annual assessments for impairment are carried out.

### **Long-Term Debtors (Mortgages)**

The management of the Mortgage portfolio is out-sourced to Gemini Consultants Ltd, who monitor all accounts and report to the Council on a monthly basis. No new mortgages have been granted in over 16 years, there are no significant arrears and balances are reducing in line with expectation.

### **Current Assets and Liabilities**

#### **Debtors**

The Shared Services Revenue & Benefits Service Plan includes Performance Indicators to monitor the collection rates and level of outstanding debts on Sundry Debtors, Council Tax and NNDR payments and rental arrears.

A significant proportion of Debtors on the Balance Sheet at the year end is represented by Government Departments and other public bodies. These balances are difficult to monitor on a daily basis as the year end balances result from timing differences between claims to these departments and payment of the claims. Often the payments made by Government departments in the year are based on an estimate at the start of the year and the debtor at the year end is only paid after the final claim has been audited. Where, however, payments are made monthly, and interim claims can be submitted during the year, the base data to these claims can be monitored during the year. Such data includes:

*The debit raised on NNDR (The total amount collected from NNDR Payers)*

The debit affects the net amount payable to the Government NNDR pool. An estimate of the debit is made at the start of the Financial Year and a schedule of payments to the pool is issued based on this estimate. The NNDR debit is monitored weekly after receipt of valuation schedules from the Valuation Office Agency and also each month.

*Housing and Council Tax Benefit Subsidy*

Housing and Council Tax Benefit Subsidy, together with gross salaries, pension payments, rents, interest earned, government grants and certain fees and charges are key budget indicators monitored monthly by the relevant Cost Centre Managers as part of the budget monitoring process.

#### **Investments**

Investment criteria are set in the Council's Treasury Management Strategy reported to the Executive Committee twice a year. They are reviewed as part of the Treasury Management function and reported monthly to Members through the Members' Information Bulletin.

#### **Creditors**

The overall Sundry Creditors figure at the year end also includes all accrued expenditure reflected in the accounts where goods or services have been received before the year end, but invoices have not been received from the suppliers in time to pay before the year end.

As with Debtors, the balance at the year end does not necessarily reflect this level of monitoring during the year because of timing differences between the collection of

monies for third parties, such as Income Tax, Pension Contributions and VAT and the final payments to those third parties.

### **Cash & Bank**

Bank Balances are monitored daily as part of the Treasury Management function to ensure that excess balances are invested and debit balances avoided. The bank balances reconciled to the Council's accounts monthly as part of the income function.

### **Inventories**

The Council does not hold any material stocks as it works on a 'Just in Time' ordering system.

### **Balance Sheet – Total Equity:**

The General Fund balance is monitored as part of the Budget Monitoring process.

The policy for the use of capital receipts, and other Earmarked reserves which fund the Capital Investment Programme was set at Council on 22 February 2011. These balances are reviewed during the year to reflect changes in the Capital Investment Programme and the level of Capital Receipts (Asset sales) and reported as part of capital funding in budget monitoring reports.

The cash-backed elements of total equity are monitored as part of the Monthly Treasury Management Cash Flow reconciliation.

For certain balances and reserves (The Chairman's Charity, Payroll Deductions – union payments, Court Orders etc) there is not expected to be any significant movement during the financial year, and the overall balance is not material. A positive decision has been made not to monitor non-material balances, or those on which there is very little movement during the year, but they are reviewed as part of the Council's closing of accounts procedures, and commented on both at budget setting and in the foreword to the Statement of Accounts The Balance Sheet is produced annually and reported in the statement of accounts.

### **Cash Backed Balances**

Cash Banked Balances	Actual	Actual	Description of Use
	31-Mar-10	31-Mar-11	
	£	£	
Earmarked Reserves - Revenue	4,324,000	4,074,000	Earmarked for revenue expenditure in future years
Usable Capital Receipts	17,486,000	14,357,000	For use on capital expenditure
General Fund	8,232,000	7,933,000	For General Fund revenue expenditure only
Capital Grants Unapplied	15,000	15,000	For use on capital expenditure
Collection Fund	-48,000	-50,023	Relates to collection of outstanding Council Tax and NNDR
<b>Total</b>	<b>30,009,000</b>	<b>26,328,977</b>	

### **Monitoring Reserves and Balances – Council Policy**

The majority of reserves and balances are monitored regularly as part of normal Council departmental activities or well established budget monitoring procedures as detailed above.