
PROJECTED BALANCES AT 31 MARCH 2017

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

16 August 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Executive Committee with an analysis of the Council's balances as at 31 March 2016 and advises Members of the projected balances at 31 March 2017.**
- 1.2 The unaudited Council's General Fund useable reserve (non-earmarked) balance was £7.082m at 31 March 2016. This reflects an increase of £1.444m from the draft revenue outturn projected position of £5.638m presented to Members on 7 June 2016 prior to the production of the unaudited accounts. The increase is as a result of the 2015/16 revenue underspend (£1.284m) along with some minor technical adjustments (£0.161m).
- 1.3 The Council's allocated reserve balance was £3.360m at 31 March 2016 which was a reduction of £0.361m from the draft revenue outturn projection of £3.721m. This decrease is as a result of CFCRs applied to finance capital expenditure in 2015/16.
- 1.4 The total of all useable balances, excluding developer contributions, at 31 March 2017 is projected to be £19.389m, compared to £31.163m at 31 March 2016. As the financial year progresses, earmarked balances to be carried forward to 2017/18 and future years will increase.
- 1.5 The projected balance on the Capital Fund of £4.739m will be affected by any further capital receipts, developer contributions, interest credited and any expenditure authorised to be financed from the Fund during the remainder of the financial year.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Executive Committee:**
 - (a) Notes the unaudited 2015/16 revenue balances at 31 March 2016;**
 - (b) Notes the projected revenue balances as at 31 March 2017 as per Appendices 1 & 2; and**
 - (c) Notes the projected balance in the Capital Fund as per Appendix 3.**

3 ACCOUNTS AND FUNDS OPERATED BY THE COUNCIL

3.1 Income and expenditure relating to the Council's services are accounted for and financed through the following funds (as required or permitted by statute):

- (a) General Fund
- (b) Corporate Property Repairs & Renewals Fund
- (c) Insurance Fund
- (d) Plant & Vehicles renewals Fund
- (e) Capital Fund

3.2 The balances on these Funds represent the Council's useable reserves which at 31 March 2016, as per the final unaudited accounts, are reflected in the table below. Movements relate to the finalisation of the final unaudited accounts and include:

- (a) An increase in the General Fund as a result of the 2015/16 revenue underspend (£1.284m) along with some minor technical adjustments (£0.161m);
- (b) A decrease in the Allocated Balances as a result of CFCRs applied to finance capital expenditure in 2015/16; and
- (c) A year-end movement resulting in an increase to the Plant & Vehicles Renewals Fund.

	31/03/16 £m Draft revenue outturn (June report)	31/03/16 £m Final unaudited accounts (August report)
BALANCES		
Earmarked Balances (non DSM)	10.814	10.815
Earmarked Balances (DSM)	1.906	1.905
Allocated Balances	3.721	3.360
General Fund (Unallocated Reserve)	5.638	7.082
Corporate Property Repairs & Renewals Fund	0.102	0.102
Insurance Fund	1.321	1.321
Plant & Vehicles Renewals Fund	5.017	5.188
Capital Fund (exc. Developer Contributions)	1.391	1.390
	29.910	31.163

4 BALANCES AT 31 MARCH 2017

4.1 Appendix 1 summarises the projected transactions and resultant projected balances at 31 March 2017 on the General Fund and Appendix 2 shows the projected non-General Fund balances. The net effect is the useable General Fund balance after earmarked funds and allocated reserves is **£5.638m** at 31 March 2017 which is in line with the recommended level included in the Financial Strategy approved by Council.

- 4.2 The projections in the statement attached in Appendices 1, 2 and 3 are based on actual expenditure and income to 30 June 2016 and are summarised below with confirmed movement from the 2015/16 unaudited accounts position as at 31 March 2016.

	31/03/16 £m	2016/17 projection £m	Movement £m
BALANCES			
Earmarked Balances (non DSM)	10.815	1.727	(9.088)
Earmarked Balances (DSM)	1.905	0	(1.905)
Allocated Balances	3.360	3.818	458
General Fund (Unallocated Reserve)	7.082	5.638	(1.444)
Corporate Property Repairs & Renewals Fund	0.102	0	(0.102)
Insurance Fund	1.321	1.321	0
Plant & Vehicles Renewals Fund	5.188	5.532	344
Capital Fund (exc. Developer Contributions)	1.390	1.353	(37)
	31.163	19.389	(11.774)

- 4.3 The movements are as a result of:

	Movement £m	Explanation of movement
BALANCES		
Earmarked Balances (non DSM)	(9.088)	Drawdown of approved earmarked balances
Earmarked Balances (DSM)	(1.905)	No DSM earmarked balances approved for 2016/17 yet
Allocated Balances	458	Net impact of drawdown of reserves to support 2016/17 Financial Plan (£0.801m), CFCR applied (£0.025m) and £1.284m allocated to support IT Transformation
General Fund (Unallocated Reserve)	(1.444)	Allocation of £1.284m to support IT transformation and allocation of £0.161m to support 2016/17 Financial Plan
Corporate Property Repairs & Renewals Fund	(0.102)	Project fund will be fully utilised in 16/17
Insurance Fund	0	No movement
Plant & Vehicles Renewals Fund	344	Net increase in projected income
Capital Fund (exc. Developer Contributions)	(37)	Small decrease in projected capital receipts
	(11.774)	

- 4.4 The Corporate Financial Risk Register was considered at the Council meeting on 11 February 2016 and identifies potential risks which include failure to control budgets within approved limits, severe weather events, the economic downturn, potential contractual claims and unplanned emergencies. The accumulated financial risk in the Risk Register is assessed to be at £11.527m and the projected useable General Fund balance, at £5.638m, is sufficient to cover 49% of risks identified at that time. The general fund reserve will continue to be monitored through the Corporate Financial Risk Register on a regular basis.
- 4.5 Allocated balances have increased by £1.284m through the allocation of the 2015/16 revenue underspend to IT transformation. £0.801m has been released to support the 2016/17 Financial Plan as previously agreed by members and £0.025m CFCR has been applied. All movements are set out in the table below:

ALLOCATED BALANCES	31 March 2016 £m	Increase during 2016/17 £m	Released during 2016/17 £m	31 March 2017 £m
Children's Placements Financial Plan	0.270	0	(0.270)	0
General Financial Plan	0.322	0	(0.322)	0
Project funding from Police & Fire reserves	0.031	0	(0.031)	0
SB Cares (PVG checks)	0.052	0	(0.052)	0
Municipal Mutual	0.368	0	(0.126)	0.242
CFCRs not yet applied to capital 2014/15	0.228	0	(0.025)	0.203
Winter maintenance	0.650	0	0	0.650
Approved contribution to Energy Efficiency & Change Fund	0.300	0	0	0.300
ER/VS	0.539	0	0	0.539
IT transformation	0.600	1.284	0	1.884
Total	3.360	1.284	(0.826)	3.818

- 4.6 Appendix 3 details the balances currently held in the Capital Fund. These balances are temporarily held in the Loans Fund and will attract interest at the end of the financial year. The Fund can only be used for capital purposes or to repay external debt.

5 IMPLICATIONS

5.1 Financial

There are no financial implications beyond those contained in the report and appendices.

5.2 Risk and Mitigations

The major risks associated with this report are that the level of projected balances proves to be inaccurate and/or insufficient. Service budget pressures (as identified in the General Fund Revenue Monitoring report) plus unexpected liabilities are the most likely sources of pressure on reserves. These risks are being managed through regular monitoring of financial activity in all funds of the Council, including regular revenue and capital budgetary control reports to the Executive Committee. In addition, the Corporate Financial Risk Register is regularly reviewed by senior Finance staff and is considered by the Executive Committee at regular intervals.

5.3 Equalities

There are no adverse equality issues arising from the report.

5.4 Acting Sustainably

There are no economic, social or environmental effects associated with this report.

5.5 Carbon Management

There are no effects on carbon emissions associated with this report.

5.6 Rural Proofing

This report does not relate to a new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Schemes of Administration or Delegation as a result of this report.

6 CONSULTATION

- 6.1 The Corporate Management Team, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and any comments have been reflected in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Suzy Douglas	Financial Services Manager 01835 824000 X5881
--------------	---

Background Papers:
Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Information on other language translations as well as providing additional copies can also be provided.

Contact us at sdouglas@scotborders.gov.uk