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**BALANCES AT 31 MARCH 2018**

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**Report by Chief Financial Officer**

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**EXECUTIVE COMMITTEE****19 June 2018**

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**1 PURPOSE AND SUMMARY**

- 1.1 **This report provides the Executive Committee with an analysis of the Council's balances as at 31 March 2018.**
- 1.2 The Council's General Fund useable reserve (non-earmarked) balance is £5.638m at the end of the financial year. The 2017/18 balances are before a series of technical accounting adjustments, the effect of which are expected to be broadly neutral. Adjustments required as a result of the Statutory Audit process will be reported at the conclusion of the Audit. There are a number of areas of potential pressures identified for 2018/19 which, if not addressed during the financial year, may require the drawdown of further resources from the useable reserve.
- 1.3 The total of all useable balances, excluding developer contributions, at 31 March 2018 is £28.793m compared to £25.467m at 31 March 2017. It should be noted that the 2017/18 figures include £7.998m of balances earmarked for use in 2018/19 (2016/17 £6.554m of balances earmarked for use in 2017/18).

**2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Executive Committee:**
- (a) **Notes the revenue balances as at 31 March 2018 as per Appendices 1 & 2 including movement in the Allocated Reserve since the last reporting period; and**
  - (b) **Notes the 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 unaudited balances on these Funds represent the Council's useable reserves which at the 31 March 2018, is as follows:

<b>BALANCES</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
Earmarked Balances (non DSM)	4.865	5.556
Earmarked Balances (DSM – including Pupil Equity Fund)	1.689	2.442
Allocated Balances	5.899	5.058
Revenue (Unallocated Reserve)	5.638	5.638
Unaudited 2017/18 revenue outturn	0	1.029
Corporate Property Repairs & Renewals Fund	0	0.426
Insurance Fund	1.125	1.063
Plant & Vehicles Renewals Fund	4.901	5.982
Capital Fund (exc. Developer Contributions)	1.350	1.599
	<b>25.467</b>	<b>28.793</b>

3.3 The balances shown above are before a series of technical adjustments which are required to reflect international accounting requirements. These adjustments are expected to be broadly neutral in terms of the final balances and will be confirmed following finalisation of the Council's statutory accounts.

### 4 BALANCES AT 31 MARCH 2018

4.1 Appendix 1 summarises the projected transactions and resultant balances at 31 March 2018 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, allocated reserves and the unaudited 2017/18 revenue outturn is £5.638m at 31 March 2018.

4.2 During 2017/18 General Fund reserves have been adjusted as follows:

	<b>Increase / (Draw down) £</b>	<b>Executive Committee Reporting</b>
Opening 2017/18 balance	<b>5.842m</b>	
Transfer into allocated balances to support ER/VS	(0.204m)	September 2017
Balance at 31 <sup>st</sup> March 2018	<b>5.638m</b>	

- 4.3 The Corporate Financial Risk Register relating to 2017/18 was considered at the Council Meeting on 9 February 2017 and identified potential risks which included 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 was assessed to be at £10.870m and the projected useable General Fund balance, at £5.638m, was sufficient to cover 52% of risks identified at that time. £5.638m is the recommended level of General Fund Reserve identified in the Financial Strategy approved by Council on 9 February 2017, this recommendation was then updated to £6.315m on the 20 February 2018 effective from 1 April 2018. The general fund reserve will continue to be monitored through the Corporate Financial Risk Register on a regular basis.
- 4.4 It was reported in the February 2018 monitoring report to the Executive Committee that during 2017/18 allocated reserves were increased by £2.272m and £4.174m reserves were released to support the 2017/18 revenue budget. The changes to the Allocated Balances since this last reporting position is shown in the table below and comprises:
- (a) a further draw down of £0.119m from the ER/VS reserve into the revenue budget for severance agreed in 2017/18;
  - (b) a return of £1.030m to the IT transformation reserve to reflect timing movements in the IT transformation programme of work. This balance will be drawn down in 2018/19;
  - (c) the £1m adverse weather reserve was drawn down in 2017/18 to support the net overspend of £1m as a result of the snow weather event in February and March 2018. This balance has been repaid from the wider Council outturn position in 2017/18 to ensure a £1m adverse weather reserve remains.

4.5 Allocated Balances as at the 31 March 2017 are £5.058m as follows:

<b>ALLOCATED BALANCES</b>	<b>31<sup>st</sup> March 2017 £m</b>	<b>Increase during 2017/18 £m</b>	<b>Released during 2017/18 £m</b>	<b>31<sup>st</sup> March 2018 £m</b>
IT transformation	2.600	1.030	(2.600)	1.030
Support to Financial Plan	1.506	2.000	(1.506)	2.000
CFCRs not yet applied to capital	0.203	0	(0.068)	0.135
Municipal Mutual	0.242	0	0	0.242
Adverse Weather (including flood)	1.000	1.000	(1.000)	1.000
Approved contribution to Energy Efficiency & Change Fund	0.300	0	0	0.300
ER/VS	0.198	0.272	(0.119)	0.351
<b>Total</b>	<b>6.049</b>	<b>4.302</b>	<b>(5.293)</b>	<b>5.058</b>

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 insufficient. Service budget pressures plus unexpected liabilities are the most likely sources of pressure on reserves. Current pressures being highlighted through the 2017/18 revenue monitoring process increase the likelihood of a draw down from reserves being required in 2017/18. 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.

### 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)**

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**Background Papers:**  
**Previous Minute Reference:**

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