
BALANCES AT 31 MARCH 2016

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

07 June 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.**
- 1.2 The Council's General Fund useable reserve (non-earmarked) balance is £5.638m at the end of the financial year. The 2015/16 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 2016/17 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 2016 is £29.910m compared to £26.536m at 31 March 2015. It should be noted that the 2015/16 figures include £12.720m of balances earmarked for use in 2016/17 and future years (2014/15 £7.492m of balances earmarked for use in 2015/16 and future years).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Executive Committee:**
 - (a) Notes the revenue balances as at 31 March 2016 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 2016, is as follows:

BALANCES	2014/15 £m	2015/16 £m
Earmarked Balances (non DSM)	5.771	10.814
Earmarked Balances (DSM)	1.721	1.906
Allocated Balances	3.117	3.721
Revenue (Unallocated Reserve)	7.159	5.638
Corporate Property Repairs & Renewals Fund	0.039	0.102
Insurance Fund	1.314	1.321
Plant & Vehicles Renewals Fund	5.646	5.017
Capital Fund (exc. Developer Contributions)	1.769	1.391
	26.536	29.910

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 2016

4.1 Appendix 1 summarises the projected transactions and resultant balances at 31 March 2016 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 2016.

4.2 During 2015/16 General Fund reserves have been adjusted as follows:

	Increase / (Draw down) £	Executive Committee Reporting
Opening 2015/16 balance	8.121m	
Draw down for changes in legislation and provider market for care services	(0.307m)	August 2015
Additional income from Heritable	0.201m	November 2015
Transfer income from Heritable to allocated reserves for ERVS	(0.201m)	November 2015
Use funding through review of bad debt provision for ERVS	(0.938m)	November 2015
Agreed HMRC settlement	(0.049m)	February 2016
Impact of 0.5% pay award and increase in living wage	(0.679m)	February 2016
Transfer to Allocated Reserves for the contribution to the Bellwin Scheme	(0.509m)	February 2016
Total adjustments in year	(2.482m)	
Balance at 31 st March 2016	5.638m	

4.3 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. £5.638m is the recommended level of General Fund Reserve identified in the Financial Strategy approved by Council on 12 February 2016. 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 2016 monitoring that during 2015/16 allocated reserves of £0.699m had been released to support the 2015/16 revenue budget. The changes to the Allocated Balances since the last reporting are shown in the table below and comprise:

- (a) The balances were increased by £1.139m to support ER/VS, this balance was subsequently amended to transfer part of this balance into an Allocated Reserve to support IT Transformation (£0.600m);
- (b) The balances were increased by £0.509m to cover the Council share of the Bellwin claim (0.2% of the Council's net budget) and subsequently released into the 2015/16 revenue account;
- (c) Funding was released to fund a Municipal Mutual invoice for £0.032m;
- (d) £0.018m was released to fund CFCR;
- (e) £0.048m was been released to fund SB Cares PVG checks.

4.5 Allocated Balances as at the 31 March 2016 are £3.721m as follows:

ALLOCATED BALANCES	31st March 2015 £m	Increase during 2015/16 £m	Released during 2015/16 £m	31st March 2016 £m
Winter maintenance	0.650	0	0	0.650
Road repairs (pot holes)	0.100	0	(0.100)	0
Children's Placements Financial Plan	0.650	0	(0.380)	0.270
General Financial Plan	0.450	0	(0.128)	0.322
CFCR continuing from 2013/14	0.345	0	0	0.345
CFCRs not yet applied to capital 2014/15	0.262	0	(0.018)	0.244
Project funding from Police & Fire reserves	0.122	0	(0.091)	0.031
Municipal Mutual	0.400	0	(0.032)	0.368
SB Cares (PVG checks)	0.100	0	(0.048)	0.052
Approved contribution to Energy Efficiency & Change Fund	0.300	0	0	0.300
ER/VS	0	0.539	0	0.539
IT transformation	0	0.600	0	0.600
Bellwin Scheme claim allocated and released in 2015/16	0	0.509	(0.509)	0
Total	3.379	1.648	(1.306)	3.721

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)

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Background Papers:
Previous Minute Reference:

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