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## **BALANCES AT 31 MARCH 2017**

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**20 June 2017**

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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 2017.**
- 1.2 The Council's General Fund useable reserve (non-earmarked) balance is £5.638m at the end of the financial year. The 2016/17 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 2017/18 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 2017 is £25.467 compared to £29.910m at 31 March 2016. It should be noted that the 2016/17 figures include £6.554m of balances earmarked for use in 2017/18 and future years (2015/16 £12.720m of balances earmarked for use in 2016/17 and future years).

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Executive Committee:**
  - (a) **Notes the revenue balances as at 31 March 2017 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 2017, is as follows:

<b>BALANCES</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>
Earmarked Balances (non DSM)	10.814	4.865
Earmarked Balances (DSM)	1.906	1.689
Allocated Balances	3.721	5.899
Revenue (Unallocated Reserve)	5.638	5.638
Corporate Property Repairs & Renewals Fund	0.102	0
Insurance Fund	1.321	1.125
Plant & Vehicles Renewals Fund	5.017	4.901
Capital Fund (exc. Developer Contributions)	1.391	1.350
	<b>29.910</b>	<b>25.467</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 2017

4.1 Appendix 1 summarises the projected transactions and resultant 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.

4.2 During 2016/17 General Fund reserves have been adjusted as follows:

	<b>Increase / (Draw down) £</b>	<b>Executive Committee Reporting</b>
Opening 2016/17 balance	<b>7.082m</b>	
Planned draw down of £1.284m to support IT transformation	(1.284m)	August 2016
Planned draw down of £0.160m to support 2016/17 Financial Plan	(0.160m)	August 2016
<b>Total adjustments in year</b>	<b>(1.444m)</b>	
Balance at 31 <sup>st</sup> March 2016	<b>5.638m</b>	

4.3 The Corporate Financial Risk Register was considered at the Council Meeting on 9 February 2017 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 £10.870m and the projected useable General Fund balance, at £5.638m, is 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. 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 2017 monitoring report to the Executive Committee that during 2016/17 allocated reserves were increased by £3.706m and £0.851m reserves had been released to support the 2016/17 revenue budget. The only change to the Allocated Balances since this last reporting position is shown in the table below and comprises:

- (a) a further draw down of £0.316m from the ER/VS reserve into the revenue budget.

4.5 Allocated Balances as at the 31 March 2017 are £5.899m as follows:

<b>ALLOCATED BALANCES</b>	<b>31<sup>st</sup> March 2016 £m</b>	<b>Increase during 2016/17 £m</b>	<b>Released during 2016/17 £m</b>	<b>31<sup>st</sup> March 2017 £m</b>
Children's Placements Financial Plan	0.270	0	(0.270)	0
Project funding from Police & Fire reserves	0.031	0	(0.031)	0
SB Cares (PVG checks)	0.052	0	(0.052)	0
CFCRs not yet applied to capital 2014/15	0.228	0	(0.025)	0.203
General Financial Plan	0.322	1.506	(0.322)	1.506
Municipal Mutual	0.368	0	(0.126)	0.242
Adverse Weather (previously Winter Maintenance)	0.650	0.200	0	0.850
Approved contribution to Energy Efficiency & Change Fund	0.300	0	0	0.300
ER/VS	0.539	0	(0.341)	0.198
IT transformation	0.600	2.000	0	2.600
<b>Total</b>	<b>3.360</b>	<b>3.706</b>	<b>(1.167)</b>	<b>5.899</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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