
PROJECTED BALANCES AT 31 MARCH 2015

Report by CHIEF FINANCIAL OFFICER

EXECUTIVE COMMITTEE

24 February 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report provides the Executive with an analysis of the Council's opening balances as at 31 March 2014 and advises Members of the Council's projected closing balances at 31 March 2015.**
- 1.2 The Council's General Fund useable reserve (non-earmarked) balance was £6.756m at 31 March 2014. The total of all useable balances excluding developer contributions at 31 March 2015 is projected to remain at £6.756m.
- 1.3 The current balance on the Capital Fund £5.510m 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 this financial year.

2 RECOMMENDATIONS

- 2.1 **It is recommend that the Executive Committee:-**
 - (a) **Notes the projected revenue balances as per Appendices 1 & 2.**
 - (b) **Notes the current 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):-

- General Fund
- Corporate Property Repairs & Renewals Fund
- Insurance Fund
- Plant & Vehicles renewals Fund
- Capital Fund

3.2 The total useable balances excluding developer contributions at 31/03/2015 is forecast at £22.822m compared to £25.720m at 31/03/2014 detailed as follows:-

BALANCES	2013/14 £000	2014/15 £000
Earmarked Balances (non DSM)	4,246	3,864
Earmarked Balances (DSM)	1,274	1,121
Allocated Reserves	4,861	2,600
Revenue (Unallocated Reserve)	6,756	6,756
Corporate Property Repairs & Renewals Fund	300	*0
Insurance Fund	1,361	^1,161
Plant & Vehicles Renewals Fund	5,416	5,379
Capital Fund (exc. Developer Contributions)	1,506	1,941
	25,720	22,822

* Balance for carry forward will be identified once remaining spend is known prior to the 31st March

^ Previous reported carry forward balance was £1,238k, a decrease of £77k. This is attributable to further additional settlement of claims beyond those forecast at the end of September

3.3 Non DSM earmarked balances have decreased to £3.864m. The Council also established a treasury reserve of £1.500m. This reflects the Council agreement on 25 September 2014 to establish a Treasury Management earmarked balance within the General Fund Reserve. This available budget is as a result of current favourable interest rates and will contribute towards the Council's ability to smooth the impact of increasing costs of future interest rates on revenue resources over the medium term.

3.4 While budgetary control reports are regularly submitted to Members during the financial year in respect of services comprising the General Fund and the significant Trading Operation, these only compare projected revenue expenditure and income against approved budgets. In order to complete the picture it is necessary to report the position on the remaining Funds and to bring into account the Fund balances at end of the last financial year.

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- 4.1 Appendix 1 summarises the projected transactions and resultant balances at 31 March 2015 on the General Fund and Appendix 2 shows the projected non-General Fund balances. The net effect is to project the useable General Fund balance after earmarked funds and allocated reserves at **£6.756m** at 31 March 2015. Current allocated reserves is £2.6m as at 31 December 2014 as agreed with members as part of the Council's Financial Strategy and revenue outturn for 2013/14 as set out in the table below:-

ALLOCATED RESERVES	2014/15 £000
Winter maintenance	650
Children's Placements	650
Financial Plan – Selkirk Pitches	450
Project funding from Police & Fire reserves	450
Municipal Mutual	400
	2,600

- 4.2 The Corporate Financial Risk Register was considered at the Council Meeting on 12 February 2015 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 £10.295m and the projected useable General Fund balance, at £6.756m, is sufficient to cover 66% of risks identified at that time. The recommended balance to be maintained on the general fund reserve will continue to be monitored through the Corporate Financial Risk Register on a regular basis. The projections in the statement appended are based on actual expenditure and income to 31 January 2015.
- 4.3 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 be used for capital purposes or to repay external debt.
- 4.4 It should be noted that the projected balances exclude any technical adjustments which are required as part of year end accounting processes. In 2013/14 these adjustments were broadly neutral and did not materially affect the level of reserves but it is possible that future adjustments may make a material impact, positively or negatively, on the final balances.

Balance Sheet Review

- 4.5 As reported to both the Executive committee and Scottish Borders Council on the 17 September 2013 and the 25 September 2013 respectively, Finance staff undertook a review of the Council's Balance Sheet at 31 March 2013 which identified additional resources not included in the 5 year Financial Plan of £0.326m. This was used on a one-off basis to fund

additional investment priorities of members, supplementing £810k of additional resources approved from the return of Police and Fire reserves to the Council. At that time, the Chief Financial Officer committed to an annual review of the Balance Sheet, which has again been undertaken during 2014/15 and which has identified further additional resources of £500k not included in the 2015/16 Financial Plan. It is proposed to ring-fence this resource in order to support Economic Development activity and infrastructure, the Borders Railway blueprint and associated action plan and the development of locality planning during 2015/16.

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. 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 Service Director Strategy and Policy, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and any comments received have been reflected in the report.

Approved by

David Robertson

Chief Financial Officer

Signature

Author(s)

Paul McMenamin	Finance Business Partner
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Background Papers:

Previous Minute Reference: Executive 10 June 2014

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