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## **PROJECTED BALANCES TO 31 MARCH 2016**

**Report by CHIEF FINANCIAL OFFICER**

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### **EXECUTIVE COMMITTEE**

**18 August 2015**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **This report provides the Executive with an analysis of the Council's balances as at 31 March 2015 and advises Members of the projected balances at 31 March 2016.**
- 1.2 The unaudited Council's General Fund useable reserve (non-earmarked) balance was £8.121m at 31 March 2015. This reflects an increase of £0.962m from the draft revenue outturn projected position of £7.159m presented to members on the 9 June 2015 prior to the production of the unaudited accounts. The increase is mainly the result of a one off write back of Scottish Water bad debt provision (£0.938m) but also includes minor technical adjustments (£0.024m).
- 1.3 The Council's allocated reserve balance was £3.379m at 31 March 2015 which was an increase of £0.262m from the draft revenue outturn projection of £3.117m. This increase is as a result of CFCRs not yet applied to finance capital expenditure in 2015/16.
- 1.4 There are a number of areas of potential financial pressures identified in the accompanying revenue monitoring report identified for 2015/16, which if uncontained by management action may require a call on these reserves.
- 1.5 The total of all useable balances, excluding developer contributions, at 31 March 2016 is projected to be £22.519m, compared to £27.504m at 31 March 2015. As the financial year progresses earmarked balances to be carried forward to 2016/17 and future years will increase.
- 1.6 The projected balance on the Capital Fund of £6.199m 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 recommend that the Executive Committee:-**

- (a) Notes the unaudited 2014/15 revenue balances at 31 March 2015.**
- (b) Notes the projected revenue balances as at 31 March 2016 as per Appendices 1 & 2.**
- (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):-

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

3.2 The balances on these Funds represent the Council's useable reserves which at 31 March 2015, as per the final unaudited accounts, comprised the following:

<b>BALANCES</b>	<b>31/03/15 £000</b>
Earmarked Balances (non DSM)	5,771
Earmarked Balances (DSM)	1,721
Allocated Reserves	3,379
Revenue (Unallocated Reserve)	8,121
Corporate Property Repairs & Renewals Fund	39
Insurance Fund	1,314
Plant & Vehicles Renewals Fund	5,646
Capital Fund (exc. Developer Contributions)	1,513
	<b>27,504</b>

### 4 PROJECTED 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 to project the useable General Fund balance after earmarked funds and allocated reserves at **£7.813** at 31 March 2016.

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 £7.813m, is sufficient to cover 76% 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.

- 4.3 The projections in the statement appended in Appendices 1, 2 and 3 are based on actual expenditure and income to 30 June 2015 and are summarised below with confirmed movement from the 2014/15 unaudited accounts position as at 31<sup>st</sup> March 2015.

<b>BALANCES</b>	<b>31/03/15 £000</b>	<b>2015/16 £'000</b>	<b>Movement £'000</b>
Earmarked Balances (non DSM)	5,771	3,513	(2,258)
Earmarked Balances (DSM)	1,721	0	(1,721)
Allocated Reserves	3,379	2,780	(599)
Revenue (Unallocated Reserve)	8,121	7,813	(307)
Corporate Property Repairs & Renewals Fund	39	0	(39)
Insurance Fund	1,314	1,314	0
Plant & Vehicles Renewals Fund	5,646	5,473	(173)
Capital Fund (exc. Developer Contributions)	1,513	1,626	113
	<b>27,504</b>	<b>22,519</b>	<b>(4,984)</b>

The movements are as a result of:

	<b>Movement</b>	<b>Explanation of movement</b>
<b>BALANCES</b>		
Earmarked Balances (non DSM)	(2,258)	Drawdown of approved earmarked balances
Earmarked Balances (DSM)	(1,721)	No DSM approved for 15/16 yet
Allocated Reserves	(599)	Release of budget to support Financial Plan (£508k) and funding from Police & Fire reserve (91k)
Revenue (Unallocated Reserve)	(307)	Drawdown of reserves to support Adult Services revenue monitoring pressure
Corporate Property Repairs & Renewals Fund	(39)	Project fund will be fully utilised in 15/16
Insurance Fund	0	No movement
Plant & Vehicles Renewals Fund	(173)	Net increase in projected spend
Capital Fund (exc. Developer Contributions)	113	Increase in capital receipts
	<b>(4,984)</b>	

- 4.4 Allocated reserves of £0.599m have been released to support the 2015/16 revenue funding as previously agreed by members in the 2015/16 budget as set out in the Table below:

<b>ALLOCATED RESERVES</b>	<b>2014/15 £'000</b>	<b>Released £'000</b>	<b>2015/16 £'000</b>
Winter maintenance	650		650
Road repairs (pot holes)	100		100
Children's Placements	650	380	270
Financial Plan	450	128	322
CFCR continuing from 2013/14	345		345
Project funding from Police & Fire reserves	122	91	31
Municipal Mutual	400		400
SB Cares (PVG checks)	100		100
Contribution to Efficiency & Change Fund	300		300
CFCRs not yet applied to capital	262		262
<b>Balance as at 30 June 2014</b>	<b>3,379</b>	<b>599</b>	<b>2,780</b>

- 4.5 Unallocated reserves of £307k have been drawn down to support revenue pressures within Adult Services as detailed in the Revenue Monitoring report included in the agenda.
- 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. 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 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)**

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**Background Papers:**

**Previous Minute Reference:** Council 12 February 2015

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