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

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**17 November 2015**

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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 2015 and advises Members of the projected balances at 31 March 2016.**
- 1.2 The Council's General Fund useable reserve (non-earmarked) balance was £8.121m at 31 March 2015. The total of all useable balances excluding developer contributions at 31 March 2016 is projected at £6.876m. The movement is as a result of an increase in reserves due to additional income from Heritable, (£0.201m) and the draw down of reserves to fund changes in legislation in care services (£0.307m) and a transfer to allocated reserves to support in the ER/Vs scheme (£1.139m).
- 1.3 Approval is sought in the accompanying revenue monitoring report to draw down an estimated £0.700m to fund the shortfall in funding associated with the phasing of the pay award in 2015/16. Members will recall in setting the 2015/16 budget Council approved a 1% provision for pay award in 2015/16 followed by an estimated 1.5% in 2016/17 equating to 2.5% over 2 years. This was in advance of national negotiations concluding. Negotiations led by COSLA have now been concluded with the SJC and SNCT negotiating bodies and a pay award for all staff has been agreed to pay 2.5% over a 2 year period at 1.5% in 2015/16 and 1% for 2016/17. This presents a one year phasing issue in terms of the Council's Financial Plan and a draw down from Reserves is consequently required to align budgetary provision with the negotiated settlement position. It is understood that the settlement of the pay award will be processed in November 2015 payroll backdated to the 1<sup>st</sup> April 2015. The balances represented in this report are stated before any draw down of funds for this purpose.
- 1.4 The Council's allocated reserve balance was £3.379m at 31 March 2015 and is projected to be £3.819m at 31<sup>st</sup> March 2016. This movement is as a result of the draw down of allocated reserves to fund the 2015/16 Financial Plan (£0.508m), Police & Fire Reserves (£0.091m) and provision for Roads Maintenance (£0.100m) and an increase in allocated reserves to support the ER/Vs scheme (£1.139m). 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 projected balance on the Capital Fund of £5.743m 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 recommended that the Executive Committee:-**

- (a) notes the projected revenue balances as at 31 March 2016 as per Appendices 1 & 2;**
- (b) notes the projected balance in the Capital Fund as per Appendix 3;**
- (c) notes the establishment of an ER/VS allocated reserve of £1.139m as reflected in the revenue monitoring report included in this agenda;**
- (d) approves the draw down of an estimated £700k reserves to address a shortfall in funding associated with the phasing of the pay award in 2015/16, actual draw down will be reflected in the next Executive Committee report when the value is confirmed.**

### 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 is projected as at the 31 March 2016, as follows:

<b>BALANCES</b>	<b>31/03/16 £m</b>
Earmarked Balances (non DSM)	3.843
Earmarked Balances (DSM)	0
Allocated Reserves	3.819
Revenue (Unallocated Reserve)	6.876
Corporate Property Repairs & Renewals Fund	0
Insurance Fund	1.331
Plant & Vehicles Renewals Fund	5.539
Capital Fund (exc. Developer Contributions)	950
	<b>22.358</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 **£6.876m** at 31 March 2016.

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

	<b>Increase / (Draw down) £</b>	<b>Executive Committee Reporting</b>
Draw down for changes in legislation and provider market for care services	(0.307m)	August 2015
Additional income from Heritable	0.201	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
<b>Total</b>	<b>(1.245m)</b>	

- 4.3 In the August 2015 report to Executive Committee £0.307m was allocated to the revenue account to provide for changes in legislation and the provider market for care services in Adult Services. In the next reporting period, being presented to the Executive Committee in November 2015, the General Fund reserve has been increased through the receipt of £0.201m additional income from Heritable. This income along with £0.938m write back from a review of the bad debt provision, which was accounted for during the 2014/15 year end process, is being used to establish an allocated reserve balance to fund ER/VS in 2015/16 to ensure that full year staffing savings in 2016/17 are deliverable. This ER/VS provision will be used on a targeted basis following completion of Service People Plans to facilitate organisational change within the Council.
- 4.4 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 £6.876m, is sufficient to cover 67% 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.
- 4.5 Allocated reserves of £0.699m have been released to support the 2015/16 revenue budget and balances have been increased by £1.139m to support ER/VS as set out in the table below:

<b>ALLOCATED RESERVES</b>	<b>31<sup>st</sup> March 2015 £m</b>	<b>Released £'000</b>	<b>Projected 31<sup>st</sup> March 2016 £m</b>
Winter maintenance	0.650	0	0.650
Road repairs (pot holes)	0.100	0.100	0
Children's Placements Financial Plan	0.650	0.380	0.270
General Financial Plan	0.450	0.128	0.322
CFCR continuing from 2013/14	0.345		0.345
Project funding from Police & Fire reserves	0.122	0.091	0.031
Municipal Mutual	0.400	0	0.400
SB Cares (PVG checks)	0.100	0	0.100
Contribution to Energy Efficiency & Change Fund	0.300	0	0.300
CFCRs not yet applied to capital	0.262	0	0.262
ER/VS	0	0	1.139
<b>Total</b>	<b>3.379</b>	<b>0.699</b>	<b>3.819</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 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 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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