
PROJECTED BALANCES TO 31 MARCH 2016

Report by Chief Financial Officer

EXECUTIVE COMMITTEE

16 February 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 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 comparative figure at 31 March 2016 is projected at £5.638m.
- 1.3 Approval was given in the November 2015 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. Following payment in November 2015 backdated to the 1 April 2015 the confirmed draw down reflected in this report is £0.679m including £0.077m associated with an increase in the nationally agreed Living Wage.
- 1.4 A further draw down from reserves totalling £0.049m is required following an HMRC compliance audit and agreed settlement of the outstanding liabilities.
- 1.5 The Council's allocated reserve balance was £3.379m at 31 March 2015 and is projected to be £4.328m at 31 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), an increase in allocated reserves to support the ER/VS scheme (£1.139m) and an increase in allocated reserves to provide for the contribution to the Bellwin Scheme (£0.509m).
- 1.6 The projected balance on the Capital Fund of £5.498m 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) approves the draw down of £0.679m reserves to address a shortfall in funding associated with the phasing of the pay award in 2015/16 and the draw down of £0.049m in settlement of an HMRC compliance audit;**
- (d) approves the transfer of Reserves into Allocated Reserves to provide for the required 0.2% of net budget contribution to the Bellwin Scheme (£0.509m).**

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:

BALANCES	31/03/16 £m
Earmarked Balances (non DSM)	6.103
Earmarked Balances (DSM)	1.388
Allocated Reserves	4.328
Revenue (Unallocated Reserve)	5.638
Corporate Property Repairs & Renewals Fund	0
Insurance Fund	1.244
Plant & Vehicles Renewals Fund	4.795
Capital Fund (exc. Developer Contributions)	1.699
	25.195

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 **£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 (0.2% of the Council's net budget)	(0.509m)	February 2016
Total adjustments in year	(2.482m)	
Projected balance at 31 st March 2016	5.638m	

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.

4.4 In the next reporting period, being presented to the Executive Committee in November 2015, the General Fund reserve was 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, was 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.

4.5 In the current reporting period £0.049m has been drawn down to provide for an agreed settlement to HMRC. £0.679m has been drawn down to provide for the impact of the additional 0.5% pay award beyond budget approved for 2015/16 and an increase in the Living Wage. £0.509m has been transferred into allocated reserves to contribute to the Bellwin Scheme which has been initiated following periods of flooding in the Scottish Borders.

- 4.6 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 £5.638m, is sufficient to cover 55% of risks identified at that time. The general fund reserve will continue to be monitored through the Corporate Financial Risk Register on a regular basis. The recommended level of balances for 2016/17 will be considered as part of the suite of papers supporting the Council's budget on 11 February 2016.
- 4.7 As reported in the September 2015 monitoring reports, during 2015/16 allocated reserves of £0.699m have been released to support the 2015/16 revenue budget. Balances have been increased by £1.139m to support ER/VS and £0.509m has been allocated to support the Bellwin Scheme claim as set out in the table below:

ALLOCATED RESERVES	31st March 2015 £m	Released £'000	Projected 31st March 2016 £m
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
Approved 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
Bellwin Scheme claim	0	0	0.509
Total	3.379	0.699	4.328

- 4.8 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)

Suzy Douglas	Financial Services Manager 01835 824000 X5881
--------------	---

Background Papers:

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Treasury & Capital Team can also give information on other language translations as well as providing additional copies.