

Unallocated and Risk-Based General Fund Balances

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Darienne Law – Head of Corporate resources
REPORT AUTHOR: Ann Treble -Financial Management and Treasury Accountant

SUMMARY

This report updates Executive on the recent review of unallocated and Risk Based General Fund balances for 2013/14 onwards.

Executive are asked to:

- Approve the utilisation of £175,000 from the unallocated reserve in 2013/14 as detailed in paragraph 1.8 and shown in Appendix A
- Note the release of £27,810 of Earmarked Reserves to the unallocated general fund in 2012/13 as detailed in paragraph 3.1
- Note the re-establishment of the Building Control Earmarked reserve, at £19,811 in 2012/13 as detailed in paragraph 4.1

1. INTRODUCTION

- 1.1 Revenue reserves play a key role in the management of the Council's budget. They are used as a contingency against risk, to fund new policy initiatives and to support the Council's revenue and capital budgets when needed.
- 1.2 Executive received a report in December detailing the Head Of Service review of the unallocated and risk based reserves. This meeting amended the forecast closing balances on these reserves to £328,733 unallocated and £2.18m risk based.
- 1.3 New reserves or changes to the use of existing reserves must be approved by the Executive either through the budget monitoring or budget setting process. Forecast calls on earmarked reserves will be adjusted against the appropriate budgets controlled by the named budget holder provided that they fall within approved parameters.
- 1.4 Reserves may not be over-committed. If potential calls on an earmarked reserve exceed its available balance, then this must be addressed through the budget monitoring process.
- 1.5 Information on the purpose, use and balances for 2013/14, on unallocated and risk based reserve held by the Council is provided at **Appendix A** to this report.

- 1.6 Copeland's total grant settlement is £5,515k for 2013/14 however as there has been a fundamental change to the way the settlement has been worked out and presented and amounts are in different categories it is not easy to make like-for-like comparisons with previous years.

Table 1 – Government Settlement figure 2013/14

	£'000s
Total Settlement Received	5,515
Guaranteed element – Revenue Support Grant	3,312
Not Guaranteed element – Baseline Need	2,203

The £5,515k figure includes £634k Council Tax support (being 90% of spend) which needs to be removed when comparing to previous years and a number of other elements that have previously been quoted separately, see Table 2 below for year on year comparison of funding:

Table 2 – Year on Year Comparison Table

	2013/14	2012/13	2011/12
	£'000s	£'000s	£'000s
Total settlement (detailed above)	5,515	-	-
RSG	-	5,000	5,660
Transitional Grant	-	327	611
Council Tax Freeze Grant	In above	200	100
90% Council tax support	-634	-	-
Total Comparable Settlement Received	4,881	5,527	6,371

* Note PFI payment of £837k has been excluded from all years.

- 1.7 This reduction in funding, shown in Table 2 above, has contributed to the Budget shortfall of £2m which the authority faces in 2013/14. Please refer to the 'Update – Medium Term Financial Strategy projections and Revenue Budget 2013/14-2016/17' report, presented elsewhere on this agenda for full details.
- 1.8 A full consultation exercise on the Service Review options has recently been undertaken. A summary of the savings consulted on are as detailed in Appendix A of the 'Update – Medium Term Financial Strategy projections and Revenue Budget 2013/14-2016/17'

report. This total of £1.76m will be used to reduce the £1.9m budget gap to £175k. The remaining gap of £175k will utilise the unallocated general fund.

Table 3 – Funding of Budget Shortfall 2013/14

	£000's
Shortfall (in Table 6 above)	1,935
Funded by:	
Service Review (Appendix A)	1,760
Unallocated General Fund Balance	175
	1,935

2. UNALLOCATED AND RISK BASED GENERAL FUND BALANCES

- 2.1 The General Fund is an accumulation of surpluses / deficits on overall revenue spending. The level of this reserve is linked to a risk assessment of the financial position of the authority.
- 2.2 The use of a risk-based approach better determines the appropriate level of reserves in relation to risks and specific circumstances facing the Council. Therefore, the risk led element of the General Fund balance provides cover for risks and uncertainties in the approved budget and for emergencies. It does not provide cover for additional investment, rather it is there to ensure the approved budget can be delivered if associated risks materialise.
- 2.3 The Head of Corporate Resources recommends a level for the risk-based element of the General Fund as part of the budget setting process each year. Budgets will be produced on the basis that the General Fund balance will be maintained at least at the recommended level throughout the period covered by the Medium-term Financial Strategy and can be sustained at this level in the longer-term.
- 2.4 If the balance on the General Fund is projected to fall below the recommended risk-based level, then priority will be placed on restoring the balance in subsequent budget and out-turn recommendations. Temporary dips below the target may be acceptable provided that the minimum amount is not likely to be breached and there is a robust plan to restore balances to the target level.

3 FUNDS TO BE RELEASED BACK TO GENERAL FUND 2012/13

3.1 Corporate Resources

Sea walls (former sinking fund)

As this reserve is no longer needed approval has been sought in the 'Earmarked Reserves report, presented elsewhere on this agenda, to release the balance of £27,810 back to the unallocated general fund.

4 APPROVALS TO RE-ESTABLISH EARMARKED RESERVES FROM UNALLOCTED GENERAL FUND 2012/13

4.1 Nuclear Planning and Energy

- Building Control – Service Improvements

As detailed in the Earmarked Reserve report presented elsewhere on this agenda the 'Building Control – Service Improvements' reserves was incorrectly released to the unallocated general fund balance in December 2012. This reserve is required to smooth the cyclical nature of Building Control to ensure that fees are not charged inappropriately to comply with CIPFA guidance and so Members have been requested, in the aforementioned report, to release the balance of £19,811 from the unallocated general fund to the newly named – Building Control Trading Reserve.

5 THE GENERAL FUND BALANCE

- 5.1 The proposed position on the risk based and unallocated General Fund balance for at 31 March 2013 is therefore as follows;

	Forecast balance 31 March 2013 as at December 2012 £'000	Released from GF in year 2013 £'000	Released to GF in year 2013 £'000	Forecast balance 31 March 2013 £'000
Opening balances				
Risk-based balance	2,180			2,180
Unallocated balance	329	-20	36	345
Totals	2,509	-20	36	2,525

- 5.2 The proposed position on the risk based and unallocated General Fund balance for at 31 March 2014 is therefore as follows;

	Forecast balance 31 March 2013 as at December 2012 £'000	Planned Utilisation in 2013/14 £'000	Forecast balance 31 March 2013 £'000
Opening balances			
Risk-based balance	2,180		2,180
Unallocated balance	345	-175	170
Totals	2,525	-175	2,350

6 WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?

6.1 There are no Implications arising from this report.

7 STATUTORY OFFICER COMMENTS

7.1 The Monitoring Officer's comments are: No further comment

7.2 The Section 151 Officer's comments are;

All comments are contained within the report.

7.3 Other consultee comments, if any;

None

List of Appendices

Appendix A - General Fund Reserve

List of Background Documents:

Review of unallocated and risk based reserve – Executive December 2012

Revenue Budget Proposals 2013/14.

RESERVES - GENERAL FUND

	2011/12	2012/13				2013/14				2014/15			2015/16		
	Balance Carried forward	Additions in Year	Released from GF in Year	Released to GF in year	Balance Carried forward	Additions in Year	Released from GF in Year	Released to GF in year	Balance Carried forward	Additions in Year	Released in Year	Balance Carried forward	Additions in Year	Released in Year	Balance Carried forward
	£	£	£		£	£	£		£	£	£	£	£	£	£
Base Budget Risks															
Sustainability of Base Budget	-111,870	-91,890			-203,760				-203,760			-203,760			-203,760
Medium Term Financial Plan	-123,230	-221,645			-344,875				-344,875			-344,875			-344,875
Grant Settlement	-590,500	-223,550			-814,050				-814,050			-814,050			-814,050
Vacancy Factor	-33,750	33,750			0				0			0			0
Reduced Fees and Charges	-60,586	-1,740			-62,326				-62,326			-62,326			-62,326
Actuarial Review	0	-166,729			-166,729				-166,729			-166,729			-166,729
Reduced Investment Income	-28,310	-29,190			-57,500				-57,500			-57,500			-57,500
Housing Benefits	-90,525	8,025			-82,500				-82,500			-82,500			-82,500
HGV Licence - Operators Fund	-74,200				-74,200				-74,200			-74,200			-74,200
Fuel Price	-28,850				-28,850				-28,850			-28,850			-28,850
Civil Emergencies	-58,449	-3,032			-61,481				-61,481			-61,481			-61,481
Insurance Excesses	-11,859	1,214			-10,645				-10,645			-10,645			-10,645
Assets and Property	-100,705	7,621			-93,084				-93,084			-93,084			-93,084
Bad Debts recovery		-180,000			-180,000				-180,000			-180,000			-180,000
	-1,312,834	-867,166	0		-2,180,000	0	0		-2,180,000	0	0	-2,180,000	0	0	-2,180,000
General Fund Unallocated	-2,199,314	867,166	1,324,706	-337,330	-344,772	0	175,000		-169,772	0		-169,772	0		-169,772
Total General Fund	-3,512,148	0	1,324,706	-337,330	-2,524,772	0	175,000	0	-2,349,772	0	0	-2,349,772	0	0	-2,349,772

To EMR	
22,188,970	
-25,701,118	Elections 10,000
	NCL 122,000
-3,512,148	HR Tribunals 30,000
	PFI Reserve 7,000
	Housing 10,000
	car parking 5,150
	crem sinking 9,340
	Howbank 20,000
	Compens con 20,000
	IT reserve 200,000
	MMI 440,000
	weddicar pla 210,000
	(Jan) Building 19,811
	1,103,301
	Gen Support 221,405
	1,324,706