

USE OF FREE BALANCE ON GENERAL FUND RESERVE

1.0 EXECUTIVE SUMMARY

To bring to attention of Policy and Resources Committee options for use of the free balance on the General Fund Reserve.

The free balance on the General Fund projected to March 2016 of £13.097m.

Reserves can only be spent once. It is therefore essential that they are used sensibly to make the greatest impact on the Council's objectives.

The Single Outcome Agreement sets out an ambitious set of objectives and outcomes for Argyll and Bute. The greatest challenge is around the economy, jobs and population. This is also reflected as the greatest risk in the Strategic Risk Register. The Council's own financial outlook for 2016-17 and beyond is challenging given the expected reduction in public sector funding and the impact of population reductions

The 3 issues for Policy and Resources Committee to consider are as follows:

- Should use of the free balance on the General Fund be directed exclusively on the theme of economy and jobs and proposals to increase income or reduce costs for the Council?
- Should further investigation be carried out into the scope to undertake further borrowing which would create further investment in the areas set out above and which would not result in a net increase in the burden on the Council's revenue budget?
- If there is a positive response to the 2 matters above officers will investigate these options and bring a more detailed report to the October Policy and Resources Committee.

USE OF FREE BALANCE ON GENERAL FUND RESERVE

2.0 INTRODUCTION

2.1 This report is in response to the Council decision in February 2014 to bring a report to the August Policy and Resources Committee on the use of the free balance on the General Fund Reserve. It sets out some options for members to consider which depending on the decision of Policy and Resources Committee can then be developed into more detailed proposals by officers.

3.0 RECOMMENDATIONS

3.1 Policy and Resources Committee to consider the 3 matters set out below:

- Should use of the free balance on the General Fund be directed exclusively on the theme of economy and jobs and proposals to increase income or reduce costs for the Council?
- Should further investigation be carried out into the scope to undertake further borrowing which would create further investment in the areas set out above and which would not result in a net increase in the burden on the Council's revenue budget?
- If there is a positive response to the 2 matters above officers will investigate these options and bring a more detailed report to the October Policy and Resources Committee.

4.0 DETAIL

4.1 The Council considered a report on reserves and balances as part of the budget in February. As part of that consideration the Council:

Acknowledged the significant challenges facing Argyll and Bute and the importance of supporting economic growth, addressing population decline and ensuring a viable and sustainable future for our area. In light of this, and the objectives set out in the Single Outcome Agreement, the Council seeks to promote economic growth, create new jobs and increase the population through the development and delivery of an economic strategy that will support the outcomes in the Single Outcome Agreement, and

Further agreed to earmark the projected free General Fund Reserve in support of delivering the Single Outcome Agreement objectives with a report setting out (1) the process for considering the options for and proposals on use of the free General Fund Reserve for the purposes specified, and (2) the process agreed in relation to service prioritisation and review being submitted to the Policy and Resources Committee in August 2014.

- 4.2 The report to the Policy and Resources committee today in relation to reserves and balances monitoring advises that the current free balance on the General Fund is £10.486m with a projected balance by March 2016 of £13.079m.
- 4.3 Reserves can only be spent once. It is therefore essential that they are used sensibly to make the greatest impact on the Council's objectives.
- 4.4 The Single Outcome Agreement sets out an ambitious set of objectives and outcomes for Argyll and Bute. The greatest challenge is around the economy, jobs and population. This is also reflected as the greatest risk in the Strategic Risk Register. Addressing population decline and regenerating the economy will require significant investment by the Council and partners. Investment in infrastructure, facilities and opportunities to support the conditions for economic growth and to make the area a compelling choice for business and people will be key to achieving the SOA outcome.
- 4.5 The Council's own financial outlook for 2016-17 and beyond is challenging given the expected reduction in public sector funding and the impact of population reductions. There will be difficult decisions to be made around containing the costs of service delivery within available income and making resources available for investment in assets and infrastructure.
- 4.6 Given the challenges outlined above the Council may wish to focus use of the free General Fund balance on the theme of the economy and jobs and proposals which improve the longer term financial outlook of the Council (eg reduce future costs or increase income)
- 4.7 The funding the Council has currently and projected to March 2016 as the free General Fund Balance is significant. The challenge facing Argyll and Bute in terms of economy, jobs and population and its own future finances is significant and £13m whilst a substantial sum of money is unlikely to make a radical difference. The Council may wish to give consideration as to how these funds available for investment could be supplemented by borrowing.
- 4.8 Any additional borrowing will result in costs due to interest charges and repayments. It will be essential that where additional borrowing is undertaken to supplement investment of reserves this results in an income stream. Without an income stream any additional borrowing will only result in an overall increase in budgetary pressures in what is likely to be a very challenging period. There are risks in this approach but there are also risks in doing nothing. The extent of these risks would be clarified before decisions were taken to commit funds.

4.9 The proposal being put to Policy and Resources Committee is as follows:

- Should use of the free balance on the General Fund be directed exclusively on the theme of economy and jobs and proposals to increase income or reduce costs for the Council?
- Should further investigation be carried out into the scope to undertake further borrowing which would create further investment in the areas set out above and which would not result in a net increase in the burden on the Council's revenue budget?
- If there is a positive response to the 2 matters above officers will prepare a more investigate these options and bring a more detailed report to the October Policy and Resources Committee.

5.0 CONCLUSION

5.1 To be completed

6.0 IMPLICATIONS

6.1 Policy - Sets out broad options for use of free reserve

6.2 Financial - Sets out broad options for use of free reserve

6.3 Legal - Will need to research legal issues as part of detailed investigation

6.4 HR - None at this stage

6.5 Equalities – None at this stage

6.6 Risk – Risks will be investigated at next stage.

6.7 Customer Service – None at this stage

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