

Statement of Reserves and Provisions

1. This appendix sets out details of the reserves and provisions held by the council. These balances have been subject to a detailed review as part of the budget process. **The items in bold show the changes that are being recommended.**
2. One of the requirements of the Financial Planning Strategy is to have flexible use of the Budget Stabilisation Reserve. The fund would incorporate any annual under-spends and absorb any annual over-spends. **It is recommended that any favourable variance achieved in the 2011/12 budget is put into this reserve.**
3. Council agreed at their meeting on 26 July 2011 with Cabinet's recommendation that the £35,000 underspend in the Community Development Budget 2010/11 be set aside as an earmarked reserve to support the Paralympics Cycling event. **It is recommended that £35,000 be transferred from the Budget Stabilisation Reserve to a new Paralympics Reserve.**
4. The last First Time Sewerage scheme was completed in 1998/99 and the water companies have not requested any payments in recent years. Due to the reducing likelihood of the full amount being required **it is recommended that the balance on the First Time Sewerage Provision is moved to a new First Time Sewerage Reserve which will be reviewed on an annual basis.**
5. The Transportation Reserve was set up due to the uncertainty of annual costs of the concessionary fares scheme and to fund any extra expenditure resulting from the transfer of concessionary fares to Kent County Council on 31/03/11. No further costs are expected. **It is recommended that the Transportation Reserve is closed and the £80,000 balance moved to the Budget Stabilisation Reserve.**
6. Council has agreed that implementation costs incurred by the Environmental Health Partnership and Revenues, Benefits, Audit & Anti Fraud Partnership will be funded from the General Fund Reserve.
7. No movement on the General Fund Reserve is currently planned in 2012/13.
8. The following table set out the reserves and provisions held by the Council at 1st April 2011.

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	01/04/11	Purpose
Provisions	£000	
Edenbridge Relief Road	1,566	Future compensation costs in relation to the scheme.
First Time Sewerage Schemes	915	Ongoing guarantee payments for FTS schemes carried out in previous years.
Accumulated Absences	152	Absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences (e.g. annual leave) earned but not taken in the year.
Other	85	Redundancies agreed before 31/03/11 and to cover potential restitutionary claims in respect of personal search fees of the land register.
Sub Total	2,718	
Capital Receipts		
Capital Receipts	763	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	314	To fund ad hoc expenditure, e.g. resulting from an emergency.
Asset Maintenance	1,000	To fund emergency works to assets.
Budget Stabilisation	2,265	Favourable variances achieved on the 2009/10 and 2010/11 budget have been put into this reserve to support the decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
Carry Forward Items	341	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community Development	418	External funding received for ongoing and future projects.
District Elections	82	To finance local elections.
Financial Plan	5,884	The remaining balances from the Asset Maintenance Reserve and Employer's Superannuation Reserve have been moved here and will be used over the ten-year period equally to smooth the rundown of these reserves.
Homelessness Prevention	60	For preventing homelessness.
Housing Benefit Section	89	To meet the varying demands of administering Housing Benefits.
Housing Benefit Subsidy	1,192	Provides a cushion against large movements in the subsidy claim each year.
Local Plan/LDF	574	To help support the Local Plan and Local Development Framework.
Local Strategic Partnership	111	Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
Rent Deposit Guarantees	179	To support the homeless etc, by providing their initial deposit and guarantee for a property.
Re-organisation	358	To fund actions taken to achieve annual budget savings.
Transportation	80	For uncertainty relating to the Concessionary Fares transfer to Kent County Council.
Vehicle Insurance	264	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	564	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year.
Others	223	Mainly reserves where contributions are made annually from revenue, to meet specific periodic costs - e.g. community safety audit, civic expenses transport.
Sub Total	13,998	
General Fund	3,713	Acts as a working balance to meet unexpected issues during the year, for which a minimum of 10% of net service expenditure recommended. It also meets any planned deficits on the revenue account.
TOTAL	21,192	

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Definitions:

Provisions – cash set aside for liabilities or losses which are known obligations, but are uncertain as to amounts or dates. Expenditure can be charged direct against the Provision without being reflected in the Revenue Account.

Capital Receipts – cash received from the sale of assets (normally land and buildings) and the repayment of grants and advances (e.g. mortgage repayments). Such receipts can only be used to repay debt, or to finance capital investment.

Earmarked Reserve – amounts set aside for purposes falling outside the definition of Provisions. Expenditure should not be charged direct to reserves, but shown in the Revenue Account with the transfer to or from the reserve distinguished from service expenditure. For each reserve the purpose, usage and basis of transactions should be clearly identified.

Unallocated Reserve – the General Fund balance. Sums not set-aside for a specific purpose. The only transaction should be the surplus or deficit on the General Fund each year.