

Item No. 5(e) – Appendix F

**Reserves and Provisions Statement**

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 2010/11 budget is put into this reserve.**
3. For the beginning of the financial year 2011/12, the Council will have in the region of £6.8m of committed reserves allocated to asset maintenance and the pension fund deficit. If this is used as currently planned, it will be depleted in the very near future. **It is recommended that from 2011/12, allowing for an emergency asset maintenance reserve of £1m, the remaining £5.8m be moved to a new Financial Plan Reserve which will be used over the ten-year period equally to smooth the rundown of these reserves.**
4. The Capital Reserve is due to receive a contribution of £480,000 each year from 2011/12 onwards. This reserve is used to part finance the capital programme including £100,000 for Information Technology. In future this expenditure is to be funded from revenue and therefore the contribution can be reduced by £100,000. Also, SCIA 46 proposes a £50,000 reduction in the Disabled Facility Grant capital scheme. **It is recommended that the annual contribution to this reserve be reduced to £330,000.**
5. The above two recommendations will result in IT expenditure previously funded by capital and the asset maintenance reserve in future being funded from revenue. There will be a consistent revenue budget each year but expenditure is expected to fluctuate due to contracts ending and other planned expenditure. **To smooth out the expenditure between years, it is recommended to set up an IT asset maintenance reserve where annual under-spends will be put to fund annual over-spends.**
6. SCIA 51 refers to savings of £73,000 resulting from reduced support costs for the Agresso and IDOX IT systems. In order to achieve this ongoing saving, a one-off payment of £60,000 is required. **It is recommended that the one-off payment of £60,000 is funded from the Budget Stabilisation Reserve.**

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7. The Revenues and Benefits Partnership has recently commenced. Implementation costs for the partnership will be split between Sevenoaks and Dartford. **It is recommended that Sevenoaks' share of the implementation costs are funded from the General Fund Reserve.**
8. The savings proposals included in the budget are expected to result in redundancies, although every effort is being made to keep these down to a minimum. The cost of redundancies is expected to be £600,000 for all years. **It is recommended to make contributions from revenue of £141,000 in 2011/12 and £100,000 in 2013/14 to the Re-organisation Reserve which will then have a total of £600,000.**
9. The projected movement on the General Fund Reserve is set out in the Financial Plan – Appendix A.
10. The following table set out the reserves and provisions held by the Council at 31<sup>st</sup> March 2010.

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	<b>31/03/10</b>	<b>Purpose</b>
<b>Provisions</b>	<b>£000</b>	
Edenbridge Relief Road	1,565	Future compensation costs in relation to the scheme.
First Time Sewerage Schemes	904	Ongoing guarantee payments for FTS schemes carried out in previous years.
Sub Total	<b>2,469</b>	
<b>Capital Receipts</b>		
Capital Receipts	<b>537</b>	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
<b>Earmarked Reserves</b>		
Action and Development	349	To fund ad hoc expenditure, e.g. resulting from an emergency.
Asset Maintenance	4,721	Asset maintenance of buildings/IT/CCTV.
Budget Stabilisation	1,846	It was approved by Cabinet on 18/02/10 that any favourable variance achieved on the 2009/10 budget would be put into a 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	240	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
District Elections	66	To finance local elections.
Employer's Superannuation	3,511	To meet some of the future costs of the council's share of the pension fund deficit
Housing Benefit	851	To even out year-on-year variances in the subsidy claim.
Local Plan/LDF	538	To help support the Local Plan and Local Development Framework.
Local Strategic Partnership	148	Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
Rent Deposit Guarantees	178	To support the homeless etc, by providing their initial deposit and guarantee for a property.
Re-organisation	359	To fund actions taken to achieve annual budget savings.
Transportation	80	The Concessionary Fares function will be carried out by Kent County Council from 01/04/11, it is uncertain what the effect on Government funding for this Council will be.
Vehicle Insurance	246	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	608	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year (depreciation).
Others	213	Mainly reserves where contributions are made annually from revenue, to meet specific periodic costs - e.g. community safety audit, civic expenses transport.
Sub Total	<b>13,954</b>	
<b>General Fund</b>	<b>3,713</b>	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.
<b>TOTAL</b>	<b>20,673</b>	

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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.