

### 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 incorporates any annual under-spends and absorb any annual over-spends. **It is recommended that any favourable variance achieved in the 2014/15 budget is put into this reserve.**
3. The annual contribution from revenue to the Capital Reserve is currently £198,000. SCIA19 explained that the Government has increased their contribution to the total cost of Disabled Facilities Grants which results in a lower contribution being required from this Council of £50,000 per annum. Therefore the requirement to fund part of the capital programme from the Capital Reserve reduces by the same amount. **It is recommended that the annual contribution from revenue to the Capital Reserve be reduced by £50,000 to £148,000.**
4. **An On-Street Parking Reserve be established.** To comply with the requirements of the Traffic Management Act 2004 and our on-street parking agency agreement with KCC. Surpluses on the on-street parking account may only be used for permitted purposes outlined in the Act and approved by the County Council. It is prudent to set aside any surpluses above budget to offset any future deficits or to apply to permitted purposes in later years.
5. A Property Investment Reserve be established. On 22 July 2014 Council approved a Property Investment Strategy and agreed to set aside up to £5m from a review of reserves for the purposes of the proposals outlined in the strategy. £1,219,000 will be funded from Capital Receipts. **It is recommended that £3,781,000 be transferred into the Property Investment Reserve from the changes recommended below following a review of reserves.**
  - a. **General Fund Reserve £2,213,000** – this reserve acts as a working balance and it is recommended that the balance is a minimum of 10% of Net Revenue Expenditure. This transfer would leave £1,500,000 in the reserve.
  - b. **First Time Sewerage Reserve £349,000.**
  - c. **Pension Fund Valuation Adjustment Reserve £509,000.**
  - d. **Rent Deposit Guarantee £50,000.**

- e. Homelessness Prevention £97,000.
- f. Housing Benefit Subsidy £400,000.
- g. Community and Business £112,000.
- h. Others £51,000.

6. The following table set out the reserves and provisions held by the Council at 1<sup>st</sup> April 2014.

	01/04/14	Purpose (some further details are included in the Statement of Accounts 2013/14)
<b>Provisions</b>	<b>£000</b>	
Business Rates Appeals	907	The change to the Business Rates Retention scheme means that the Council has to provide for its share of the costs arising from successful appeals.
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. Opposite entry in Unusable Reserves.
Municipal Mutual Insurance	257	A solvent run-off of MMI is now unlikely which may result in Councils being liable to clawback of monies paid out.
Other	34	To cover potential restitutionary claims in respect of personal search fees of the land register.
Sub Total	<b>1,350</b>	
<b>Capital Receipts</b>		
Capital Receipts	<b>4,568</b>	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
<b>Earmarked Reserves</b>		
Action and Development	395	To fund ad hoc and unplanned expenditure (including emergencies and flooding).
Asset Maintenance	1,000	To fund emergency works to assets.
Budget Stabilisation	5,348	To support decisions required to continue to produce a balanced budget in future years.
Capital Financing	153	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	177	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community and Business	450	External funding received for ongoing and future projects.
Corporate Project Support	200	To fund external expertise required to investigate proposed projects.
Financial Plan	4,644	Funds moved from the Asset Maintenance and Employer's Superannuation Reserves to support the 10-year budget.
First Time Sewerage	715	Transferred from a provision for potential liabilities relating to earlier sewerage installations.
Flood Support	173	To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme.
Homelessness Prevention	197	For preventing homelessness.
Housing Benefit Subsidy	1,082	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	403	To fund future IT asset maintenance costs.

Appendix H

Local Plan/LDF	528	To help support the Local Plan and Local Development Framework.
NDR Safety Net	595	To meet current accounting regulations for deficits in the initial year of the business rates retention scheme.
New Homes Bonus	379	Due to the uncertainty of future Government funding an element of NHB is being kept separate.
Pension Fund Valuation	1,318	To contribute towards downturns in future pension fund actuarial valuations.
Rent Deposit Guarantees	102	To support the homeless etc, by providing their initial deposit and guarantee for a property.
Re-organisation	465	To fund actions taken to achieve annual budget savings.
Vehicle Insurance	284	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	304	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year
Others (under £100,000)	725	Includes District Elections, Housing Benefit, Big Community Fund.
Sub Total	19,637	
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.
<b>TOTAL</b>	<b>29,268</b>	

**Definitions:**

**Provisions** – funds 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** – money 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. Amounts not set-aside for a specific purpose. The only transaction should be the surplus or deficit on the General Fund each year.