

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 absorbs any annual over-spends. **It is recommended that any variance in the 2020/21 budget is put into this reserve or absorbed by this reserve.**
3. **Set up a Net Zero Carbon Emissions Reserve.** This would help to fund the schemes that result from the Net Zero report presented to Council on 19 November 2019.

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The table below sets out the reserves and provisions held at 1 April 2019

	01/04/19	Purpose (some further details are included in the Statement of Accounts 2018/19)
Provisions	£000	
Business Rates Appeals	2,547	The Council has to provide for its share of the costs arising from successful appeals by business ratepayers.
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 (MMI)	257	A solvent run-off of MMI is now unlikely which may result in Councils being liable to clawback of monies paid out.
Sub Total	2,956	
Capital Receipts		
Capital Receipts	559	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	396	To fund ad hoc and unplanned expenditure (including emergencies and flooding).
Asset Maintenance	1,000	To fund emergency works to assets.
Budget Stabilisation	7,938	To support decisions required to continue to produce a balanced budget in future years.
Business Rates Retention	565	To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
Capital Financing	592	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	707	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Communities and Business	351	External funding received for ongoing and future projects.
Community Infrastructure Levy Administration	185	To be spent on the administration of the levy.
Corporate Project Support	586	To fund invest to save projects and external expertise required to investigate proposed projects.
District Elections	104	To fund future District Elections.

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Financial Plan	1,364	To support the 10-year budget and Property Investment Strategy.
Sewerage	206	Potential liabilities relating to earlier sewerage installations and contribute to the costs of other sewerage systems.
Homelessness Prevention	255	To assist in the delivery of the Homelessness Reduction Act.
Housing Benefit Subsidy	444	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	682	To fund future IT asset maintenance costs.
Local Plan	491	To help support the Local Plan.
New Homes Bonus (NHB)	406	NHB is being kept separate and used to fund the Property Investment strategy.
Pension Fund Valuation	500	To contribute towards downturns in future pension fund actuarial valuations.
Re-organisation	423	To fund actions taken to achieve annual budget savings.
Swanley Station Improvements	750	Community Infrastructure Levy spending board funding.
Vehicle Insurance	299	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	532	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the trading accounts each year
Others	594	Includes Rent Deposit Guarantee, Local Strategic Partnership, Electoral Registration etc.
Sub Total	19,372	
General Fund	1,500	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	24,388	

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.

Unallocated Reserve - the General Fund balance. This amount is not set-aside for a specific purpose.