

**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 2021/22 budget is put into this reserve or absorbed by this reserve.**
3. It is proposed that the Net Service Expenditure budget is increased from £15.6m in 2020/21 to £16.9m in 2021/22. **It is recommended that the General Fund Reserve is increased from £1.5m to £1.7m to remain as a 10% working balance**
4. Due to the financial impact of the COVID-19 pandemic it has been recognised that where possible, funds should be moved from various reserves to the Budget Stabilisation Reserve to fund any adverse variance in 2020/21 and support the ongoing 10-year budget. **It is recommended that the reserves listed below are reduced with £789,000 transferred to the Budget Stabilisation Reserve and £200,000 transferred to the General Fund Reserve (see 3 above).**
  - £148,000 - Sewerage
  - £31,000 - Carry Forward Items
  - £500,000 - Asset Maintenance
  - £100,000 - IT Asset Maintenance
  - £100,000 - Action and Development
  - £110,000 - Others

The table below sets out the reserves and provisions held at 1 April 2020

	01/04/20	Purpose (some further details are included in the Statement of Accounts)
<b>Provisions</b>	<b>£000</b>	
Business Rates Appeals	3,064	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	<b>3,473</b>	
<b>Capital Receipts</b>		
Capital Receipts	<b>1,739</b>	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
<b>Earmarked Reserves</b>		
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	7,999	To support decisions required to continue to produce a balanced budget in future years.
Business Rates Retention	720	To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
Capital Financing	160	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	958	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community Infrastructure Levy Administration	184	To be spent on the administration of the levy.
Corporate Project Support	302	To fund invest to save projects and external expertise required to investigate proposed projects.
Financial Plan	1,715	To support the 10-year budget and Property Investment Strategy.
Homelessness Prevention	119	To assist in the delivery of the Homelessness Reduction Act.

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Housing and Commercial Growth Fund	566	To fund projects as part of the West Kent Partnership within the district
Housing Benefit Subsidy	360	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	725	To fund future IT asset maintenance costs.
Local Plan	285	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.
People and Places	324	External funding received for ongoing and future projects.
Planning Services	129	To fund ongoing and future projects.
Property Investment Strategy Maintenance	134	To fund future maintenance and void periods
Re-organisation	312	To fund actions taken to achieve annual budget savings.
Sewerage	206	Transferred from a provision for potential liabilities relating to earlier sewerage installations.
Vehicle Insurance	248	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	663	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the trading accounts each year
Others	600	Includes District Elections, Rent Deposit Guarantee, Local Strategic Partnership, Electoral Registration etc.
Sub Total	<b>19,011</b>	
<b>General Fund</b>	<b>1,500</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>25,723</b>	

**Definitions:**

**Provisions** - funds to provide 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 obtained on 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.