

## 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 2024/25 budget is put into this reserve or absorbed by this reserve.**
3. It is proposed that the Net Service Expenditure budget is increased from £18.5m in 2023/24 to £19.4m in 2024/25. **It is recommended that the General Fund Reserve is increased by £200,000 from £1.8m to £2.0m to remain as a 10% working balance.**
4. The individual amounts held in the Carry Forward Reserve have been reviewed and **it is recommended to remove £200,000 from this reserve.**
5. The table below sets out the reserves and provisions held as at 1 April 2023 and the forecast at 31 March 2024.

|  | Balance<br>as at<br>01/04/23<br><br>£000 | Forecast<br>Balance as<br>at 31/03/24<br>£000 | Purpose (further details are included in the Statement of Accounts)   |
|--|--|---|---|
| <b>Provisions</b>                            |  |   |   |
| Business Rates Appeals                       | 3,956                                    | 3,956   | The Council has to provide for its share of the costs arising from successful appeals by business ratepayers.   |
| Accumulated Absences                         | 268                                      | 268   | 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                                      | 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>4,480</b>                             | <b>4,480</b>                                  |   |
| <b>Capital Receipts</b>                      |  |   |   |
| Capital Receipts                             | <b>6,483</b>                             | <b>6,275</b>                                  | Balance from previous asset sales. Can be used to fund future capital expenditure.  |
| <b>Earmarked Reserves</b>                    |  |   |   |
| Action and Development                       | 296                                      | 296   | To fund ad hoc and unplanned expenditure (e.g. due to an emergency).  |
| Budget Stabilisation                         | 6,830                                    | 5,536   | To support decisions required to continue to produce a balanced budget in future years.   |
| Business Rates Retention                     | 2,563                                    | 2,564   | To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.   |
| Capital Financing                            | 500                                      | 648   | Annual contributions from revenue to fund some capital projects.  |
| Carry Forward Items                          | 1,313                                    | 798   | For specific items agreed by Cabinet, e.g. if a project has slipped between years.  |
| Community Infrastructure Levy Administration | 152                                      | 152   | To be spent on the administration of the levy.  |

|   | Balance<br>as at<br>01/04/23<br><br>£000 | Forecast<br>Balance as<br>at 31/03/24<br>£000 | Purpose (further details are included in the Statement of Accounts)                       |
|---|--|---|---|
| District Elections                                | 176                                      | 176   | To finance local elections.   |
| Financial Plan                                    | 3,889                                    | 3,562   | To support the 10-year budget strategy.   |
| Homelessness<br>Prevention                        | 541                                      | 424   | External funding received for homelessness prevention.                                    |
| Housing and<br>Commercial Growth<br>Fund          | 566                                      | 566   | To fund projects as part of the West Kent Partnership within the district                 |
| IT Asset<br>Maintenance                           | 598                                      | 481   | To fund future IT asset maintenance costs.  |
| Local Plan  | 294                                      | 93  | To help support the Local Plan.   |
| Net Zero  | 134                                      | 188   | To fund expenditure to help achieve the aim to be carbon neutral by 2030.                 |
| Pension Fund<br>Valuation                         | 339                                      | 348   | To contribute towards downturns in future pension fund actuarial valuations.              |
| People and Places                                 | 147                                      | 124   | External funding received for ongoing and future projects.                                |
| Property<br>Investment<br>Strategy<br>Maintenance | 311                                      | 530   | To fund future maintenance and void periods.  |
| Reorganisation<br>Reserve                         | 164                                      | 164   | To fund actions taken to achieve annual budget savings.                                   |
| Vehicle Insurance                                 | 279                                      | 279   | Own vehicle damage for the commercial vehicle fleet.                                      |
| Vehicle Renewal                                   | 1,395                                    | 1,025   | To fund future commercial vehicle replacements.   |
| Others  | 567                                      | 614   | Includes Rent Deposit Guarantee, Local Strategic Partnership, Electoral Registration etc. |
| Sub Total   | <b>21,054</b>                            | <b>19,867</b>                                 |   |

|                     | Balance<br>as at<br>01/04/23<br><br>£000 | Forecast<br>Balance as<br>at 31/03/24<br>£000 | Purpose (further details are included in the Statement of Accounts)  |
|---------------------|--|---|--|
| <b>General Fund</b> | <b>1,800</b>                             | <b>2,000</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>33,817</b>                            | <b>32,622</b>                                 |  |

**Definitions:**

**Provisions** - funds to provide for liabilities or losses which are known obligations but are uncertain as to amounts or dates.

**Capital Receipts** - money obtained on the sale of a capital asset (normally land and buildings). 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.