

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 would incorporate any annual under-spends and absorb any annual over-spends. **It is recommended that any favourable variance achieved in the 2012/13 budget is put into this reserve.**
3. The New Homes Bonus has now been included in the 10-year revenue budget for the first time, as it has been confirmed that it will be received until 2016/17. **It is recommended that the balance held in this reserve at 01/04/12 of £215,000 be transferred to the Budget Stabilisation Reserve and that £120,000 per annum from the New Homes Bonus received in 2013/14 to 2016/17, be transferred to the Budget Stabilisation Reserve.** These actions will help to ensure the sustainability of the 10-year budget.
4. The annual contribution from revenue to the Capital Reserve is currently £330,000. On an annual basis, Housing are reducing the amount of staffing expenditure charged to the Housing Improvement Grants capital scheme which has contributed to the annual cost of this scheme reducing. Therefore, less funding is now required for this scheme. **It is recommended that the annual contribution from revenue to the Capital Reserve be reduced by £32,000 to £298,000.**
5. The Housing Benefit Subsidy Reserve has grown over recent years due to the favourable method in calculating the Benefit Subsidy received from Government. Therefore, it is now possible to reduce the balance in this reserve to fund the changes shown below. **It is recommended that £294,000 be transferred from the Housing Benefit Subsidy Reserve.**
6. As a consequence of the Senior Management restructure, a proportion of the Reorganisation Reserve will be used to fund the one-off cost of these changes. It is advisable that this reserve is topped up to help support any future reorganisations that may take place. **It is recommended that a further £100,000 be transferred to the Reorganisation Reserve.**
7. Due to the ongoing reduction in the Council's revenue budget, there is less scope for any ad hoc expenditure resulting from emergencies to be offset by underspends elsewhere, therefore it would be prudent to increase the amount held in the Action and Development Reserve. **It is**

- recommended that £100,000 be transferred to the Action and Development Reserve.**
8. A provision of £211,000 was set up in 2011/12 for possible costs relating to Municipal Mutual Insurance Ltd (MMI), as a solvent run-off of the company was now less likely to be achieved. More recent information suggests that the provision should be increased to £305,000. **It is recommended that £94,000 be transferred to the MMI Provision.**
 9. No movement on the General Fund Reserve is currently planned in 2013/14.
 10. The following table set out the reserves and provisions held by the Council at 1st April 2012.

Appendix F

	01/04/12	Purpose (some further details are included in the Statement of Accounts 2011/12)
Provisions	£000	
Edenbridge Relief Road	1,546	Future compensation costs in relation to the scheme. A full and final settlement has now been made.
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.
Municipal Mutual Insurance	211	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	1,943	
Capital Receipts		
Capital Receipts	708	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	296	To fund ad hoc expenditure, e.g. resulting from an emergency.
Asset Maintenance	1,000	To fund emergency works to assets.
Big Community Fund	103	To fund local projects.
Budget Stabilisation	2,765	To support decisions required to continue to produce a balanced budget in future years.
Carry Forward Items	222	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community Development	470	External funding received for ongoing and future projects.
Financial Plan	5,812	Funds moved from the Asset Maintenance and Employer's Superannuation Reserves to support the 10-year budget.
First Time Sewerage	915	Transferred from a provision for potential liabilities relating to earlier sewerage installations.
Homelessness Prevention	134	For preventing homelessness.
Housing Benefit Subsidy	1,351	Provides a cushion against large movements in the subsidy claim each year.
IT Asset Maintenance	121	To fund future IT asset maintenance costs.
Local Plan/LDF	565	To help support the Local Plan and Local Development Framework.
New Homes Bonus	215	Due to the uncertainty of future Government funding an element of NHB is being kept separate.
Pension Fund Valuation	349	To contribute towards the expected downturn at the next pension fund actuarial valuation.
Rent Deposit Guarantees	181	To support the homeless etc, by providing their initial deposit and guarantee for a property.
Re-organisation	478	To fund actions taken to achieve annual budget savings.
Vehicle Insurance	287	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	292	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year
Others	542	Mainly reserves where contributions are made annually from revenue, to meet specific periodic costs - e.g. district elections, community safety audit, civic expenses transport.
Sub Total	16,098	
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.
TOTAL	22,462	

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.