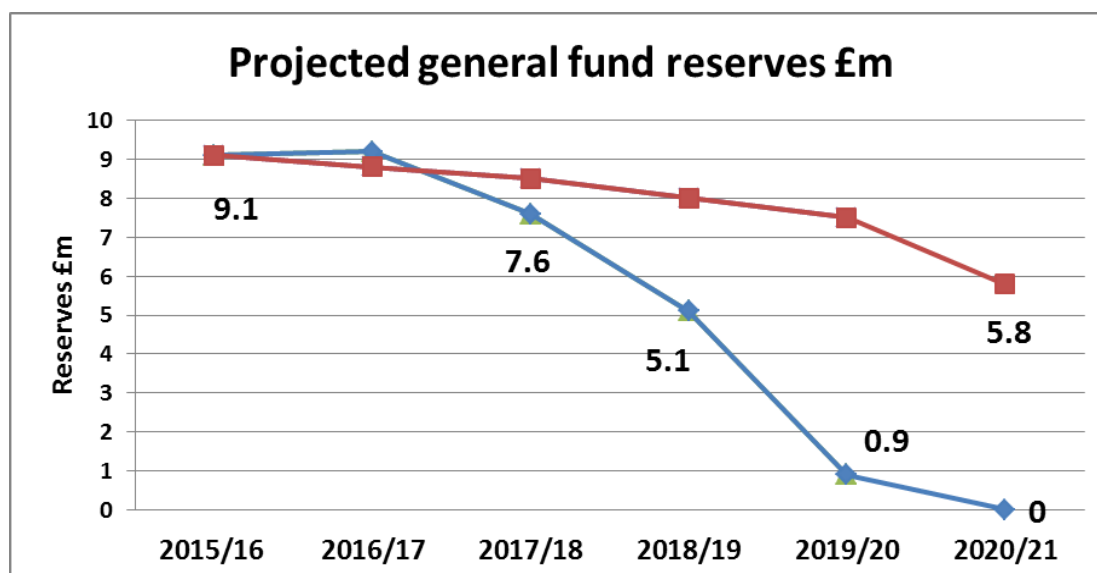


## 1. Robustness of Estimates and Adequacy of Reserves

- 1.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts, and authorities are required to take the Chief Financial Officer's report into account when setting the Council Tax.
- 1.2 The desired minimum level of general reserves was established in the 2012/13 budget report at £6m. Sufficient general reserves are required to ensure that the Council is able to meet its expenses if it finds it needs to fund unplanned costs during the year or its projected income fall short of the budgeted amount. These changes could result from a number of sources such as increased homelessness or an increase in voids in the commercial property estate, or reduced business rate income.
- 1.3 General reserves at 31st March 2016 were £9.1m. Of this, £0.5m of the 2015/16 revenue budget surplus has subsequently been transferred into an earmarked transformation reserve to fund one-off up-front costs of business transformation.
- 1.4 The following graph shows the predicted level of general reserves for future years after two scenarios. Firstly, the level of general reserves available if the Council had not taken action to implement transformation and funded the shortfall from reserves. This results in all general fund reserves being spent in 2020.



- 1.5 If the budget gaps are filled through the transformation programme to 2019/20 however and the assumptions in the MTFs, on increases in Council Tax rates are applied for example, the Council would have sufficient revenue reserves for the period covered by the Medium Term Financial Strategy. This second scenario assumes the current transformation programme ends in 2019/20 and the 2020/21 deficit is funded from GF reserves. This results in the Council retaining £5.8m of general reserves by the end of 2020/21.

- 1.6 By holding general reserves, if the Council finds itself in a difficult position and the projected deficits in future years increase as a result of unforeseen government policy or events, the Council should still be able to maintain a minimum level of reserves while it identifies increased savings or additional income.

### **Earmarked reserves**

- 1.7 The Council also holds earmarked reserves which are funds received for a specific purpose. For example, grant funding that can only be expended on particular purposes. Details of the earmarked reserves held by the Council at 31st March 2016 are shown in table a) below.

**Table a: Earmarked reserves**

<b>Earmarked Reserves at 31 March 2016</b>	<b>£'000</b>
Neighbourhood Planning Grant	318
S106 reserves	1,393
NNDR reserve	1,435
Council Tax localisation	278
Health and Wellbeing	198
Weekly Waste Collection	254
Community reserves	250
Other	515
<b>Total</b>	<b>4,641</b>

### **New Homes Bonus (NHB)**

- 1.8 The NHB reserve is expected to total £4.9m at 31 March 2017 and an estimate of the future levels of NHB reserves are set out separately in more detail at Appendix H. This assumes that payments of NHB remain at four years from 2018/19 and that there are no changes to the 0.4% baseline below which there is no payment. It is likely though that the current projected NHB levels will change as a result of the outcomes of the further consultation in 2017.
- 1.9 Now that the government has clarified the future of NHB in the medium term, and under the current assumptions the forecast is that the new homes bonus reserve will grow, so consideration should now be given to developing a policy for the best use of it to help the Council and district in the longer term. It is suggested that the key aims of such a policy should be to strengthen the Council's ability to generate income from appropriate investments in order to receive income to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's residents. It is proposed that the policy should be developed early in 2017/18.