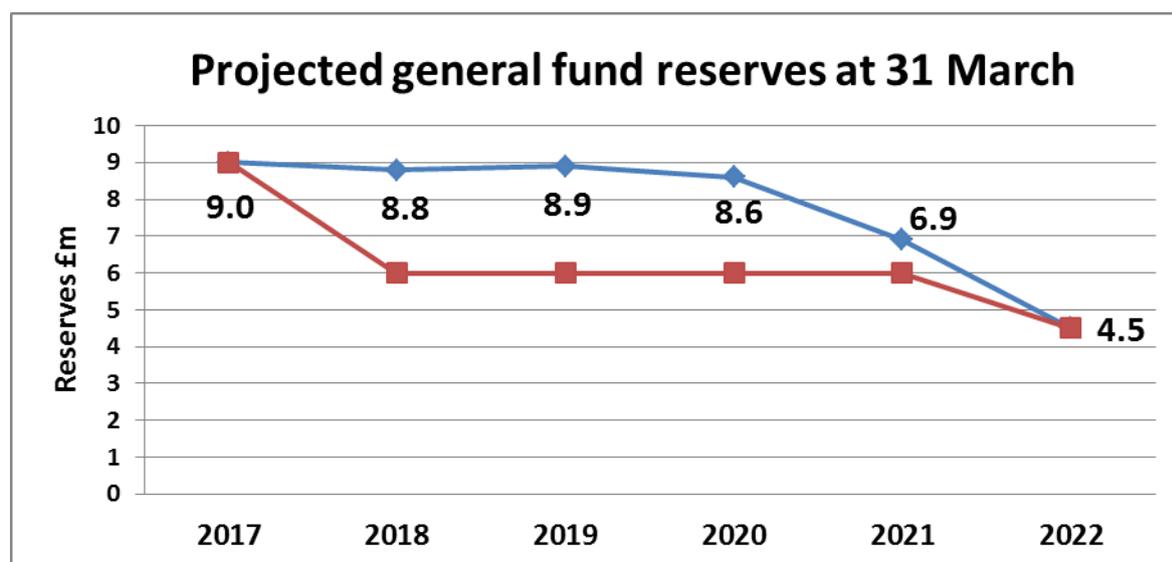


## 1. Robustness of Estimates and Adequacy of Reserves

- 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 2017 were effectively £9m once the 2016/17 revenue budget surplus has been transferred into an earmarked transformation reserve to fund one-off up-front costs of business transformation in 2017/18.
- 1.4 The graph shows the predicted level of general reserves in future years. The upper line is the level of general reserves that would be available, assuming the MTFS budgets are delivered as projected.
- 1.5 On this basis, the Council would have revenue reserves for the period covered by the Medium Term Financial Strategy. This scenario assumes the current transformation programme ends in 2020 and the projected deficits in 2020/21 and 2021/22 are funded from GF reserves.



- 1.6 The lower line shows available useable reserves held to the £6m minimum level, following the decision to apply the excess reserves to finance the capital programme.
- 1.7 In both cases, the cumulative effect of the projected annual deficits in the 2020s would result in general fund reserves dipping below the £6m minimum level by 2022. It is essential the Council makes plans to avoid this situation occurring. During 2018 officers will develop a list of further efficiencies and budget reductions for the Council to consider if the position remains as is or worsens. Council should note it will need to continue to increase Council Tax in line with inflation but may also have to cut expenditure on discretionary services from the early 2020s.
- 1.8 If the Council takes this action it should be able to prepare a balanced budget in the latter years of the Medium Term Financial Strategy period and maintain its general reserves at its agreed minimum level or above.

### Earmarked reserves

- 1.9 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 2017 are shown in table a) below.

**Table a: Earmarked reserves**

<b>Earmarked Reserves at 31 March 2017</b>	<b>£'000</b>
Neighbourhood Planning Grant	278
S106 reserves	1,184
NNDR reserve	1,435
Council Tax localisation	293
Health and Wellbeing	177
Transformation Fund*	613
BBH leisure centre (NHB)	1,383
Other	718
<b>Total</b>	<b>6,081</b>

\*Inclusive of the £0.5m transformation from the general fund

### New Homes Bonus (NHB)

- 1.10 The NHB reserve is expected to total £4m at 31 March 2018 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. It is likely though that the current projected NHB levels will change as a result of the outcomes of the further sharpening of the incentive during 2018. To this effect, a change to the 0.4% baseline below which there is no payment is modelled at 0.7% in future years as this is a likely scenario.
- 1.11 Should the NHB scheme significantly change, the extent of the application of NHB to finance the existing capital programme can of course be revisited in line with any changes.