

6 RESOURCES STATEMENT

6.1 Revenue

- 6.1.1 The Council holds a general reserve as well as earmarked reserves which are held for specific purposes. In February 2008 the Council approved a Policy Framework for the Earmarked Reserves and the Optimum Level of the General Reserve.
- 6.1.2 The policy sets out an assessment framework for determining the optimum level of general reserve which takes into account a risk assessment of the budget and the context within which the budget has been prepared.
- 6.1.3 Subsequently in the budget report for 2009/10 it was considered prudent to set the level of general reserves at £950k .The actual balance at 31 March 2009 was £1,049k.
- 6.1.4 The level of the general reserve will be reviewed as part of producing the budget for 2010/11, this will include reviewing the amounts held within the general reserve in respect of contingent liabilities as well as the level of risk to which the Council is exposed to as a direct consequence of the turmoil of the financials markets and the general downturn in the economy.
- 6.1.5 The Council holds a number of earmarked reserves and therefore it is essential that general balances are sufficient to meet any unexpected expenditure. Earmarked reserves are created to meet specific capital and revenue needs. The funds allocated to these reserves can only be used for the purposes identified, but when necessary and to meet changing needs funds, can be re-designated after due consideration.
- 6.1.6 The reasons for holding an earmarked reserve are often clear from the name of the reserve. Appendix F shows the estimated level of reserves at 31 March 2010 for both the general reserve and the earmarked reserves along with the purpose and use of the reserve. The planned contributions in and out of the earmarked and general reserve are shown within Appendix F until 2012/13.
- 6.1.7 In addition the ongoing income from the VAT shelter and Preserved Right to Buy (PRTB) sales could fluctuate in any one year as is currently the case, (further details are provided within the Capital section of this document). Therefore the balance of £400,000 has been retained in the LSVT reserve to cover all residual issues associated with the stock transfer.
- 6.1.8 Two further reserves have been created following the account closure for 2008-09. A refund of VAT has been placed in a reserve to be used for invest to save strategies and to cover any restructuring costs. A second reserve is to be used to cover any unforeseen housing benefit costs following audits of the annual subsidy claims.
- 6.1.9 In general, reserves are held to cover unforeseen circumstances and normal cash flow requirements. Reserves can also allow for a cushion for timing of expenditure between financial years. For example, adequate reserves can provide a source of funding for one-off investments to meet up-front costs such as those arising from organisational re-structuring where future savings are then achievable and can be used to replenish the level of general reserve. Where reserves are used in this way

the financial plan must allow for the reserves to be replaced over the length of the financial forecast.

6.1.10 Reserves also allow an organisation to invest in change by taking carefully managed business risks. The downside of risk taking is that sometimes projects fail or prove more costly than anticipated.

6.1.11 Reserves should not be held to fund on-going expenditure. This would be unsustainable in the longer term as, at some point, the reserves would be exhausted.

6.2 Capital

6.2.1 The Capital Project Reserve has been used to fund a range of capital schemes including the North Norfolk Information Centre, the asset management system, promenade railings and seafront signage enhancements and will probably be depleted during the time frame covered by this strategy.

6.2.2 A review of the current Capital Programme for housing, non housing and coast protection along with a projection on future resources is detailed within section 5.

6.3 Recommendation

6.3.1 It is recommended that Members note the revised reserves statement as included at Appendix E to the financial strategy document.