

RESERVES

The Council holds reserves for various reasons. The following is a description of the types of reserve and how they are used.

SECTION 106 RECEIPTS - The Council often receives sums of money from developers and organisations for a specific purpose. The receipt may cover more than one year, hence it is kept in a reserve until it is needed.

DONATIONS - From time to time the Council may receive donations from individuals for a specific purpose e.g. donations for the art gallery and museum.

CYCLICAL EXPENDITURE - Some services require spending on particular items of equipment on a cyclical basis hence annually funds may be set aside to pay for items when they are needed without adding significantly to the Council tax level for any particular year e.g. cyclical local elections.

TRADING ACCOUNT RESERVES - The Council has a number of smaller trading activities which generate profit which is ploughed back into the service to ensure that standards are maintained. For example, the TIC shop profits are kept in reserve and have been used to part finance the refurbishment of the TIC without adding to the cost of the Council tax in any one year.

EQUIPMENT REPLACEMENT - A number of services require periodical replacement or enhancement of systems. These may be expensive hence services have often set aside funds in anticipation of replacement requirements.

EQUALISATION RESERVES - The Council prepares budgets for income and expenditure for services as accurately as possible. However, if events affect the ability to achieve budgeted figures then the Council may find itself with a budgetary deficit. Funds are set up to assist in years in which there are significant variances from budgets. For example, car parking income for the Council is in excess of £4m but predicting this exactly can be difficult, hence the car parking equalisation account may be used if income falls well below target in order to avoid budget difficulties.

CAPITAL RESERVE - One of the largest reserves held by the Council is the capital reserve which is used to finance refurbishment and maintain the Council's assets.

GENERAL RESERVE – Reserve not earmarked for any specific purpose. The Council's Chief Finance Officer has recommended that the Council maintain a level of General Reserve of between £1m to £1.5m.

A summary of the main types of Council reserves, a description of their purpose and a projection of the movement in them in 2008/09 is contained in

Table 10 – 'STATEMENT OF RESERVES'.

A longer term projection of the reserves over the next 5 years is contained in

Table 11 – 'STATEMENT OF RESERVES – 5 YEAR PROJECTION'