

The budget report to Council on 26th January 2011 indicated that it was advisable that £2,250k of general reserves should effectively be frozen to help meet any unforeseen adverse variations. This has now been further reviewed and it is now suggested that a balance of £1,500k be maintained at the present time (9% of net revenue expenditure in 2014/2015) and, combined with the General Fund Working Balance should provide a good level of financial resilience during the four year period.

Further, the Council agreed on 26th January 2011 a strategy for the use of reserves which would require £13k and £123k should be taken from the General Fund Balance in order to finance the anticipated budget shortfalls in 2011/2012 and 2012/2013. The forecast shortfalls have now increased substantially and would not permit the General Fund Balance to be drawn down to that extent. In any event, it is now suggested that this balance should remain at £1,350k for the foreseeable future as it is the Council's ultimate provision to meet large unforeseen contingencies. It is **recommended** as an alternative that the Economic Impact Reserve be used to fund all forecast overspends in the first instance and reflects the fact that most adverse variations are due to the down turn in the economy.

The level of general reserves detailed at Appendix 2A can also be utilised to support the Council's Capital Programme. In that respect, the current four year programme will use up all available capital receipts (there will in fact be a balance of circa £1.3m). In these circumstances it is suggested that £1m of the available general reserves should be earmarked at the present time to support future essential capital projects. This can, of course, be reviewed on future occasions.

Finally, it should be recalled that the specific grant relating to freezing Council Tax in 2011/2012 will actually cease at the commencement of the 2015/2016 financial year and will result in a £205k shortfall in funding. On the basis that the Council would not wish to raise council tax by more than the 2.5% assumed within the revised MTFs, then this £205k will need to be taken from reserves.