



Policy & Finance Committee

Date: 11 April 2022

Title: Expenditure from earmarked reserves

Purpose of the Report:

To consider recommending to Council amendment of standing committee terms of reference and scheme of delegation to include authority to spend from appropriate earmarked reserves.

Contact Officer:

Sarah Sandiford, Deputy Town Clerk
Mark Saccoccio, Town Clerk

Corporate Objective/s	n/a	
Implications:		
Financial	None	
Human Resources	None	
Operational/Service delivery	Yes	To ensure faster expenditure approval and avoid project delays
Procedural/Legal	None	Expenditure may be delegated other than for specified purposes
Risk/Health and Safety	None	
Environmental Aims	None	

1 RECOMMENDATION/S

Should the Committee be minded, the proposals are:

- 1.1 To note the report.
- 1.2 To recommend to Council approval of changes to appropriate documents including the Terms of Reference for standing committees and the Council's Scheme of Delegation, to include authority to approve expenditure from earmarked reserves appropriate to that committee's responsibilities, subject to any legal restrictions.

2 BACKGROUND

2.1 The Town Council has for many years built up and held reserves which are earmarked for a specific purpose (separate from the general reserve). Changes to the earmarked reserves are approved by Council as part of the budget control process (Financial Regulation 4.9).

2.2 The Council is required to have a Reserves Policy and review the level and purpose of earmarked reserves. This review and proposed usage of reserves is undertaken as part of the annual budget setting process.

2.3 The Council currently has some 34 earmarked reserves which are included in quarterly budget monitoring reports as well as year end and budget setting processes:

Policy & Finance Committee – 10 earmarked reserves (this includes Community Safety and Highways Schemes)

Grounds & Environmental Committee – 9 earmarked reserves

Cultural & Economic Committee – 14 earmarked reserves

Partnership Committee – 1 earmarked reserve (historic)

2.4 The Joint Practitioners' Guide sets out (para. 5.33) that:

Earmarked and Other Reserves – None of the above in any way affects the level of Earmarked and/or Capital Receipts Reserves (EMR/CRRs) that an authority may or should hold. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from Internal and/or External Auditors.

2.5 The Council's Reserves Policy states the following:

Earmarked Reserves: They are controlled by the relevant Service Area Committee and set up and spent by resolution of that Committee. The Committee should agree the reason for and purpose of the reserve and how and when the reserve is used. As part of its on-going monitoring, the Committee should review the reserves on an annual basis to agree its continuing relevance and adequacy. The Committee reserves the right to request that monies are returned to the general reserve if in its opinion there is no reason for it to be maintained.

The practice of rolling over budgets due to over budgeting is not allowed. Accounting for such surpluses will take place each year end when the overall financial position of the Council can be established. The treatment of the surplus/deficit is decided by Council.

2.6 In practice, it is often the case that standing committees will seek approval from Policy & Finance Committee for expenditure from earmarked reserves, even when the reserve has previously been set up for a specific purpose relevant to the expenditure request. This was partially due to a lack of clarity prior to adoption of the Reserves Policy and the practice has to some extent continued. In some cases it is because the scope/purpose or “ownership” of the earmarked reserve may be unclear .

2.7 The Reserves Policy further states:

*The Capital Projects Reserve is funded by an amount determined each year to be included within the annual budget calculation and claimed via the Precept. **The Capital Projects Reserve is controlled by the Town Council in conjunction with the Town Clerk and is set up and spent by way of resolution by the Town Council.** Capital Projects are defined within the 5 Year Financial Plan. Projects should be reviewed annually and progress reported to the Town Council. Should the project be abandoned, funds can be re-allocated to a new project or indeed returned to the General Reserve to support the Precept.*

2.8 Prior to 2021, the Capital Projects (Future Projects) earmarked reserve was one budget line incorporating all capital spend. In 2020-21 this was reprofiled such that projects approved by Council in the Five Year Financial Plan (as per the above) have been separated into different lines.

2.9 At present there are 10 earmarked reserve lines under Future Projects, identified in accordance with the five year financial plan approved at least annually by Council.

2.10 Whilst delivery of those projects may sit with a specific standing committee, at present that committee must seek expenditure approval from Policy & Finance Committee or Council. Due to the quarterly committee cycle, this may cause delay with the progression of identified priority projects.

3 RECOMMENDATIONS

3.1 It is recommended that the Terms of Reference for standing committees and the Council’s Scheme of Delegation be updated to include reference to authority to spend monies from earmarked reserves under the management of that committee, for appropriate purposes (i.e. services, activities and projects for which there is Council/committee resolution, for which the Council has a legal power or duty and for matters which may lawfully be delegated to a committee. For example, the sale or purchase of land may not be delegated to a committee).

- 3.2 It is recommended that these amendments be further expanded to include reference to authority to spend monies from Future Projects earmarked reserves where the specific project has been approved by Council (through the five year financial plan) and the project delivery has been delegated to that committee.
- 3.3 Authority to spend from the Highways Schemes earmarked reserve be delegated to the Planning and Transport Committee.
- 3.4 Authority to spend from the Community Safety earmarked reserve be delegated to the Community Safety Sub-Committee (noting that sub-committees will not generally have authority to approve either revenue or reserves expenditure unless otherwise stated in their Terms of Reference).
- 3.5 That it be clearly stated in all relevant documentation that should there be any doubt as to the authority of a committee to approve expenditure from an earmarked reserve, then such authority must be sought from Policy & Finance Committee or Council.
- 3.6 The Committee may wish to consider the question of authority to spend from the Partnership Committee earmarked reserve (current value £1,496 for the Community Forum) as this is a joint rather than a standing committee.
- 3.7 Should Committee be minded to make such recommendations to Council, then subject to Council approval at its meeting on 25 April 2022, the requested amendments be made to committee terms of reference and scheme of delegation for the Annual Council Meeting in May 2022 and if appropriate, to Standing Orders/Financial Regulations in June 2022.

End.