

LEDBURY TOWN COUNCIL

FINANCE, POLICY & GENERAL PURPOSES COMMITTEE	27 FEBRUARY 2020	AGENDA ITEM: 11
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Report prepared by Angie Price – Town Clerk

EARMARKED RESERVES

Purpose of Report

The purpose of this report is to provide Members of the Finance, Policy & General Purposes Committee with an update on how the earmarked reserves, which have been carried over in the council's accounts for the past two-years can be managed in order to remove them from the accounting process.

Detailed Information

Members will recall that a number of reports have been submitted to the committee in relation to the earmarked reserve figure of £236,062, but that as yet there has been no formal agreement as to how these reserves should be managed.

The earmarked reserves are a historical figure which has been carried over within the Council's accounts following the failure to transfer the figure to the general fund in relation to the Judicial Review costs. It was agreed that the Judicial Review costs would be paid for from the earmarked reserves, but to do this these should have been transferred into the General Fund, thus reducing the earmarked reserves, but increasing the general fund to take into account the Judicial Review costs.

Public sector accounts are not managed in the same way as a private business or charity would be, whereby if they have earmarked reserves they can spend the money directly from the earmarked reserves budget head. In the public sector there is a need to show the earmarked reserve funds being transferred into the general fund prior to being spent in accordance with the Accounts and Audit Regulations 2015. This was not done prior to the Judicial Review costs being paid. Therefore, this left the accounts balance as a correct figure, but the earmarked reserve figure should have been transferred to the general fund and not left in the earmarked reserve budget head.

The Clerk recently asked RBS software to provide her training on their accounts package and whilst undertaking the training RBS noted the earmarked reserves and a conversation ensued in relation to the history of these and concerns about how the council could legally account for these due to them going back over a period of two/three years. RBS advised that it was possible to resolve this issue and that it would be a process of transferring the earmarked reserve figures into the general fund, but that it would need to be undertaken by one of their representatives to ensure the correct amendments were made and that it would need to be done one year at a time going backwards. The transferring of this figure to the general fund would not alter the outcome of the Council's Annual Governance Accountability Return (AGAR) for the periods in question as it would be an internal transfer of a figure from the reserves to

the general fund. The Clerk asked whether there were any legal reasons why this action could not be carried out in the way that they had explained, they advised that there were no reasons why this could not be done, as it would not alter the figure in the AGAR for any of the years in question due to it being an internal movement of a figure.

This explanation supports the advise provided by the Council's Internal Auditor for the 2018/19 financial year and the Deputy Town Clerks understanding of the matter.

RBS advised that it would be sensible to undertake these actions prior to the end of year close down in April so that the earmarked reserves figure of £236,062 is no longer listed in the earmarked reserves.

Recommendation

That the Finance, Policy & General Purposes Committee authorise the Clerk to instruct RBS to undertake the necessary actions to transfer the earmarked reserves to the general fund for the 2018/19 and 2017/18 financial accounts.