

RIBBLE VALLEY BOROUGH COUNCIL INFORMATION
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 16 SEPTEMBER 2009
title: EARMARKED RESERVES
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1. PURPOSE

1.1 To inform members of the various earmarked reserves held by the Council.

2. BACKGROUND

2.1 Provisions and reserves are basically resources set aside on a balance sheet to cover future payments.

2.2 A provision is compulsory and must be created at the point a liability arises whereas an earmarked reserve however is purely voluntary; the authority chooses when to set resources aside on the balance sheet.

3. ACCOUNTING TREATMENT

3.1 The accounting treatment for provisions and earmarked reserves differ considerably.

3.2 The creation of both are accounted for as follows:

- ❖ For provisions a debit must be charged to the revenue account as expenditure at the point the liability arises and therefore scores as part of the cost of the relevant service, the credit being to create the provision on the balance sheet.
- ❖ For earmarked reserves however a debit is made as an appropriation below the net cost of services on the income and expenditure account and therefore does not score as part of the cost of the relevant service.

3.3 At the point the expenditure arises again the accounting treatment varies:

- ❖ For a provision the expenditure is simply charged directly to the provision with no transaction shown in the income and expenditure account.
- ❖ For an earmarked reserve the expenditure is charged to the appropriate service account within the net cost of services and then an appropriation is made from the reserve to neutralise any impact on the council tax.

3.4 The major difference being the timing of the charge in the net cost of services.

4. EARMARKED RESERVES

4.1 We have a number of earmarked reserves all created for specific purposes. Some are purely of a one-off nature created to set aside current funds for something which has not taken place within that financial year. Others are more permanent earmarked reserves and exist to 'save up' or set aside surplus monies not used for example building control and elections.

4.2 To avoid the creation of unnecessary and numerous earmarked reserves we ensure that written requests are made by service managers stating the reasons why expenditure has not taken place within the year it was budgeted to do so before approval is given. Consideration is given also to when the expenditure will be made.

4.3 The table below shows the Earmarked Reserves held by the Council at 31 March 2009.

| | £ | Purpose |
|---|------------------|--|
| Vehicles and Equipment Fund | 0 | Used to fund replacements and generally support the capital programme |
| Local Recreation Grants Fund | 20,384 | Used to fund recreation grants |
| Elections Fund | 28,617 | Used to fund borough elections held once every four years |
| Audit Reserve Fund | 12,335 | Used for computer audit |
| Building Control Fund | 107,957 | Available to equalise net expenditure over a three year period |
| Rural Development Reserve | 1,631 | Used to fund consultation work on Rural Housing |
| Single Status | 54,630 | Set aside to contribute towards future costs arising from single status/job evaluation |
| Capital | 832,733 | Used to fund capital programme |
| Insurance | 20,000 | Available to meet any costs following demise of Municipal Mutual Insurance Company |
| Christmas Lights/RV in Bloom | 3,560 | Available to fund contributions towards Xmas Lights/Ribble Valley in Bloom |
| Risk Management | 5,818 | Set up to pump prime risk management issues |
| Community Enhancement | 3,939 | Used to fund grants to local organisations |
| New Community Enhancement Schemes | 6,809 | Additional reserve for funding grants to local organisations |
| Rent Deposit Reserve | 7,837 | Set aside for homeless rent deposits |
| Revenue Contributions towards Capital Outlay (RCCO) Unapplied | 23,134 | Used to fund capital expenditure |
| Longridge Schemes | 94,900 | Used to fund grants to schemes in Longridge |
| Parish Schemes | 4,629 | Used to fund Parish improvement schemes |
| Local Development Framework | 11,583 | To finance Local Development Framework Costs |
| LALPAC Licensing System | 1,866 | To fund costs of LALPAC licensing system |
| Castle Museum | 7,391 | To fund the costs associated with the initial setup of the Clitheroe Castle Museum |
| Homelessness Unit Adaptations | 3,000 | To fund work to make two flats at the homelessness unit self contained |
| Information Technology Equipment | 2,700 | To fund time recording system |
| Conservation Reserve | 6,844 | To fund conservation schemes completed after the financial year end |
| Total held at 31/3/09 | 1,262,297 | |

- 4.4 As members can see the largest reserves at the end of last year were for Capital and Longridge Schemes. The Capital reserve fund will be fully utilised over the life of our five year programme and the balance on the Longridge Schemes reserve is for the restoration of the Old Station Buildings in Longridge and also a grant towards Longridge football club pavilion.

5. GENERAL FUND BALANCES

- 5.1 In addition the Council holds general fund balances to ensure that it has sufficient funds to manage its day to day finances (ie cover any cash flow deficiencies) and also to enable the Council's financial position to remain secure in the event of unforeseen circumstances. At 31 March 2009 general fund balances stood at £2,021,659. This was after the transfer of HRA balances at 31 March 2009 of £1,006,447 to the general fund upon official closure of the HRA.

6. CONCLUSION

- 6.1 Earmarked reserves of £1.3m are currently retained for specific purposes. These are reviewed each year to ensure they are still relevant.

DIRECTOR OF RESOURCES

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