

ALDENHAM PARISH COUNCIL

Council Document	AGENDA item 11
To receive a report on the 2020/21 reserves and allocate Earmarked and Capital Reserves for 2021/22	Finance & General Purposes Committee Meeting 12th April 2021

Executive Summary

The audit regulations recommend that all Councils have a policy regarding the funds 'carried over' at the end of each financial year. In Local Government finance all un-spent funds at the year-end are reallocated and the Council starts with a 'blank sheet'. The external auditor scrutinizes bank balances at the year-end and where Councils are building up balances without justification it will report this in its findings and may lead to a failed audit.

It is therefore good practice to earmark these reserves for certain projects, although the auditors would expect to see these spent in a reasonable amount of time.

There are still some invoices to be processed through the accounts but approximately the balance at the year-end will be £1.3m, of this £420,573 is CiL funds held, £418,569 is capital reserves, the remaining should be allocated to Earmarked or General Reserves (approximately £400,000).

Earmarked Reserves update

Earmarked Reserves represents amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. There will generally be a specific reason & purpose, limitations on how & when the reserve can be used, and management & control through annual review. Allocated funds may not be spent in that financial year.

Earmarked reserves can be held for several reasons:

- Renewals - to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Other earmarked reserves may be set up from time to time to meet known or predicted

Below is the current position on the Earmarked Reserves as agreed in June 2020, less the expenditure during the year:

- **Play equipment -- Opening balance £ 19,458 - there has been no expenditure in year -
- Closing balance £19,458**
- **Trees -- Opening balance £ 18,950 --less 20/21 expenditure of £ 10,420 -
- Closing balance £8,530**
- **Election fund -- Opening balance £4,000 - there has been no expenditure in year --
- Closing balance £4,000**
- **Xmas Lights -- Opening balance £3,877 -- less 20/21 expenditure of £ 2,375 --
- Closing balance £1,502**
- **Asset Purchase (Open Spaces) Opening balance £21,660 - less 20/21 expenditure of
£5,750 - Closing balance £15,910**
- **IT upgrade -- Opening balance £2,155-- less 20/21 expenditure of £ 560 -
- Closing balance £ 1,595**

- **Events -- Opening balance £7,000 - there was no expenditure in 20/21 --**
-- Closing balance £ 7,000

Earmarked Reserves expenditure in 2020/21:

- £5,750 - New flooring, removing walls and redecoration at Depot, as well as redecoration of public toilets.
- £10,420 - Tree works in Fir Spring Wood required through insurance claim.
- £2,375 - Purchase of previously rented Christmas lights for High Street.
- £560 - website upgrade

Proposed Earmarked Reserves 2021/22

- The 'Play Equipment' Earmarked Reserve has £19,458 balance. This reserve is for replacement or improving play equipment in the two children's play areas. The LH play equipment has been replaced in 2020. The autumn/winter problems with the surfacing leading to and under some equipment caused the play area at Phillimore Rec to be closed. Recommend that the POS officer investigates ways in which a pathway can be installed to allow access to equipment that avoids the grass as well as renewal/replacement of the 'wet poor' surfaces under some of the older equipment that is lifting in places.
- The Earmarked Reserve for 'Trees' has a balance of £8,530. I suggest that this reserve is increased in line with the 'Green' agenda of the council to plant more mature trees in place of those removed in Scrubbitts Wood and the new hedge alongside the allotment drive, say £20,000 in total.
- The Xmas Lights Earmarked Reserve has a balance of £1,502. The CDE 'Asset Purchase' budget is there to build up a reserve for replacements of 'Xmas Lights'. Therefore, the 2020/21 balance of £1,750 in this budget should be vired to the 'Xmas Lights' Earmarked Reserve leaving a balance of £3,252. Members need to be aware that in general Xmas Lights last about 4-5 years and cost about £20,000 (could be more if trenching is required), so suggest increase to £5,000 in total.
- Election - current balance is £4,000. £2,000 to be carried forward from 20/21 budget to Earmarked Reserve to meet cost of future election 2023. This will leave a balance of £6,000.
- OS Asset Purchase Earmarked reserve has an opening balance of £15,910. There is £3,940.50 underspend from 20/21 budget (Asset Purchase) leaving a balance of £19,850.50. However, there is expenditure already anticipated for the new information board recently installed at Fir Spring Wood of £2,250 and new flooring at depot of £3,000 taking this balance down to £14,000. It is anticipated that the small truck, which is over sixteen years old will need replacing. There are few options, but if this is to be an electric vehicle the cost is likely to be £25,000. There suggest that this reserve is increased to a total of £30,000.
- The "R&M Premises" underspend in 2020/21 budget to carry forward to new EM reserved "RCT building fund" toward future building maintenance. The exact amount will be confirmed at the year-end.
- The "Training" underspend from 20/21 Admin & OS Committees budget of £1,050 to carry forward to IT upgrade to cover an initial set up and training fee of IBAS system.

Capital Reserves

Funds received from assets sold are known as 'Capital Receipts' and can only be spent on capital items such as land purchase, new road etc.

Following expenditure in 2020/21 was made:

- £12,405 - surveys and project manager's fees taken from Allotment Project Capital Reserve.

- £ 2,540 - new steps at Scrubbitts Wood at Gills Hill Entrance to improve safety from Scrubbitts Wood Capital Reserve.
- In January 2021 the F&GP Committee vired £120,000 from the Phillimore Rec Improvement Project Capital Reserve to the KGV Development Capital Reserve, having decided that the Phillimore Rec Improvement Project should be funded by the early CiL funds received by APC.
- In July 2020 the Full Council created a new Earmarked Reserve for the 'Gravel Allotments' to fund expenditure incurred during the joint development venture on the land with HertsmereBC. The £12,500 was vired from general capital reserves.

Below is the current position on the Capital Reserves as agreed in June 2020, less the expenditure during the year:

- **Phillimore Rec Car Park closing balance £0**
- **Scrubbitts Wood – closing balance £ 6,577**
- **KGV Development – closing balance £181,065**
- **Radlett Gardens- closing balance £ 23,000**
- **Allotments Project – closing balance £ 80,542**
- **Pegmire/Summerhouse Lane development- closing balance £50,000**
- **Gravel Allotments -- closing balance £ 12,500**
- **General Capital Reserves – closing balance £ 54,885.**

The closing balance is £418,569.

Proposed Capital Reserves 2021/22

- As the KGV Trustees have decided that the proposed access road changes are not viable, that the committee reduces this funding drastically. The proposal is that this is reduced to £50,000 to be used for resurfacing the access road, possible play equipment in Rose Field and planting in Salters and Picnic Fields.
- That £131,000 is moved to Phillimore Rec Improvement project to fund the items other than the café as outlined in the projects priority list.
- Scrubbitts Wood - suggest reduce this to nil as no further works are required currently.
- Radlett Gardens - keep the funds the same as the development at the petrol station may still start in 2021/22.
- Allotment Project should finalise in 2021/22, funding is for the road which should go for planning permission in May 2021 and if agreed commence in Autumn with funds also used for hedging and fencing.
- Pegmire Lane and Gravel Allotments are both dependent on the outcome of the review of the HertsmereBC Local Plan, due after May 2021. Both sites have been put forward in the recent 'call for sites' request by HertsmereBC, so keep the balances the same.

Recommendations

- a) That the Committee agree the earmarked reserves allocations for 2021/22
- b) That the Committee agree the capital reserves allocations for 2021/22

Risk management implications

This comes under the financial management section, failure to set up earmarked reserves is seen as poor budgetary management. By allocating and reviewing what expenditure has been made under these projects this is seen as good governance.

Council Aims implications

This meets the Council's objectives of reviewing its activities.

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