

## Report No. 2

### Policy and Resources Committee 13<sup>th</sup> July 2016

#### Balances and Reserves

##### 1. Purpose of the report

- 1.1 To advise the committee of the current situation concerning balances, reserves and earmarked reserves.

##### 2. Explanation

- 2.1 Confusion occasionally exists between the use of the terms balances, reserves and earmarked reserves and this report endeavours to explain the differences.
- 2.2 "Balances" refers to the total sum of money currently held by the Town Council and will vary during the year and will include both general reserves and ear-marked reserves. The balance sheet will show all money held by the Town Council in the various categories.
- 2.3 "General reserves" refers to that money held within balance sheet and is comprised of the balance carried over (less ear-marked reserves) from the previous year plus income received. It will vary at any time during the year depending upon the level of income and expenditure.
- 2.4 At the end of the financial year the General Reserves becomes a fund which is unallocated and is carried forward to the next year.
- 2.5 "Ear-marked reserves" are those reserves or sums of money usually built up over a number of years to be used for a specific purpose. An example would be a fund built up to replace the council vehicle or replace pieces of play equipment.
- 2.6 Until a few years ago the Town Council had a number of ear-marked reserves, each containing varying sums of money and all shown on the balance sheet under separate headings.
- 2.7 The Policy and Resources Committee previously decided to substantially reduce the number of ear-marked funds to the level now shown on the sheet attached to this report and to merge or delete a number of headings, rolling the money into general reserves.
- 2.8 The advantage of reducing the headings was to enable funds to be spent on new Council determined priorities. Either method of presentation is acceptable for audit or management purposes.
- 2.9 At the end of the financial year the funds held under any budget heading which have not been fully spent will be transferred into the general reserves unless directed otherwise by this committee.

##### 3. Financial implications and risks

- 3.1 It is for this committee to recommend to the Town Council if the number of earmarked reserves is to be increased or decreased.

##### 4. Recommendations

- 4.1 Members are requested to note the report and determine the action to be taken.

Jeff Penfold  
Town Clerk  
6<sup>th</sup> July 2016