

## **TRANSFER OF UNDERSPENDS TO EARMARKED RESERVES**

### Introduction

On 17 June 2024, the Committee considered a report recommending transferring some of the Council's underspent budgets at the financial year-end 2023-24 into earmarked reserves. The Committee resolved to transfer any underspends at year-end to the general reserves and not to any earmarked reserves (ref. minute F&P/24/25).

### Considerations

The Council had been transferring underspends at year-end into earmarked reserves for a number of years in order to safeguard the Council against any critical, urgent and unexpected expenditure, for example in relation to tree works or play area maintenance. Also, the Council had been setting a capital budget when the tax base allowed and put those funds aside year-on-year for future projects e.g. fit out for The Tillhouse.

The Council, much like other local authorities, faces budget pressures and is not able to allocate sufficient funds in its annual revenue budgets to areas of business which might be affected by unexpected and significant expenditure in the future. For example:

- the Council's play strategy working group developed a play strategy for the Council's approval (ref. minutes A/24/68 dated 2 December 2024 and 24/193 dated 16 December 2024). In particular, the strategy references the following in section 8.3:

*"The Town Council is responsible for a number of [play areas] which have been installed over several years and that has impacted the level of budget required to ensure all are maintained to the correct standard. The strategy intends to inform the Town Council of its budget requirements and for the Council to move any underspend at the end of the financial year into an Ear-Marked Reserve (EMR) to allow a modest accumulation of funds over the longer term to satisfy remediation costs without overly burdening the tax payer with high costs in any one year. It is prudent management and will ensure that maintenance is prioritised."*

- a mature tree is transferring to the Council within the next twelve months at Barling Park off Yonder Acre Way which may require detailed assessments and works following the maintenance period.

An example of the successful application of allocating underspends to earmarked reserves before using those for their intended purpose was/is the earmarked reserve for CCTV installations which are being progressed at both the YOUNGHAYES CENTRE (upgrade of current system) and the town square (installation of new system). Further

CCTV installations are being awaited at the skatepark and the Ingrams Pavilion pending the connection to mains electricity supplies.

None of these activities can be planned in terms of timescales which increases the importance of creating a flexible spending capacity. The Council is not able to allocate significant budgets during its budget-setting processes to these items because of the pressures on its budgets. In addition, overestimating the Council's capital and revenue needs year-on-year would inflate its budget.

### **Recommendation(s)**

To reignite the practice of transferring some of the Council's underspent budgets at the financial year-end 2024-25 and to consider a further report with detailed recommendations relating to the 2024-25 financial year-end at the meeting of the Finance & Personnel Committee in June 2025.