



Warwick Town Council

Financial Reserves

Report to Warwick Town Council

1. **Purpose:** The purpose of this report is to review the reserves the council holds, assess them against the advice issued by the National Association of Local Councils (NALC) and make recommendations on what reserves should be held at the end of the 2021-22 financial year.
2. **Background:** NALC states in its publication The Good Councillor's Guide to Finance and Transparency; 'Local Councils need to hold an amount in reserves to meet unexpected expenditure, otherwise they could run out of money before the end of the financial year'. Warwick Town Council (WTC) has, over the recent past, been building up its general reserve account to the extent that as of March 2021 it held £287k as a reserve.

NALC give two measures for a council's general reserve. The first is that it should be the equivalent of between 3 and 12 months of expenditure. The second is that it should not be significantly higher than the annual precept. The second measure is to ensure councils do not collect taxes which they then do not spend for the benefit of its residents.

As will be seen below the council's current figure of £287k includes £25,000 of election costs which should be accounted for separately. The true reserve figure is therefore £264k. Using this adjusted amount, the two figures are well within the NALC ranges; being 5.72 months of expenditure and 52.53% of the annual precept.

NALC also states that 'A council may have Earmarked Reserves for specific projects, where money is allocated for a specific purpose but may not be spent in that financial year' Up to now WTC has not been doing this but instead transferring all such funds to the general reserve

3. Report: The following reserves are suggested to be set up in the accounts to the end of the financial year 2021-22

- a. Election Reserve:** Each year WTC reserves a quarter of the estimated costs of the local elections. These amounts should be held in this reserve until required. 2021-22 is the third year of the cycle so the amount that should be held in this reserve at the end of the financial year is £37,500. £25,000 of this will be transferred from general reserve and £12,500 from this year's budget.
- b. Court House Maintenance Reserve:** The Council is required to maintain this historic building and the amount required fluctuates from year to year. To even out the costs, an amount should be agreed in each annual budget to be transferred to this reserve to meet ongoing maintenance costs.

Over the past 5 years the amounts spent on the building were:-

- 2017/18 £14,119
- 2018/19 £12,008
- 2019/20 £16,490
- 2020/21 £5,878
- 2021/22 £6,604

A total of £55,100; an average of just over £11,000pa

It is suggested that at the end of 2021-22 financial year, an amount of £15,000 should be transferred to this reserve from the surplus for the year.

- c. Town Council Enhancements Reserve:** Often funds allocated for enhancements to the town, grants received and donations / sponsorship for improvements cannot be used in the financial year in which they are received, especially if they are received near the end of the year.

These amounts should not be taken into the general reserve but instead credited to this reserve. Examples are the surplus from Warwick in Bloom & sponsorship received for the planters in the town centre. There may be others that can be identified when the yearend accounts are being prepared.

- d. Economic Development Reserve:** One of the Council's objectives is to increase tourism and inward investment in the town and this reserve will hold any funds allocated to this objective or grants received to pursue this objective.

The impact of the recommendations above on the NALC measurements are that the General Reserve will equate to 5.03 months of the budgeted expenditure for 2022-23 and will be 47.04% of the 2022-23 precept. No account has been taken of the possible transfer into general reserve of any surplus at the end of this financial year. Any transfer will increase both measurements.

A policy document covering the above is attached as Appendix 1. This should be reviewed annually just prior to the financial year end and this review is to cover whether the earmarked reserves are still relevant and whether their funding is adequate.

- 4. Financial Impact:** The financial impact is neutral because the council will hold the same amount of funds but split between the different reserves. The general fund will reduce because the election costs have previously been included. The amount we are able to transfer to general fund at the end of the 2021-22 financial year will be smaller as the transfer to the Court House Maintenance Reserve will have to come from the 2021-22 surplus. The Town Council Enhancements Reserve and the Economic Development Reserve will be funded by income in 2021-22 which is to be spent in subsequent years.

- 5. Recommendations:** The Council is asked to:-

- a. Note this report
- b. Agree that the attached Reserves Policy is approved
- c. Agree that the following earmarked reserves are set up and shown in the accounts for the financial year 2022-23
 - **Election Reserve:** To be funded by the transfer of £37,500 being the funds allocated in the past three years for the 2023 elections.
 - **Court House Maintenance Reserve:** To be funded by a transfer of £15,000 from the surplus from 2021-22.
 - **Town Council Enhancements Reserve:** To be funded by the transfer of any unspent monies in 2021-22 that meet the criteria.
 - **Economic Development Reserve:** To be funded by the transfer of any unspent monies in 2021-22 that meet the criteria

Noel Butler

22 March 2022



Warwick Town Council

Financial Reserves Policy

Warwick Town Council (WTC) is committed to ensuring that adequate reserves are always held to meet unexpected expenditure. In its publication 'The Good Councillor's Guide to Finance and Transparency' the National Association of Local Councils (NALC) sets out the following guidance:-

- Any unspent balances at the year end will be transferred to the general reserve.
- The general reserve should hold the equivalent of between 3 and 12 months expenditure
- The general reserve should not be significantly higher than the annual precept.
- The council may have Earmarked Reserves for specific projects, where money is allocated for a specific purpose but may not be spent in that financial year

WTC will aim to have no less than 6 months expenditure in the general reserve and its aim is to increase this to 12 months in the near future. Also, it will ensure the general reserve will not exceed the amount of the annual precept.

It will hold all funds set aside for election expenses in an Election Reserve.

Annually each year just prior to the financial year end the Finance & Policy Committee will review what Earmarked Reserves will be included in the annual accounts. They will confirm whether reserves already held are still relevant and should be continued. The review will also look at whether these reserves are adequately funded. The review will be taken to the Full Council for approval.

This policy is to be reviewed annually by the Finance & Policy Committee and its review sent to Full Council.

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22 March 2022