



# Warwick Town Council

## Financial Reserves (As of 31<sup>st</sup> March 2024)

### 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 next 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 2024 it held £633,914 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 £633,914 included £45,000 Court House reserve and £91,197 of other specific reserves which should be accounted for separately. The true figure of general reserves at March 2024 is therefore £497,716. Using this adjusted amount, the two figures are well within the NALC ranges; being 8.2 months of expenditure and 85.46% 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' WTC has now adopted this approach & has specific reserves for specific purposes as well as the General Reserve fund.

**3. Report:** The following reserves are currently held –

- 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. Elections were paid in January 2024, therefore there is no election reserves as of 31<sup>st</sup> March 2024

Due to increased Election costs it is suggested that Warwick Town Council should reserve £20,000 each financial year (from March 2024) to cover the next local elections. As well as this increase, Warwick Town Council should also reserve £5,000 annually towards an unexpected By-election.

- 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 7 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
- 2022/23 £13,696
- 2023/24 £14,190

A total of £82,985; an average of just over £11,855pa. It was agreed to add an additional £15,000 to Court House maintenance as of 31<sup>st</sup> March 2024, giving a total of £45,000

- c. Town Council Enhancements (Warwick in Bloom) Reserve:** Often funds allocated for enhancements to the town, grants received, donations or 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. Warwick Town Council received Warwick in Bloom sponsorship in 2023 – 2024. £11,996 was unspent at the end of the financial year so has been reserved within this budget.

- d. Economic Development (Wayfinding) 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. Often funds allocated for Economic Development to the town, 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. Warwick Town Council has agreed to reserve £22,500 as of 31<sup>st</sup> March 2024 towards Wayfinding project

- e. **CIL Reserve:** Community Infrastructure Levy (CIL) is received biannually from Warwick District Council (April and October). This money should be ringfenced for specific community projects within Warwick such as street furniture. Often fund allocated for CIL cannot be used in the financial year in which they are received.

As at 31<sup>st</sup> March 2024 unspent CIL money was £46,900.40

- f. **Christmas Lights Reserve:** Often funds allocated to Warwick's Christmas Lights, grants received, donations or 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. Warwick Town Council received Warwick Christmas Lights sponsorship in 2023 – 2024. £9,800.56 was unspent at the end of the financial year so has been reserved within this budget.

A policy document covering the current policy 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:** There is no immediate financial impact of this report. However the Council has set as one of its 4 year Plan objectives to protect the Council's Reserves and future precepts are planned to be set taking into account the need to both have specific reserves where appropriate and keep an adequate level of general reserves.

- 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 current reserves are continued as appropriate in future financial years.

- **Election Reserve:** Due to increased Election costs it is suggested that Warwick Town Council should reserve £20,000 each financial year (from March 2024) to cover the next local elections. As well as this increase, Warwick Town Council should also reserve £5,000 annually towards an unexpected By-election.
- **Court House Maintenance Reserve:** To discuss ongoing contributions.
- **Town Council Enhancements Reserve (Warwick in Bloom),**
- **Economic Development Reserve (Wayfinding),**
- **CIL Reserve,**
- **Christmas Lights Reserve:**

To be funded by the transfer of any unspent monies in that financial year



# 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 generally no more than 12 months. Also, in normal circumstances 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, taking account of the forecast costs over the next 4 years.

Annually each year just prior to the financial year end the Finance & Policy Committee will review what specific 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.