

ALCESTER TOWN COUNCIL

Annual Governance and Accountability Return for the Year Ended 31 March 2024

The External Auditor Report and Certificate confirmed that “In our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with the Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.”

However, in the section marked “other matters not affecting our opinion which we draw to the attention of the authority”, Moore stated:

“Upon review, general reserves are being held at too low a level. The Council should keep this under review and ensure that they have sufficient general reserves to cover expenditure. Generally, this should be at least 3 months expenditure as a minimum.”

In accordance with this advice, the Finance and General Purposes Committee have asked the Town Clerk to report on general reserves.

As part of the documentation supplied to the External Auditor, the Town Clerk sent the following information to Moore.

	£	£	£
Earmarked reserves:			
Burial fund	30000.00		
Tree maintenance	2000.00		
Replacement IT equipment	3500.00		
			35500
Restricted (ring-fenced) reserves:			
UKSPF grant	1868.74		
CIL funds	2596.42		
Mayoral charity funds	3289.68		
BT phone kiosk renovation fund	700.00		
s106 funds for public open space	41714.48		
Donation for lych gate	1020.00		
Grant for youth club	7414.11		
s106 funds for Abbey Fields	15194.63		
Grant for health and wellbeing projects	2686.92		
Donations for Repair Café	2392.44		
Donation for D-Day bench	951.00		
Donations/grants for family day trip	3564.14		
Grants for renovation of squash courts	61412.90		
			144805.46
General reserves	74392.53		
			74392.53
Total reserves			<u>254697.99</u>

1. This table shows the general reserves at year end at a figure of £74,392.53.
2. The budgeted annual expenditure for 2023-24 was £367,571 therefore 3 months' expenditure would therefore amount to £91,892.
3. As Councillors are aware, during the financial year 2023-24, funds had been drawn from general reserves in anticipation of receipt of a payment of £38,916 from Stratford District Council as s106 funds due for the Greig Hall project. These funds were not however paid by Stratford District Council until 22nd April 2024, ie after year end. Had these funds arrived before 1st April, the general reserves would have been sufficient to satisfy the external auditor.
4. Going forwards, with an annual budgeted expenditure for 2024-25 of £410,840, using the advice from Moore, the level of general reserves should be £102,710.
5. As of 30 September 2024, the general reserves stand at £113,308. This figure will be reviewed at the January 2025 F & GP meeting and then again at year end.

Note: The relevant paragraphs from the Joint Panel on Accountability and Governance – March 2024 are copied below:

General reserves:

- 5.33 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.
- 5.34 The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.
- 5.35 The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.
- 5.36 In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.
- 5.37 Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Vanessa Lowe, Town Clerk and RFO

21st October 2024