



# Report

## Agenda Item 10

**Meeting:** Full Council  
**Date:** 19 May 2022  
**Report Author:** Clerk to the Council

### Financial Reserves: Review & Risk Assessment

#### Introduction

1. This report proposes the identification of funds from within General Reserves to help meet anticipated IT pressures.

#### Background

2. Councils may not hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. Earmarked Reserves (EMR) are set aside for specific purposes and for savings for future projects. They should be realistic and approved by the Council.
3. The amount of general reserve should be risk assessed and approved by the Council.

#### Key Issues

4. As a medium-term planning objective, a minimum General (un-earmarked) Reserve level should be retained, based on 3 months Gross Expenditure.
5. It is generally accepted that General reserves usually lie within a range of three to twelve months of gross expenditure. If the amount of General Reserves (GR) exceeds this amount, the Council should consider setting some aside as Earmarked Reserves (EMR). This will be monitored.
6. General Reserves were £26,885 at 31.3.21. Projections show that the Council is not in danger of falling below this level for 2021/22. Projections suggest that the figure could be around £64,000 for 2021/22.
7. Earmarked reserves are made up as follows:

		31 March 2021 £	31 March 2022 £ (DRAFT)
<b>Old Church Rooms</b>	Maintenance Reserve: building fabric	45,000	45,000 (to include an

			amount from GR to make up for EMR used during the year)
	Loan Repayment Reserve	43,435	43,435
<b>Community Halls</b>	Morganstown Village Hall	0	0
<b>Community Services</b>	Youth Provision	5,000	5,000
	Good Neighbours	10,000	10,000
<b>Environment</b>	New projects	26,400	25,100
<b>Elections</b>		7,500	7,500
	<b>Subtotal</b>	<b>137,335</b>	<b>136,035</b>

8. This report will help the Council manage its assets effectively and avoid the risk of being unable to meet new challenges or accumulating reserves for no specified purpose.
9. The Council will also put in place approved an Investment Strategy. The Strategy will confirm the way in which the Council's funds held with the Unity Trust Bank are managed. The Council will continue to keep abreast of new investment opportunities within the year.

#### **Identification of Earmarked Reserves to meet IT Pressures**

10. Members will be aware of the increasing expectation for local councils to embrace digital solutions as part of the business life of the Council. Meetings are held remotely, if meetings are held in person facilities must be provided to allow remote access by the public. The council must publish more and more of its documentation on-line. It is important that the Council can meet these challenges. There are resource implications to each of these pressures which could put pressure on budgets.
11. Additionally, there is currently only one dedicated email address for the Clerk and Assistant Clerk. Communications would be improved by establishing separate email addresses. In time, dedicated email addresses could be considered Staff currently use their own IT equipment when working remotely and there is only
12. It is therefore recommended that Members consider the identification of funds within Earmarked Reserves to help respond to these pressures. Specific proposals for use of these funds will be brought to Members as potential solutions emerge.

#### **Financial Implications**

13. This report forms an important part of the Council's overall financial management arrangements. There are no specific costs arising from the preparation of the report itself.

## **Risk Management Implications**

14. Failure to manage Reserves effectively would constitute a High Risk to the Council with the potential to leave the Council unable to meet its obligations or respond to unforeseen or new challenges. The Council could also face external criticism if Reserves are not properly managed. This report helps reduce that risk. Further details will be set out on the Council's existing Risk Register.
15. The measures outlined in this report will help the Council to keep up to date with new legislation and statutory duties, helping to maintain that risk at Medium. Further details will be set out on the Council's existing Risk Register.

## **Legal Implications**

16. Local councils have no statutory powers to hold revenue reserves other than for reasonable working capital needs or for specifically earmarked purposes. Councils should therefore maintain records of its general and earmarked reserves. Further guidance is set out in [Governance and Accountability for Local Councils in Wales – A Practitioners Guide](#).

## **Recommendation**

17. It is **recommended** that:
  - (1) as a medium-term planning objective, a minimum General (un-earmarked) Reserve level is retained, based on 3 months Gross Expenditure.
  - (2) as far as practical general revenue reserves are held within a range of three to twelve months of gross expenditure.
  - (3) £20,000 is set aside from with General Reserves to transfer to Earmarked Reserve (EMR) for IT support, as described above.