



Radyr & Morganstown Community Council

Cyngor Cymuned Radur a Threforgan

**Agenda Item
6 (4)**

Meeting: **Finance Committee**
2 November 2023

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 known or anticipated forthcoming challenges and objectives.

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 £70,666 at 31.3.23.
7. EMR are made up as follows. The table below also proposes changes to EMR to respond to new challenges as described above. Changes to EMR would come from General Reserves.

Category		Existing 31 March 2023 £	Proposed 31 March 2024
Old Church Rooms	Maintenance Reserve: Building Fabric	45,000	No Change
Old Church Rooms	Loan Repayment Reserve	8,435	No Change
Old Church Rooms	Refurbishment (inc. disabled lift and refurbished toilets)	35,000	No Change
Community Services	Youth Provision	5,000	Increase to £19,000 to help fund youth club facilities.
	Good Neighbours	0	No Change
Environment	New projects	25,100	No Change
Elections		7,500	No Change
General Admin	Investment in IT	20,000	No Change
Total		146,035	160,035

Links to Corporate Objectives

8. The Council's Annual Report confirms that the Council's objectives include delivering:
A Prosperous Community. A Resilient Community. A Healthier Community.
A More Equal Community. A Cohesive Community. A Community of Vibrant Culture & Thriving Welsh Language. A Globally Responsive Community.
9. The issues described in this report will help the Council deliver these Wales-wide sustainability goals.

Staffing Implications

10. N/A at this stage.
11. The Council's limited staff resources may bring the need to work in partnership with other bodies to deliver these objectives.

Financial Implications

12. 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

13. 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 are set out on the Council's existing [Risk Register](#).
14. 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 Low. Further details are be set out on the Council's existing Risk Register.

Consequence 1
Likelihood 5
Risk Level 5 Low

Legal Implications

15. 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

16. 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) funds are transferred from General Reserves to Earmarked Reserves as described above.