



Report

Agenda Item 9

Meeting: Full Council
Date: 5 January 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 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 £44,467 at 31.3.22. Projections show that the Council is not in danger of falling below this level for 2022/23.
7. Earmarked reserves are made up as follows:

		31 March 2022	Proposed 31 March 2023
		£	£
Old Church Rooms	Maintenance Reserve: building fabric	45,000	45,000 (to inc. transfer from GR to maintain current levels)
	Loan Repayment	43,435	43,435

	Reserve		
Community Halls	Morganstown Village Hall	0	0
Community Services	Youth Provision	5,000	5,000
	Good Neighbours	10,000	0
Environment	New projects	25,100	25,100
Elections		7,500	7,500
IT		20,000	20,000
	Subtotal	156,035	146,035

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 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.

Financial Implications

10. 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

11. 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.
12. 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

13. 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

14. 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) £12,590 is set aside from with General Reserves to transfer to Earmarked Reserve (EMR) for OCR Maintenance, as described above.