

APPENDIX 7

BALANCES

1. Local authorities need a prudent level of 'working capital' balances to maintain adequate cash flow and meet unforeseen expenditure. It is foreseen that the Council will have general balances of £6m at the end of this financial year, representing around 1.5% of the Council's gross revenue expenditure.
2. We have noted, on more than one occasion, that due to the turbulent environment we will be facing in the years ahead, that it is appropriate to keep sums in reserve in order to deal with problems that could arise.
3. Nothing has happened in the meantime to change this opinion, and more challenging savings schemes in view of the Welsh Government's disappointing grant settlement for local government in 2019/20 mean that the risk continues (if not intensifies). Therefore, the need to ensure that we have appropriate balances to deal with any financial shocks is still relevant (see Appendix 8 for the medium term Financial Strategy).
4. Having set aside funds in the Reserve to Assist the Financial Strategy in order to deal with possible overspending by some services in 2018/19, and after committing £38k from a specific fund in order to finance one-off bids, **it is recommended that we do not use general balances in 2019/20.**
5. **The Council has a number of specific reserves** established to meet specific expenditure needs. These are also part of the Council's budget of course, and have been scrutinised annually. Attention was given to the specific reserves by the Cabinet on 22 May 2018 and also the Audit and Governance Committee on 28 June 2018, when it was approved to transfer £2.75m from reserves and provisions towards corporate priorities / requirements. I review the level of these reserves continually, and **it is intended to hold another intensive review by May/June 2019**, to consider how much scope there will be for the Council to change its priorities within these reserves.
6. In their report "Meeting the Financial Challenges facing Local Authorities in Wales" the Wales Audit Office stated (in paragraph 1.8):

"Councils can use reserves to help them to balance their budgets where savings plans do not achieve the expected results or where income is less than anticipated. However, financing recurrent expenditure from reserves would not normally be appropriate. A prudent level of useable reserves is a key element of financial stability; the minimum appropriate level will vary dependent on an authority's known and potential liabilities and its spending plans. There are signs that a few councils are over-relying on general reserves to deal with budget shortfalls, rather than seeking more sustainable approaches, which often involve making unpopular decisions."
7. Also, on 14 November 2018, the Welsh Government issued a statement on local authority reserves, which provides a useful context for our position and shows Gwynedd Council at a reasonable level in the middle of the Welsh authorities' range of usable reserves.
<https://gov.wales/topics/localgovernment/finandfunding/whole-government-accounts/publications/whole-government-accounts-reserves/?lang=en>
8. I am convinced that the Council's use of specific funds to finance one-off requirements is a totally appropriate action, and it is recommended that the Council's balances are not used to balance the 2019/20 budget.