

APPENDIX 7

BALANCES

1. Local authorities need a prudent level of 'working capital' to maintain adequate cash flow and meet unforeseen expenditure. It is projected that the Council will have general balances of about £7.9m at the end of this financial year, representing around 1.3% of the Council's gross revenue expenditure.
2. We have noted, on more than one occasion, that due to the turbulent circumstances we will be facing in the years ahead, 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, as the demand for care, homelessness and waste services continues, the risk also continues. Therefore, the need to ensure that we have appropriate balances to deal with any financial shock is still relevant.
4. **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 14 May 2024 and the Governance and Audit Committee on 23 May 2024, when it was approved to transfer £1.703 million from reserves to be used in its entirety to assist the departments that had overspent in 2023/24. Also, £1.113 million of the transformation fund was de-committed to use to fund one-off bids in 2024/25. I review the level of these reserves continually, and **the intention is to conduct another review by May 2025**, to consider how much scope there will be for the Council to change its priorities within these reserves.
5. During 2025/26 there is an intention to use £343k from the 'Financial Strategy Fund' to bridge the budget and the savings that have been identified but will not be achieved until 2026/27. This fund has been established specifically to deal with such eventualities as they arise.
6. In their report "Meeting the Financial Challenges facing Local Authorities in Wales" (2014), the **Wales Audit 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. This message was reinforced by Audit Wales, which reported in October 2020 on the financial sustainability of Welsh local authorities. While Gwynedd Council's usable reserves are in the upper quartile of the range of Welsh local authorities (in terms of the size of their usable reserves), **Audit Wales' opinion is that:**

*“(9) some councils were much better placed than others to weather a financial challenge such as the pandemic. This is most clearly illustrated by the varying levels of usable revenue reserves held by councils” and (18) **that “the level of usable reserves available to a council is one of the key indicators of financial resilience and sustainability”.***

A copy of the report can be found here:

[Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic \(wao.gov.uk\)](https://wao.gov.uk)

8. I am convinced that the Council's use of balances is a totally appropriate action.
9. The Council's balances has been a key instrument. As the Council will have balances of about £7.9 million, we will have kept the bulk of the balances in reserve again, so they are available to 'bridge' the financial position if required.