



WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Reserves Held by Local Authorities**

DATE **14 November 2018**

BY **Alun Davies, Cabinet Secretary for Local Government & Public Services**

As part of a range of information intended to support transparency in public affairs the Welsh Government publishes data annually on the levels of reserves held by local authorities.¹ The levels of reserves held by Local Authorities in Wales are a matter for local elected members. It is of course important for local electors and elected members to understand the local detail and authorities' policies around setting and holding reserves. The information presented in this statement sets out wider comparative examples and trends over time.

It is prudent to build up and hold reserves for specific purposes, including transforming services to meet the continuing financial pressures, which I recognise councils face. There will always be a need for authorities to carry reserves for such things as insurance and PFI liabilities, which can be significant. Slippage for certain types of projects can impact on the timing of drawing upon reserves. The Welsh Government also carries reserve provision, in the context of expenditure allocations of £14.5 billion and proportional to the range of risks the Government faces across all portfolios.

Local Authorities are expected to set out, in a way that is clear and accessible to members of the public, how the level of general contingency reserve has been set and the detail of activities or items to be funded from each earmarked reserve.

¹ <https://gov.wales/topics/localgovernment/finandfunding/whole-government-accounts/publications/whole-government-accounts-reserves/?lang=en>

Reserves can only be used once. The Welsh Government has continued to protect local authorities from the worst of the UK Government's spending reductions and while there are specific circumstances for each authority, the evidence shows that in recent years, the levels of reserves held by some local authorities have continued to increase. Authorities which increase levels of reserves need to explain how these financial decisions serve the best interests of their communities. If reserves are held for budget contingencies against the risk of not delivering on planned service changes in order to meet budget pressures, authorities will need to consider whether their plans are realistic.

I believe that local authorities in Wales will wish to use their reserves strategically to drive forward the change required to deliver essential services to communities. They will need to consider how to use available funds to work with others to deliver longer term efficiencies. All authorities should continue to ensure that their reserves remain adequate for planned future needs and contingencies without placing undue constraints on current expenditure. Local authorities with high levels of reserves relative to their spending should review the purposes for which these are held to ensure they are still required. The purposes for holding reserves, particularly where they are increasing, should be communicated clearly through the annual accounts. The information attached contextualises authority's reserves with reference to their annual spending so that standardised comparisons can be made between different size authorities and over time. The annex also illustrates the variation and movement across authorities on the same basis for each authority at March 2011, 2016 & 2018.

The latest data available indicates that, at the end of March 2018, earmarked reserves for all local authorities in Wales amounted to £866 million. These are reserves set aside for specific projects or purposes. Authorities also hold non-earmarked reserves to deal with unforeseen situations. The balance of these reserves stood at £198 million at the end of March 2018.

The average of earmarked reserves as a percentage of expenditure in Wales at March 2018 was 12.1% compared to 10.9% at March 2011. Levels have increased by £122 million since March 2011; eleven authorities have seen a reduction over this period, eleven increased.

Similarly the levels of unallocated reserves have increased by £41 million since March 2011. Five authorities reduced levels over the period but seventeen increased.

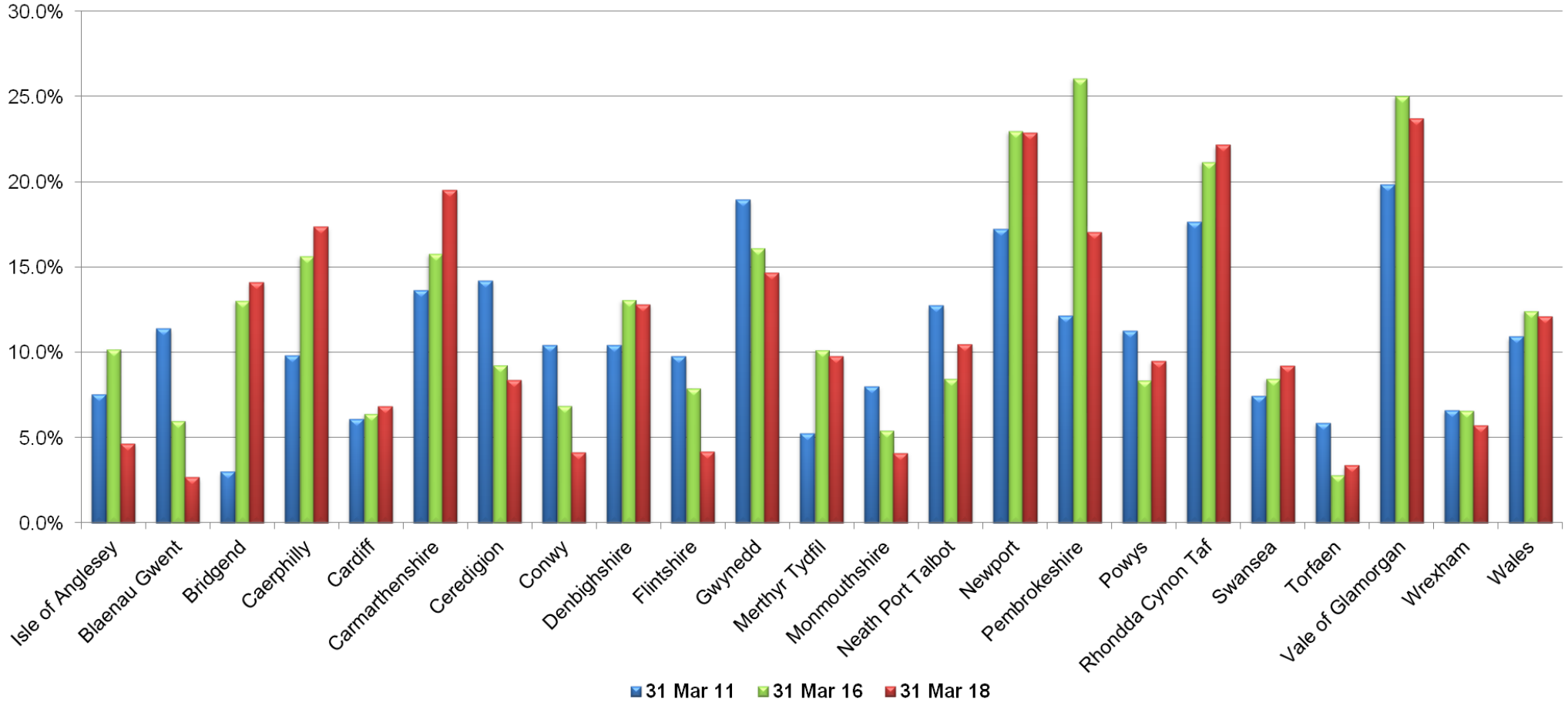
Reserves

	USABLE RESERVES*						-
	General or Unallocated Reserves	HRA Balance	Capital Receipts Reserve	Schools Reserve	Capital Grants Unapplied Account	Other Earmarked Reserves	TOTAL USABLE RESERVES
<i>carried forward at 31 March 2018</i>							
County & County Borough Councils	£m	£m	£m	£m	£m	£m	£m
Anglesey	6.9	7.4	0.3	1.9	0.0	7.6	24.1
Blaenau Gwent	6.1	0.0	8.3	0.2	0.7	4.8	20.1
Bridgend	8.3	0.0	21.2	0.4	0.3	47.7	77.9
Caerphilly	13.2	5.1	8.5	2.0	9.1	71.8	109.8
Cardiff	14.3	12.2	21.3	6.0	0.0	55.8	109.6
Carmarthenshire	9.8	20.1	8.6	1.5	0.6	81.1	121.7
Ceredigion	5.5	0.0	6.4	1.9	1.9	14.0	29.7
Conwy	6.3	0.0	1.4	3.4	0.6	11.1	22.7
Denbighshire	7.5	2.2	5.4	-0.3	3.2	29.8	47.7
Flintshire	13.7	1.9	14.1	1.3	4.8	13.6	49.4
Gwynedd	5.9	0.0	1.7	4.0	2.1	42.5	56.2
Merthyr Tydfil	4.7	0.0	0.2	1.8	2.0	14.6	23.4
Monmouthshire	7.1	0.0	3.6	0.2	0.0	7.4	18.2
Neath PT	20.0	0.0	6.8	2.9	10.1	36.6	76.4
Newport	5.9	0.0	8.9	4.8	0.0	82.7	102.3
Pembrokeshire	6.7	0.8	4.9	1.8	0.0	45.3	59.5
Powys	9.7	3.3	7.6	-0.9	1.5	28.3	49.4
RCT	10.7	0.0	1.1	3.4	7.4	129.4	152.1
Swansea	9.4	6.8	6.5	7.3	13.5	51.8	95.1
Torfaen	9.2	0.0	8.5	2.0	2.5	7.5	29.7
Vale of Glam	9.6	0.8	11.3	2.6	1.9	66.5	92.6
Wrexham	7.0	5.0	13.1	2.0	0.6	16.8	44.5
All County & County Borough Councils	197.6	65.5	169.6	50.3	62.6	866.7	1,412
Police							
Dyfed Powys	4.0	0.0	0.0	0.0	0.8	15.7	20.5
Gwent	14.7	0.0	1.7	0.0	0.0	41.3	57.7
North Wales	5.2	0.0	1.5	0.0	0.0	19.2	25.9
South Wales	9.7	0.0	0.0	0.0	0.0	22.2	31.9
All Police	33.6	0.0	3.2	0.0	0.8	98.4	135.9
Fire & Rescue Authorities							
Mid & West Wales	0.4	0.0	0.0	0.0	0.0	8.6	9.0
North Wales	2.1	0.0	0.0	0.0	0.0	0.6	2.7
South Wales	3.0	0.0	0.8	0.0	0.0	15.0	18.8
All Fire & Rescue Authorities	5.1	0.0	0.8	0.0	0.0	15.6	21.5

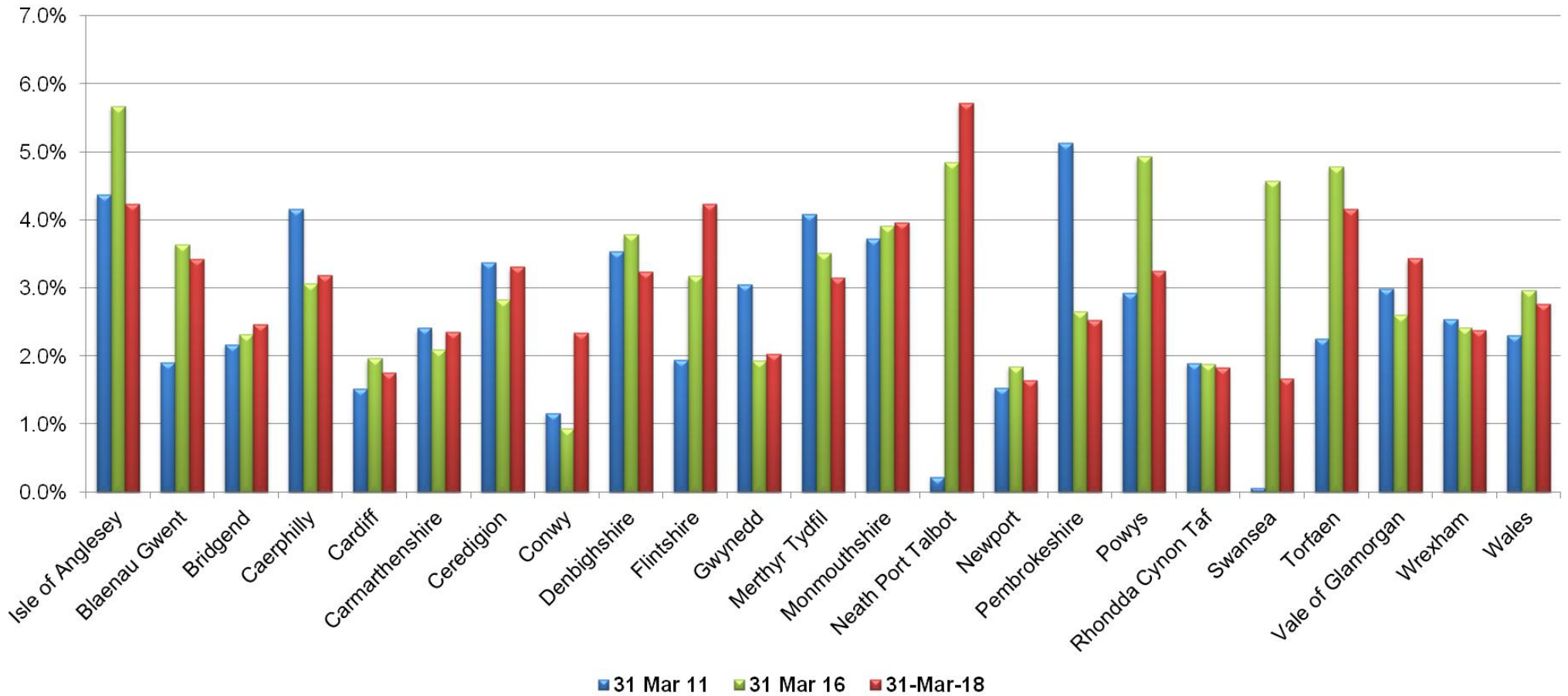
* "Usable reserves" is a recognised accounting term with specific meaning. However some reserves are legally restricted in their use. Only the general and earmarked reserves are used in the following graphs.

Source: 2017-18 Whole of Government Accounts-round 2 forms

Earmarked reserves as % of gross revenue expenditure



Unallocated reserves as % of gross revenue expenditure



**Combined earmarked & general reserves as % of gross revenue expenditure
as at March 2018**

