

Strategic Management of Balances and Reserves

Isle of Anglesey County Council

September 2025



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Audit snapshot

What we looked at

- 1 Isle of Anglesey County Council is responsible for looking after its financial reserves. This means making sure there is enough money set aside to deal with unexpected events, while also investing in services and infrastructure to support the community and maintain value for money.
- 2 This audit looked at how the Council manages its reserves. It focused on governance, risk management, financial reporting, and how reserves are used strategically to make sure public money is well managed to support long-term stability.

Why this is important

- 3 Strategic use of financial reserves helps councils deliver essential services, manage risks, and respond flexibly to changing local needs. By securing value for money, councils can support community priorities, maintain public trust and safeguard long-term financial stability, ensuring resources are used where they have the greatest social and economic impact.
- 4 By ensuring robust management of reserves, Cyngor Sir Ynys Môn can navigate financial uncertainties, support essential services, and achieve its strategic objectives.

What we have found

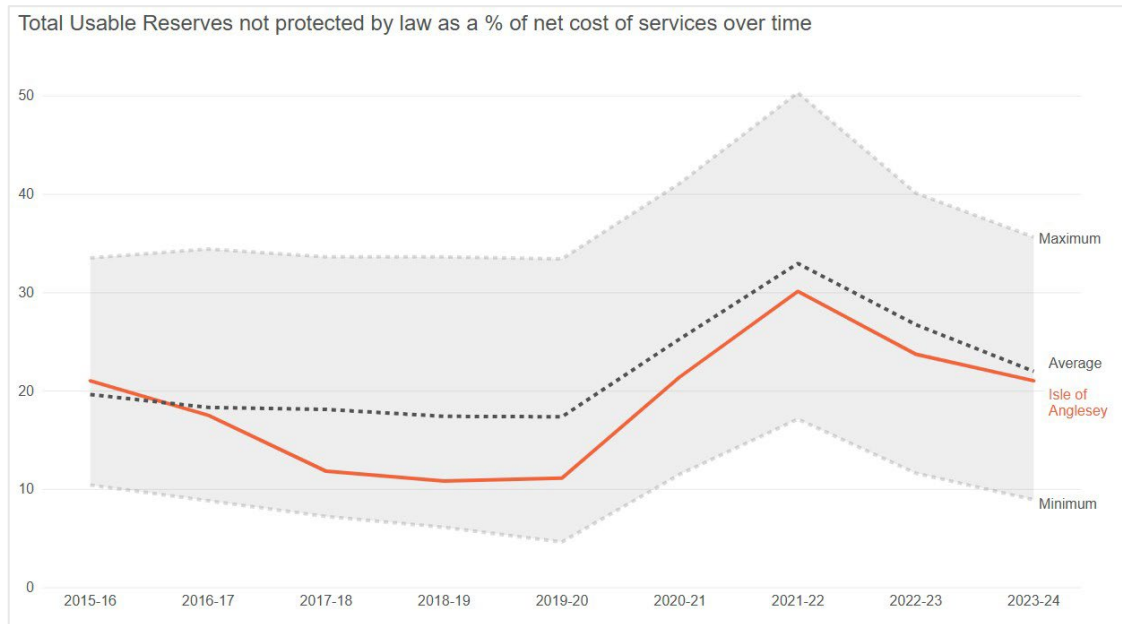
- 5 The Council effectively manages and reviews reserves regularly but would benefit from establishing formal protocols for their use and replenishment. Clearer criteria on establishing and holding reserves and forward planning their maintenance would improve long-term financial resilience.

What we recommend

- 6 We make one main recommendation to formalise how the Council establishes and uses its reserves. This should improve its arrangements on the use of reserves which help ensure value for money.

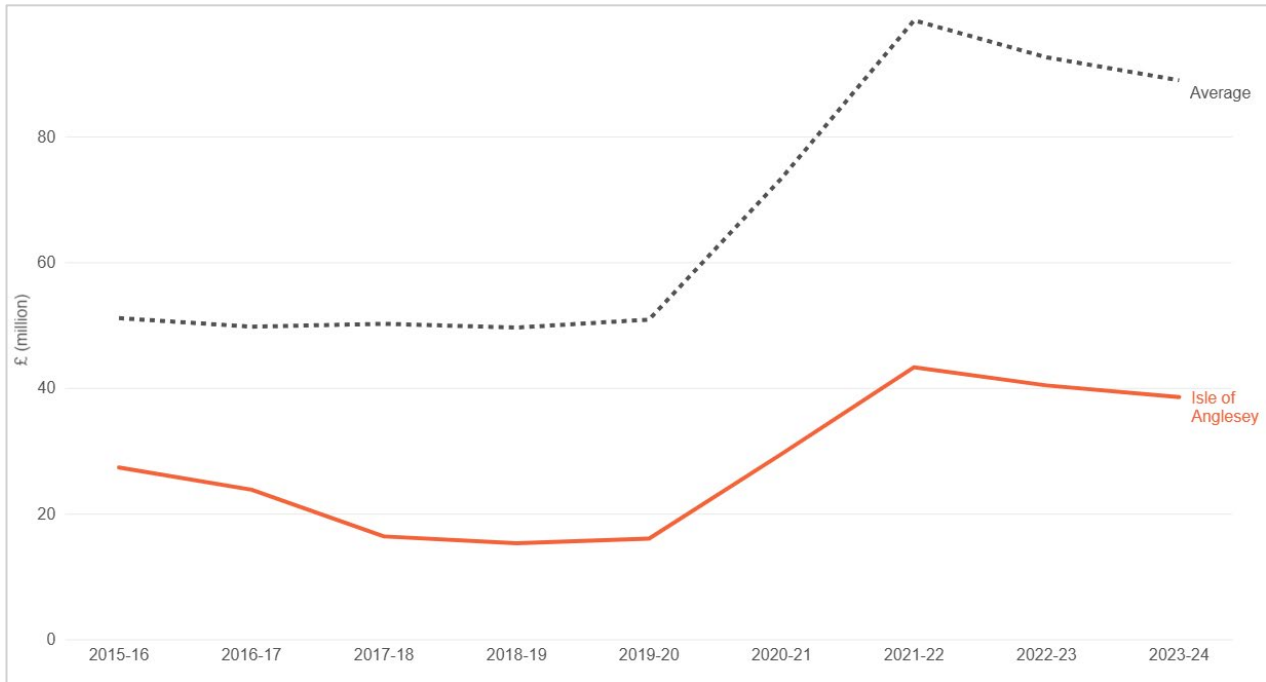
Key facts and figures

- 7 **Exhibit 1** shows what percentage of Isle of Anglesey County Council's expenditure was held in useable reserves between 2015-16 and 2023-24. This is shown alongside the maximum held, the minimum held and the average.



Source: Isle of Anglesey County Council via the Audit Wales Local Government Financial Sustainability [Data Tool](#)

- 8 **Exhibit 2** shows what the total useable revenue reserves (£ Million) not protected by law, held by Isle of Anglesey County Council side by side with the Wales average, between 2015-16 and 2023-24.



Source: Isle of Anglesey County Council via the Audit Wales Local Government Financial Sustainability [Data Tool](#)

- 9 Further data is available on the Audit Wales Local Government Financial Sustainability Data Tool. This tool compares financial data for each council, national park and fire and rescue authority in Wales from 2015-16 onwards. See: [Local Government Financial Sustainability | Audit Wales](#)

Our findings

Governance and oversight of reserves is effective

- 10 The Council's approach to reserves is clearly aligned with its overall financial strategy. Evidence of this alignment is seen in how the Council's financial resilience assessment is embedded within its Medium-Term Financial Plan, following a recommendation from internal auditors. As a result, the Council can plan more confidently for future financial pressures, supporting sustainable service delivery.
- 11 The Chief Finance Officer plays a key role in governance. Officers and members receive advice through frequent reports and presentations that outline reserve levels, planned usage, and potential risks. This ensures that decision-makers remain well-informed and is an indicator of robust accountability.
- 12 The Council's processes for reporting and scrutiny are clear and accessible. Its year-end Accounts include a Statement of Movement in Reserves and associated notes. The Statement is reviewed by senior officers and shared with key committees. This gives stakeholders confidence that reserves are being monitored, scrutinised, and used for their intended purpose.

Understanding of reserves is strong, but protocols are informal

- 13 The Council has a clear understanding of the types of reserves and balances it holds. This is evidenced by a comprehensive listing in its Statement of Accounts, which details both general and earmarked

reserves¹. This clarity allows stakeholders to see how financial resources are categorised and supports transparent financial reporting.

- 14 The Council regularly assesses the adequacy of its reserves. For example, benchmarking against other North Wales authorities provides one source of assurance that reserve levels are proportionate. In addition, a 2024 internal audit confirmed the Council's commitment to maintaining at least 5% of its net revenue budget in general reserves; a target informed by past performance and designed to cushion against unexpected financial pressures. This approach helps maintain financial resilience and reassures members and the public that the Council operates in a similar manner to other local authorities.
- 15 However, there is no clear protocol guiding the establishment, use, and review of each reserve. The absence of formal protocols may lead to inconsistencies in how reserves are created or applied in future years. This creates a risk that reserves aren't set at the appropriate levels which make best use of the balances.

Risk management informs reserve strategy, but there is no clear plan for maintaining balances

- 16 The Council has reviewed how its risk management arrangements are integrated with its approach to reserves. Financial resilience appears as a key risk on the Strategic Risk Register, with governance and control judged as reasonably sound by a 2024 internal audit. This alignment enables the Council to identify and plan for emerging financial pressures.
- 17 The Council identifies risks such as optimism bias and fluctuating demand in its budget-setting process, accounting for these in both general and earmarked reserves. For example, the 2025-26 budget includes allocations

¹ General reserves are funds held without any specific purpose, serving as a financial safety net for unforeseen expenses, emergencies, or fluctuations in revenue. Earmarked reserves are funds set aside for specific projects, initiatives, or expenditures.

to meet anticipated demand in social care and homelessness, helping to safeguard the continuity of a preventative service.

- 18 However, while the Council holds reserves to meet identified risks, including unexpected council tax appeals and arrears, there are no formal measures for restoring reserves once depleted. The Council takes out insurance against some risks, but its approach to replenishing spent reserves is unclear. The absence of a structured plan to resupply may undermine long-term financial resilience.

The Council is transparent in the use of its reserves, but could improve communication on use of reserves

- 19 The Council's financial reporting arrangements support transparency by clearly demonstrating the impact on reserves. Evidence is provided through detailed statements of movement in funds, in line with CIPFA guidance. This provides assurance to stakeholders that changes in reserves are consistently tracked and reported.
- 20 The Council communicates the purpose and use of reserves to stakeholders via committee reports and documents published on its website. This accessibility enables scrutiny and helps ensure accountability. However, while options for reserve use are presented during public budget consultations, the impact on reserve levels is not explicit. This can limit understanding of the long-term consequences, reducing the effectiveness of public engagement.

Reserves are used strategically, but lack formal approach to how they are established and maintained

- 21 Reserves have a clear strategic purpose and the Council aligns its reserves with strategic objectives, supporting the Council Plan and financial sustainability. For instance, the Capital Strategy 2024-29 and Capital

Programme show planned use of earmarked reserves; £1.5m set aside for Plas Arthur Leisure Centre and £0.46m for school IT infrastructure upgrades, with case-by-case assessments for matching grant funding. This approach ensures resources are directed towards priority projects, supporting service delivery.

- 22 However, the Council's arrangements for determining how reserves should be established and maintained don't have formal criteria. While decisions are grounded in annual planning and strategic alignment, absence of clear protocols means use of reserves relies on recurring practices rather than transparent, consistent and stated rules. This risks short term reactive decision making which doesn't provide assurance of long-term strategic use.

Recommendations

R1 To ensure its reserves are used strategically, the Council should

- 1.1 develop criteria to determine when and how reserves should be established; and
- 1.2 develop a corporate protocol for reviewing reserves.

Appendices

1 About our work

Scope of the audit

This audit reviewed the Council's approach to strategic management of its reserves and balances. It focussed on:

- the governance and oversight of reserves;
- the types and adequacy of reserves;
- the relationship between risk management and the management of reserves;
- financial reporting and transparency; and
- strategic use of reserves.

Audit questions and criteria

Questions

- Does the Council have adequate governance and oversight arrangements for its reserves and balances?
- Does the Council have a clear understanding of the types and adequacies of its reserves and balances?
- Do the Council's service and risk management arrangements inform its strategic management of reserves and balances?
- Do the Council's Financial Reporting arrangements ensure transparency in the strategic management of its reserves and balances?
- Does the Council have arrangements to ensure that the use of its reserves is effective?

Criteria

The audit considered how the Council applied the CIPFA (Chartered Institute of Public Finance and Accountancy) guidelines, which emphasize the importance of clear protocols for the establishment, use, and review of reserves. It evaluated the role of the chief finance officer in advising on reserve levels, the adequacy of reserves, including the criteria used to determine when and how reserves should be utilised. Additionally, the audit examined how the Council plans for the strategic use of reserves in relation financial reporting.

Methods

This audit involved document reviews and interviews with officers and members.

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Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

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