

CYNGOR CYMUNED TREFRIW COMMUNITY COUNCIL

FINANCIAL RESERVES: REVIEW AND RISK ASSESSMENT

Introduction

1. This report proposes the identification of reserve funds to help meet known or anticipated forthcoming challenges and objectives.

Background

2. Reserves can be categorised as ‘general’ (held to cushion the impact of uneven cashflow or unexpected events) or ‘earmarked’ (held for a specific purpose)

3. 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.

4. The amount of general reserves should be risk assessed and approved by the Council annually.

Key Issues

5. As a medium-term planning objective, a minimum general reserve level should be retained, based on 3 months gross expenditure.

6. It is generally accepted that general reserves usually lie within a range of three to twelve months of gross expenditure. If the overall amount of General Reserves (GR) exceeds this amount the Council should consider setting some aside as Earmarked Reserves (EMR). This will be monitored.

7. General reserves held within the Council's Business Manager Account as at 31.3.2024 total £15,843.95¹

8. EMR are made up as follows. The table below also details changes to EMR to respond to new challenges. Changes to EMR would come from the allocated General Reserve and/or monies held within the Business Manager Account

RESERVES FOR CAPITAL PROJECTS	Balances held at 31/03/2023	Balances held at 31/03/2024	Comments
Cemetery Project	11,000	5,675	£5,325 transferred out on 26/01/2024 towards current extension costs
TOTAL	11,000	5,675	
OTHER EARMARKED RESERVE FUNDS			
Bus Shelter Reserve	1,000	1,000	No change
Toilets Reserve pending possible asset transfer	8,000	8,000	No change
Playparks Reserve pending possible asset transfer	9,400	11,400	£2,000 added from 2023/24 budget to increase reserve pending CCBC strategy
Translation Services	0	500	£500 added on 31/03/2024 to cover anticipated costs of translating key documents such annual report, newsletter etc
Website Services	660	660	No change
Village Improvements	1,000	1,000	No change - on request from community/ideas
Gower Road Footpath Maintenance/Improvements (all accessibility trail)	1,000	4,000	£3000 added on 31/03/2024 (using PSDF dividend interest accumulated in 2023/24)
Elections	2,500	2,500	As required by CCBC Electoral Office to meet expenditure for elections
Contingencies	2,500	2,500	No change
Councillor Allowances	1,350	1,350	No change - as per mandatory requirements
Councillor Childcare Allowance	100	100	No change - as per mandatory requirements
IT/Office machinery etc.	630	130	£500 transferred out on 26/01/2024 for new office laptop
General Reserve ²	7,000	7,000	No change
Ash Dieback/Safety Tree Works	0	2,000	£2,000 added from 2023/24 budget as per 7-year maintenance plan
Defibrillator Reserve - Devices and Consumables	0	350	£350 added from 2023/24 budget following agreement to adopt the six devices available between the two wards
TOTAL	35,140	42,490	
Add Reserves for Capital Projects: Cemetery	11000	5,675	
TOTAL EARMARKED RESERVES	46,140	48,165	

Financial Implications

9. 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

10. Failure to manage all general 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 these combined reserves are not properly managed. This report helps to reduce that risk.

11. 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 as low.

Legal Implications

12. 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

13. It is recommended that:

- (1) as a medium-term planning objective, a minimum earmarked General Reserve² level is retained, based on three months gross expenditure
- (2) as far as is practical, un-earmarked general reserves¹ are held within a range of three to nine months of gross expenditure
- (3) funds are transferred from General Reserves to Earmarked Reserves as described above

**This document was reviewed and adopted at a meeting on DD/MM/YYYY
and will be reviewed in May 2025
or sooner should legislation dictate**