

# **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 31.3.2025 total £18,757.46<sup>1</sup>

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

<b>RESERVES FOR CAPITAL PROJECTS</b>	<b>Balances held at 31/03/2024</b>	<b>Balances held at 31/03/2025</b>	<b>Comments</b>
Cemetery Project	5,675	6,675	£1,000 added on 31/03/2025 (using dividend interest accumulated in 2024/25). Awaiting Council's decision on the use of the extension field, i.e., burial plots/ashes interments/garden of remembrance. Final groundworks to be completed once a decision is made
<b>TOTAL</b>	<b>5,675</b>	<b>6,675</b>	
<b>OTHER EARMARKED RESERVE FUNDS</b>			
Bus Shelter Reserve	1,000	1,000	No change - to cover maintenance costs
Toilets Reserve pending possible asset transfer	8,000	9,500	£1,500 added on 31/03/2025 (using dividend interest accumulated in 2024/25). Monies to be redeemed from PSDF investment account to cover 2025/26 seasonal costs payable to Conwy CBC to prevent the public toilets from being closed
Playparks Reserve pending possible asset transfer	11,400	12,400	£1,000 added on 31/03/2025 (using dividend interest accumulated in 2024/25). Awaiting decision on reinstatement of basket swing as monies earmarked to cover the projected expenditure
Translation Services	500	500	No change - nominal amount included in 2024/25 and 2025/26 budgets to cover routine translation - additional amount held for any ad-hoc translation requirements
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)	4,000	4,000	NRW to undertake resurfacing work in spring/summer 2025 - materials to be supplied by TCC with monies being redeemed from PSDF to cover those costs
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	Additional £200 included in 2025/26 budget, to be moved and added to reserves

<b>OTHER EARMARKED RESERVE FUNDS</b>	<b>Balances held at 31/03/2024</b>	<b>Balances held at 31/03/2025</b>	<b>Comments</b>
General Reserve <sup>2</sup>	7,000	6,000	Approximately 25% of Precept as contingency - reduced by £1,000 on 31/03/2025 to reflect lower precept request
Ash Dieback/Tree Safety Works	2,000	2,000	£2,880 to be moved from general reserves to PSDF in line with 5 to 7 year maintenance plan
Defibrillator Reserve - Devices and Consumables	350	600	£250 added on 31/03/2025 (using dividend interest accumulated in 2024/25) to offset replacement costs, as needed
<b>TOTAL</b>	<b>42,490</b>	<b>44,240</b>	
Add Reserves for Capital Projects: Cemetery	5,675	6,675	
<b>TOTAL EARMARKED RESERVES</b>	<b>48,165</b>	<b>50,915</b>	

### 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 Reserve<sup>2</sup> level is retained, based on three months gross expenditure
- (2) as far as is practical, un-earmarked general reserves<sup>1</sup> 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**

**and will be reviewed in May 2026  
or sooner should legislation dictate**

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