

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 31.3.2026 total £23,612.95¹

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 at 31/03/2025 | Balances at 31/03/2026 | Comments |
|---|-----------------------------------|-----------------------------------|---|
| Cemetery Project | 6,675 | 6,675 | 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 |
| TOTAL | 6,675 | 6,675 | |
| OTHER EARMARKED RESERVE FUNDS | | | |
| Bus Shelter Reserve | 1,000 | 1,000 | No change - to cover maintenance costs |
| Toilets Reserve pending possible asset transfer | 9,500 | 2,187 | 24/06/2025 £8313 redeemed to cover 2025/26 seasonal costs payable to Conwy CBC 31/03/2026 £1,000 added (using 2025/26 investment dividend) to offset alternative provision following Council's decision on 9th December 2025 not to agree the revenue costs payable to CCBC to re-open the public toilet block for 2026/27 |
| Playparks Reserve pending possible asset transfer | 12,400 | 12,400 | £1,302 to be added from monies held within HSBC deposit account following the 2025/26 underspend to be used to offset any reasonable request from the principal authority or Play Park Trustees to contribute towards the upkeep of or replacement of equipment |
| Translation Services | 500 | 500 | No change - Nominal amount included in 2026/27 budget 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 | 2,443 | 24/06/2025 £1557 redeemed to cover resurfacing materials to enable NRW to undertake resurfacing work, no labour costs |

| OTHER EARMARKED RESERVE FUNDS | Balances at 31/03/2025 | Balances at 31/03/2026 | Comments |
|---|-----------------------------------|-----------------------------------|--|
| Elections | 2,500 | 3,000 | As required by CCBC Electoral Office 31/03/2026 £500 added (using 2025/26 investment dividend) to cover projected increase in costs as advised by CCBC in December 2025 |
| Contingencies | 2,500 | 2,500 | No change |
| Councillor Allowances | 1,350 | 1,456 | As per mandatory requirements 31/03/2026 £106 added (using 2025/26 investment dividend) to meet the required minimum amount for 9 seats |
| Councillor Childcare Allowance | 100 | 100 | No change - as per mandatory requirements |
| IT/Office machinery etc. | 630 | 357 | 31/03/2026 £227 added to offset replacement costs |
| General Reserve ² | 7,000 | 6,000 | Approximately 25% of precept as contingency, should monies not be received or delayed from primary authority |
| Ash Dieback/Tree Safety Works | 2,000 | 880 | 24/06/2025 £1,120 redeemed to cover urgent tree works required to enable resurfacing to part of the Gower Road path |
| Defibrillator Reserve - Devices and Consumables | 600 | 600 | To offset replacement costs, as needed |
| | | | |
| TOTAL | 44,240 | 35,083.00 | |
| Add Reserves for Capital Projects: Cemetery | 6,675 | 6,675.00 | |
| TOTAL EARMARKED RESERVES | 50,915 | 41,758.00 | |

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 detailed above

**This document was reviewed and adopted at a meeting on 12th May 2026
and will be reviewed in May 2027
or sooner should legislation dictate**