

Reserves Policy and Specific Reserves held to support the 2020/21 Budget

Swindon is a very ambitious Council with plans to continue improving services and the local area at a time when the finances of local government are under pressure. The pace of change at the Council and the scale of savings being delivered bring with them risks in relation to the Council's capacity to deliver the planned stepped changes. These risks are both in relation to the complexity of some of the changes required to deliver the ongoing budget savings and secondly in respect of the potential need for funds to pump-prime work on future changes. The Council is managing these risks using a number of means:

Risk Assessment

Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed against a number of factors, namely:

- Impact on service
- Complexity of implementation
- Impact on equalities
- Contribution to strategic plans

Contingencies

The Council has a budget risk contingency fund of £3m to support its 2020/21 Budget.

Reserves

It is recommended that the minimum level of General Reserves the Council needs to hold to support the 2020/21 Budget is £6.6m, whilst aiming to gradually increase that figure over the medium term. The Corporate Director of Finance and Assets advises that this is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £3m.

Alongside the General Reserve, the Council is holding a number of specific reserves to support key risks and future commitments. These have been established following a thorough review of risks and needs.

By the start of 2020/21, the Council expects to be holding around £43.8m of reserves, of which £27.6m is earmarked to support the General Fund. By holding these reserves, the Council is accruing investment interest of around £207k per annum (assuming investment returns of around 0.75%). If the Council decided to hold lower levels of reserves in future, every £1m brought back into the revenue budget could reduce council tax by 0.9%. However, funding on-going revenue expenditure from reserves, other than on a transitional basis, would increase the level of risk within the annual budget and make future years' budgets increasingly unsustainable. The Council has incorporated the planned use of significant levels of reserves in each of its last three budgets to support both the overall budget and provide targeted support for Children's Services. In the light of this the Corporate Director of Finance and Assets would not recommend any further significant allocation of reserves to support the overall budget.

The £43.8m reserves expected to be held in 2020/21 is summarised below. Full details will be brought back to Cabinet early in the next Financial Year as normal for consideration and approval:

General Fund (£27.6m)

- **£2.4m** relates to the PFI equalisation reserve. This reserve fluctuates depending on the yearly cash flows of the PFI and will be fully depleted by the end of the project's life.
- **£1.0m** relates to infrastructure and regeneration funding. This is fully allocated for feasibility works and commitments in the budget including strategic growth initiatives (£100k), Honda Taskforce (£200k) and FSL pension costs (£370k).
- **£14.2m** of general 'cash flowing' reserves to fund programmes of work to deliver future years' budgets and manage budget risks.
- **£10m** of service specific reserves set out below:

Insurance Fund	£2.2m	This fund is set at an industry standard level of covering twice the aggregate excess liability in any financial year. The level of reserve is reviewed annually based on an assessment of claims, both past and future.
Other	£7.8m	A number of smaller service-specific reserves often financed from external funding or earmarked for committed projects

Other Funds (£16.2m)

- **£4.7m** of Schools balances representing the combined total of all individual schools' rolled-forward balances (£4.4m) and the non-schools retained DSG reserve (£0.3m).
- £11.5m** of HRA Balances comprising the HRA minimum working balance (£4m), the general reserve (£6.3m) and specific reserves (£1.2m).