

Reserves Policy

Swindon is a very ambitious Council with plans to continue transforming services and improve the local area at a time when national austerity measures are putting the finances of local Councils under tremendous strain. 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 transformational changes required to deliver the 2013/14 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 base budget general contingency fund of £0.5m to support its 2014/15 Budget.

Reserves

It is recommended that the minimum level of General Reserves the Council needs to hold to support the 2014/15 Budget is £6m. This is in the context of the Council delivering its services within Budget for the last six years.

Alongside the General Reserves, 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, the details of which are set out below.

The General Fund reserves total £39 million. By holding these reserves, the Council is accruing investment interest of around £390k per annum (assuming investment returns of around 1%). Should the Council decide to hold lower levels of reserves in future, for every £0.7m brought back into the revenue budget as a funding source, the Council Tax increase for that financial year could be reduced by 1%. However, this would increase the level of risk within the annual budget and make future years' Budgets increasingly unsustainable. The Board Director Resources would therefore not recommend using a significant proportion of specific reserves to support the annual budget.

Forecast Major Earmarked Reserves					
Description	Balance 01-Apr-13	Estimated transfer in 13-14 Closing	Estimated Balance 01-Apr-14	Life Remaining	Reason
	£000	£000	£000		
<u>Major Project Commitments</u>					
PFI Equalisation Reserve	(4,969)	255	(4,714)	3+	This reserve is to contribute to the Northern Sector Schools' PFI scheme. It will help fund the stages of the project where income is less than expense. The level of the reserve is reassessed annually.
Wichelstowe Cashflowing Reserve	(7,478)	1,300	(6,178)	3+	Reserve created to cashflow capital financing liabilities for the Wichelstowe development. This will enable the General Fund to be protected from any impact of the Wichelstowe development until around 2015.
<u>Infrastructure Related</u>					
Regeneration Reserve	(2,000)	748	(1,252)	1	Reserve created to support the redevelopment of the Town Centre and other major developments.
Growth Feasibility Studies	(1,073)	0	(1,073)		Reserve created from CLG Growth Point revenue funding, which was awarded to fund projects that bring forward housing numbers.
New Homes Bonus grant funding	(235)	235	0		New Homes Bonus grant funding, primarily to be used to support Capital spending and to support bringing empty homes back into use, as approved by Cabinet and Council.
<u>Cashflowing Reserves</u>					
2013-14 Carry forwards	0	(1,600)	(1,600)		Current forecast underspend on 13-14 budget to contribute to committed spend such as the £3m Leisure programme and the Transformation Hub

Appendix 7

Future funding fluctuations	(3,274)	(959)	(4,234)	3+	This reserve will supplement General Reserves, with the specific purpose of mitigating the impact of in-year funding changes from 2013/14, when localised business rates arrangements were introduced. The continuing uncertainty around historic around historic appeals means it is still prudent to hold at this point.
Potential funding for SCS RDF plant	(3,258)	0	(3,258)		Cabinet has approved that the Council will provide funding through a loan to Swindon Commercial Services Ltd for a plant to produce Refuse Derived Fuel. Potential funding sources will need to be agreed with the Council's Auditors, and it would advantageous if it could be funded from borrowing.
Transition Costs of Stronger Together Model	(384)	384	0		Reserve created at the end of 2010/11 to provide funds for the Stronger Together organisational development.
Fund Planning Reserve	(280)	0	(280)	3+	Funding for future work relating to Local Development Framework / minerals plans and core strategy The demands of forward planning are such that frameworks need to be required for different aspects of town planning over a period of years. These will cover waste, minerals and plans for the borough covering residential, commercial and industrial development.
Invest to Save / Costs of organisational change	(946)	0	(946)	3+	To pump prime agreed business cases leading to service transformation, enabling future project and severance costs to be cashflowed to allow some savings to be banked in the MTRP with the costs being spread.
<u>Other General Fund</u>					

Appendix 7

Insurance Excess Self Fund	(3,132)	0	(3,132)	3+	Reserve built up to cover the cost of claims in future years on non-Housing Council property. This is linked to the level of self-insurance and insurance premiums.
Community Enterprise Fund	(500)	0	(500)	3+	Can be used to support local community initiatives in support of the Stronger Together programme.
Academy Conversions	(50)	0	(50)		To provide funding toward the cost of anticipated academy conversions.
Equal Pay	(3,556)	0	(3,556)		Covers risk against equal pay claims.
Winter Maintenance Reserve	(300)	0	(300)	3+	Current budgetary provision for highway gritting is not sufficient to deal with exceptional demand, which a particularly bad winter would create. This reserve would augment the budget in those years. It is reassessed each year.
Severance Costs	(3,000)	0	(3,000)		Covers sums that cannot be met from the base budget.
Balance of 56 other GF reserves	(5,198)	325	(4,873)		
Total GF Reserves	(39,635)	688	(38,947)		
<u>School Related</u>					
School Rollovers	(6,263)	1,280	(4,983)		The Schools Finance Regulations allow schools to roll forward balances held. This balance represents the combined total of all schools' rolled-forward balances.
DSG rollover	(2,805)	0	(2,805)		Set up as a ring fenced reserve for DSG non-schools underspend on closing 11/12
<u>Housing Related</u>					
HRA Specific Reserves	(6,349)	0	(6,349)		Reserves earmarked within the Housing Revenue Account
Total DSG & HRA Reserves	(55,051)	1,968	(53,083)		