

## **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 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 £4.1m to support its 2017/18 Budget.

### Reserves

It is recommended that the minimum level of General Reserves the Council needs to hold to support the 2017/18 Budget is £6m. The Council's S151 officer advises that this is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £4.1m.

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 2017/18, the Council expects to be holding around £74m of reserves, of which £49m support the General Fund. By holding these reserves, the Council is accruing investment interest of around £175k per annum (assuming investment returns of around 0.4%). Should the Council decide to hold lower levels of reserves in future, for every £0.8m brought back into the revenue budget as a funding source to help balance the budget, the Council Tax increase for that financial year could be reduced by 1%. 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 Interim Corporate Director of Resources would therefore not recommend using a significant proportion of specific reserves to support the annual budget in this way.

The £74m reserves expected to be held in 2017/18 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 (£49m)**

- **£4.8m** relates to ring-fenced sums to cash flow the major Wichelstowe (£1.1m) and PFI (£3.7m) projects. These reserves fluctuate depending on the yearly cash flows of each project and will be fully depleted by the end of each project's life (well before, in the case of Wichelstowe).
- **£4.6m** relates to infrastructure and regeneration funding, which has been sourced mainly from the Planning Delivery Grant and New Homes Bonus issued by the Government.
- **£19.8m** of general 'cash flowing' reserves to fund programmes of work to deliver future years' budgets. This includes funding for future year's savings implementation, such as £2.6m for severance costs, plus commitments already approved by Cabinet, such as the Recreation and Golf asset transfers (£2m), IT service reshaping funding (£1.4m), Transitional Funding for Parishes (£3m) etc. This reserve funding has been created through the Council's on-going strategy to delivery future year's Budget savings early. Around £11m of funding is available to fund future programmes of work.
- **£9.9m** of service specific reserves set out below:

|                            |       |   |
|----------------------------|-------|---|
| Insurance Fund             | £4.1m | This fund is set at an industry standard level of covering twice the aggregate excess liability in any financial year. It was increased in 2013 to reflect the increased liabilities associated with bringing SCS back in-house and higher levels of self-funding which was offset by a significant reduction in premiums |
| Section 106 Administration | £0.5m | To fund the team delivering the projects funded from Section 106 receipts   |
| Other                      | £5.3m | A number of smaller service-specific reserves often financed from external funding or earmarked for committed projects  |

**Other Funds (£25m)**

- **£5.6m** of Schools balances representing the combined total of all individual schools' rolled-forward balances (£5.4m) and the non-schools retained DSG reserve (£0.2m).
- **£12.4m** of HRA Balances representing both specific reserves (£1.2m) and the main HRA balance (£11.2m)
- **£7m** for Thamesdown Transport Bus Companies liabilities; this is unusable for day-to-day costs.