



To:  
**Councillor Rob Stewart,  
Cabinet Member for Economy,  
Finance and Strategy (Leader)**

*Please ask for:  
Gofynnwch  
am:*

Scrutiny

*Direct Line:  
Llinell  
Uniongyrchol:*

01792 636292

*e-Mail  
e-Bost:*

scrutiny@swansea.gov.uk

BY EMAIL

*Date  
Dyddiad:*

25 November 2024

Summary: This is a letter from the Service Improvement, Regeneration and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy concerning the meeting held on 5 November the Review of Revenue Reserves. This letter does not require a response.

Dear Councillor Stewart,

On the 5 November, the Service Improvement, Regeneration and Finance Scrutiny Performance Panel met to discuss the Review of Revenue Reserves. This item went to Council on 3 October. The Panel are grateful to you and Ben Smith for attending to discuss and answer questions.

We were reminded that the Review of Revenue Reserves is dependent on the statement of accounts being approved and audited which is likely to be signed off towards the end of the year. At outturn the officer recommended to add £2m to general reserves and £6m to HRA reserves which was approved by Cabinet. There was also a planned draw down on several earmarked reserves and a substantial add to the capital equalisation reserve. The officer stated that earmarked reserves remain adequate and sufficient for the risks, size and scale of the Authority. With this addition when compared to other authorities in Wales, general reserves are now mid table and HRA reserves are towards the top of the table. You added that an increase to general reserves was a request of Audit Wales and that earmarked reserves are in a good position with draws from those reserves planned in the coming years.

We asked for more clarity of the general reserve and heard that the additional £2m brings the reserve up to £12m. Officer advice is that this is at the minimum level due to the size of the Authority and has not been topped up for several years. As overall revenue budget grows, it becomes a proportionally smaller share of the overall spend.

The officer highlighted that this Authority has one of the highest levels of earmarked reserves and one of the lowest levels of general fund reserves. Whilst this is the other way round to most other Authorities, it is deemed the most suitable arrangement for

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this Authority. The officer stated that the Authorities reserves are in a relatively strong and robust position.

We asked if the officer felt there was likely to be a better settlement from Welsh Government in the coming years. Overall, the officer felt it was too early to tell. Local Government has been a significant recipient of additional funds in England which may also be the case for Wales, but additional cost pressures may impact this and reduce the amount in real terms. You also highlighted that this year was a one year settlement, with a multi-year settlement hopefully to be provided the following year.

We asked for more detail on the list of earmarked revenue reserves to seek reassurance that reserves are being utilised where possible to mitigate further cuts. We also suggested that a general service breakdown of earmarked reserves would be useful in future. The officer has taken this suggestion on board and felt there was certainty that a further planned draw from earmarked reserves will be made to immediate as many of the pressures as possible, with social services reserves assumed fully spent already spent in first quarter. We also had confirmed that equal pay provision is set aside as a separate provision and not included in the earmarked reserves.

### **Your Response**

We are interested in any thoughts you may have on the contents of this letter but in this instance, we require no formal written response.

Yours sincerely,



### **Councillor Chris Holley**

Convener, Service Improvement, Regeneration and Finance Scrutiny Performance Panel

✉ [cllr.chris.holley@swansea.gov.uk](mailto:cllr.chris.holley@swansea.gov.uk)