

Review of Reserves

Adequacy of Reserves and Working Balance

The working balance is recommended to be maintained at £9m over the period of the Medium Term Financial Strategy. The consequences of not keeping a minimum prudent level of balances can be serious and in the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in a potentially damaging and arbitrary way. The working balance was used to fund the 2022/23 General Fund overspend and therefore replenishing it is a high priority and this will be completed over the next 3 financial years. The budget for 2024/25 includes a first year repayment of £1.125m.

The current level of balances has been based on the robustness of estimates information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when considering the minimum level of the working balance include:

- (i) The level of mitigation against the ongoing financial impacts of the pandemic;
- (ii) The complexity and degree of uncertainty associated with planned economy and efficiency measures and/or service changes and the likelihood of achieving them in full;
- (iii) The level of balances required to complement resources potentially available under the Bellwin Scheme for Emergency Financial Assistance to Local Authorities in the event of a major emergency;
- (iv) Risks of rising demand, increasing costs and/or falling income due to economic conditions or potential legislative changes;
- (v) The risk of major legal challenges, both current and in the future;
- (vi) Risks in the financial inter-relationship between NHS partners and the council;
- (vii) The need to retain a general contingency to provide against unforeseen circumstances that may arise, for example, delays in council tax billing which could arise from a major systems or power outage;
- (viii) The need to retain reserves for general day-to-day cash flow needs.

In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. Taking all of these factors into account, a £9m working balance is considered the minimum appropriate, representing about 2.5 weeks of council tax revenue.

Schools' Balances

Schools' balances, while consolidated into the council's overall accounts, are a matter for Governing Bodies. Nevertheless, under the council's Scheme for Financing Schools the council has a duty to scrutinise whether any school holds surplus balances. The council's Scheme for Financing Schools is in line with the requirements of the Secretary of State for Education and the arrangements in place are considered adequate.

Estimated Earmarked General Fund Revenue Reserves

Processes are in place to regularly review the council's earmarked revenue reserves. Details of the review of reserves are included in the table below.

The Chief Finance Officer is required, under Section 25 of the LG Act 2003, to review the adequacy of reserves and provisions. The review of reserves assesses the purpose and appropriateness of holding a reserve or provision and assesses the level of the reserve against identified risks and commitments. Following the review, £0.545m can be released from the following reserves in 2024/25:

Reserve	Amount to be Released £'000
Section 106 Interest	500
Customer Access & Accommodation Strategies & The Link Network Upgrade Reserve	25
Portslade Adult Learning	20
Total Reserves to be released	545

	Estimated Balance as at 01/04/24 £'000	Planned Use 2024/25 £'000	Estimated Balance as at 31/03/25 £'000	Review Arrangements	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	5,624	1,125	6,749	Reviewed against the register of financial risks, taking into account the requirements of the Local Government Act 2003.	A minimum working balance of £9.000m is recommended by the Chief Finance Officer in accordance with the requirements of Section 25 of the Local Government Act 2003. The Working Balance is being replenished over three years with the first repayment included in the 2024/25 budget.
Capital Receipts Reserve	2,720	4,524	7,244	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme and support for the council's modernisation investment plans.
Library PFI Reserve	825	-158	667	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme. Expected to be increased contributions from reserves, due to inflationary pressures. Contributions to the reserve may be required in future years.
Waste PFI Project Reserve	7,463	-266	7,197	Following closure of accounts.	Use for funding the project over the lifetime of the PFI. This reserve has been used to fund the Term Time only costs and will be replenished in time to meet existing Waste PFI commitments.
Section 106 Receipts (Revenue)	608	0	608	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	531	-31	500	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Release £0.500m to support the 2024/25 budget. This reserve relates to accumulated interest on S106 receipts. A review of the council's obligations to accrue interest has allowed the release of the majority of the funds which would otherwise have been reflected in the Financing Costs budget.
Developer Contributions Unapplied (S106 Capital)	346	0	346	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.

Appendix 4

	Estimated Balance as at 01/04/24 £'000	Planned Use 2024/25 £'000	Estimated Balance as at 31/03/25 £'000	Review Arrangements	Conclusion
Brighton Centre Redevelopment Reserve	287	-287	0	Following closure of accounts.	This reserve has been redirected to support essential maintenance at the Brighton Centre which is included in the 2023/24 and 2024/25 capital programme.
Customer Access & Accommodation Strategies & The Link Network Upgrade Reserve	25	0	25	Following closure of accounts.	Release £0.025m to support the 2024/25 budget. The balance of this reserve is no longer required.
ICT Investment Reserve	546	-300	246	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Winter Maintenance	371	0	371	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Dome Planned Maintenance	210	0	210	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	15	0	15	Following closure of accounts.	Held to replace pitch at the end of its useful life. Timing to be confirmed.
Surface Water Management Plan Reserve	405	-161	244	Following closure of accounts.	Retain to support planned SWMP related works, emergency work and to contribute to any carbon neutral opportunities. This reserve is retained to meet our statutory obligations as the Lead Local Flood Authority.
Sports Facilities Reserve	358	-200	158	Following closure of accounts.	Retain to support Sports Facilities.
Licensing - other reserve	18	0	18	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. Reserve irons out fluctuations in volumes of licences issued each year.
Taxi Licensing	61	0	61	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. This smooths out fluctuations in volumes of licences issued each year.
Trading Standards Seized Goods	7	0	7	Following closure of accounts.	Retain for specified purpose - to fund potential future repayments.
Stanmer Park Parking Surplus	250	0	250	Following closure of accounts.	Ringfenced to support expenditure on Stanmer Park as part of the Heritage Lottery funding agreement.

Appendix 4

	Estimated Balance as at 01/04/24 £'000	Planned Use 2024/25 £'000	Estimated Balance as at 31/03/25 £'000	Review Arrangements	Conclusion
East Brighton Parking Surplus	0	-63	-63	Following closure of accounts.	Retain to support expenditure on East Brighton Park
Preston Park Parking Surplus	187	-80	107	Following closure of accounts.	Retain to support expenditure on Preston Park.
Road Works Permit Scheme	53	0	53	Following closure of accounts.	The reserve is required to ensure that the permit scheme can meet its costs as in accordance with the legislation. The service is demand led depending on the volume of works in the city and the reserve reduces this risk of pressure on the wider council's revenue budgets.
Overdown Rise Footpath Maintenance	20	0	20	Following closure of accounts.	Hold for future years maintenance costs of the foot path at Overdown Rise
HMO Licensing Fees Reserve	456	-75	381	Following closure of accounts.	Retain to support annual inspections of HMO licenses - this is a statutory function
Phoenix House Sinking Fund	60	0	60	Following closure of accounts.	Tenants' contributions to be retained for maintenance requirements at Phoenix House.
Damage Deposit Guarantee Scheme	94	0	94	Reviewed during the year as part of budget monitoring process	Retained for specified purpose but required level will continue to be reviewed.
RP&M Trust Sinking Fund	402	0	402	Following closure of accounts.	Retain - subject to lease agreement with RPMT
Cemeteries Maintenance Reserve	59	-5	54	Following closure of accounts.	Retain for maintenance of cemeteries, tree clearance etc
Travellers Site Capital Reserve	79	-50	29	Following closure of accounts.	Contribution each year to reserves for future major works costs of the Travellers site.
Restructure Redundancy Reserve	86	0	86	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
CIL - Neighbourhood reserve	491	0	491	Following closure of accounts.	Allocations from the Neighbourhood Reserve will be made in accordance with the agreed process which involves ward councillors.

	Estimated Balance as at 01/04/24 £'000	Planned Use 2024/25 £'000	Estimated Balance as at 31/03/25 £'000	Review Arrangements	Conclusion
CIL - Strategic reserve	2,623	0	2,623	Following closure of accounts.	Allocations from the Strategic reserve will be made in line with the strategic objectives set out in the initial scheme and will be approved by committee.
Total General Fund Reserves	25,280	3,973	29,253		
Schools / DSG Reserves					
Portslade Adult Learning	20	0	20	Following closure of accounts.	Release £0.020m to support the 2024/25 budget. Historic reserve no longer required for its original purpose.
Total Schools / DSG Reserves	20	0	20		
TOTAL RESERVES	25,300	3,973	29,273		
General Fund Provisions					
Hostel Accommodation Dilapidations	82	0	82	Following closure of accounts.	Held for dilapidation costs for West Pier Hostel following retendering of service.
10 Year lease revenue costs Provision	78	39	117	Review of annual contribution to this provision at closedown.	This is required to pay back the borrowing costs when 10 year leases finish in 2032/33. These are 30 properties leased through Rough Sleeping Accommodation Programme partly funded by DCLG.
Voluntary Severance Provision	1,000	-1,000	0	Following closure of accounts.	To fund cost of potential severance agreements from 2024/25 Budget plans.
Insurance Provision	4,076	-100	3,976	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in March 2023.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary as part of the 2023/24 outturn report.
Homewood College Academisation Provision	350	0	350	Following closure of accounts.	Hold to fund potential costs of academisation.
Total General Fund Provisions	5,586	-1,061	4,525		
TOTAL ALL FUNDS	30,886	2,912	33,798		