

Review of Reserves

Adequacy of Reserves – working balance

The working balance is planned to be maintained at £9m over the next 3 years of the Medium Term Financial Strategy. Determining the appropriate levels of working balance requires a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in budget management. The consequences of not keeping a minimum prudent level of balances can be serious. 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 damaging and arbitrary way.

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 complexity and degree of uncertainty associated with planned economy and efficiency measures and/or service changes and the likelihood of achieving them in full;
- (ii) 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;
- (iii) Risks of rising demand, increasing costs and/or falling income due to economic conditions or potential legislative changes;
- (iv) The risk of major legal challenges, both current and in the future;
- (v) Risks in the financial inter-relationship between NHS partners and the council.
- (vi) 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 failure;
- (vii) 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 £9.0m working balance is considered appropriate, representing about 4 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.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
GENERAL FUND RESERVES					
Capital Receipts	3,199	216	3,415	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme and Workstyles.
Capital Reserves	928	-928	0	Following closure of accounts.	Committed to fund the capital programme.
General Reserves	1,571	-66	1,505	Following closure of accounts and through TBM monthly monitoring.	The net planned use of £0.066m includes all the additional resources, commitments and allocations included in Table 6 of the main report that occur in 2014/15. Of the £1.505m balance as at 31 March 2015, £1.199m is committed in future years leaving an unallocated balance of £0.306m.
Working Balance – General Fund	9,000	0	9,000	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.
Library PFI Project Reserve	261	-23	238	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Waste PFI Project Reserve	4,906	-680	4,226	Following closure of accounts.	Use for funding the project over the life time of the PFI. The review has identified that £1.56m can be released to general reserves in lieu of permanent savings being taken from the revenue budget. There is a planned contribution to the reserve in 2014/15 of £0.880m.
Pay Modernisation Reserve	1,900	0	1,900	Following closure of accounts.	All remaining reserves to be released following the implementation of pay modernisation.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
Finance Costs Reserve	634	-380	254	Following closure of accounts.	This reserve is being held to smooth the fluctuations in the financing costs budget over the next 2 years. This reserve will be fully used by 2015/16.
Section 106 Receipts	270	-100	170	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	90	0	90	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	3,732	-41	3,691	Following closure of accounts.	Future contributions to this reserve are planned to coincide with the sale of Patcham Court Farm. Planned expenditure relates to supporting progress of the project. Interest is accrued on balances held.
Customer Access & Accommodation Strategies	200	-200	0	Following closure of accounts.	The £0.200m remaining relates to the LINK public service network project and it is anticipated that this will be used during 2014/15.
Disclosure & Barring Service Checks	66	-66	0	Following closure of accounts.	Hold for specific purpose following previous OFSTED inspection requirements. Reserve expected to be fully used in 2014/15.
City Regeneration Fund	150	-150	0	Following closure of accounts.	Retain to support delivery of economic growth and regeneration initiatives and enable appropriate General Fund contribution to HRA led estate regeneration.
Welfare Reform	366	-202	164	Following closure of accounts.	Retain support the council's response to welfare reform including digital inclusion.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
Restructure Redundancy Reserve	2,913	-500	2,413	Following closure of accounts.	Planned contribution of £1.000m included in the allocation of reserves, less anticipated use of the reserve of £1.500m in 2014/15.
Insurance Reserve - General	6,474	0	6,474	The Insurance Fund is subject to a bi-annual health check by the actuaries. The next health check is due to report back in 2015.	The Insurance Fund biennial health-check was completed in 2013 and the level of fund is recommended is in line with that currently held.
Museum Objects Acquisition Reserve	92	0	92	Following closure of accounts.	Retain for specified purpose, which includes the agreed wider use to support the transfer of museum objects and records to the Keep.
Pavilion Renewals Fund	52	0	52	Following closure of accounts.	Retain for specified purpose.
Jack Thompson - Hove Museum	253	0	253	Following closure of accounts.	Reserve for acquisitions/refurbishment at Hove Museum in accordance with bequest.
James Green Foundation	100	0	100	Following closure of accounts.	This reserve was set up from a donation by Colonel James Green in 1993. The James Green reserve is used to fund the Burmese collection.
Brighton & Hove Natural History Society Reserve	11	0	11	Following closure of accounts.	Reserve for maintaining the assets of Brighton & Hove Natural History Society which are held at the Booth Museum.
Sports Facilities Reserve	192	-50	142	Following closure of accounts.	Retain for specified purpose of investment in contracted sports facilities.
Sustainable Temporary Accommodation Reserve	366	41	407	Following closure of accounts.	Held for dilapidation costs for leased temporary accommodation.
Homes in Multiple Occupation (HMO) Licensing Fees Reserve	227	-56	171	Following closure of accounts.	Retain to support annual inspections of HMO premises.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
HMO Additional Licensing Fees	733	-250	483	Following closure of accounts.	Retain to support annual inspections of HMO premises.
Damage Deposit Guarantee Scheme Reserve	331	0	331	Following closure of accounts.	Retain to guarantee deposits for supporting people service users moving into private rented accommodation.
Adult Social Care Long Term Capacity Reserve	1,101	-1,101	0	Following closure of accounts.	Reserve will be used to support the capital development of Brooke Mead as approved by Policy & Resources Committee on 5th December 2013.
Winter Maintenance	360	0	360	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Vehicles Reserve Fund	31	-31	0	Following closure of accounts.	The reserve is likely to be used in 2014/15 to purchase a vehicle
Transport Model	10	-10	0	Following closure of accounts.	This reserve is expected to be fully utilised in 2014/15.
Concessionary Bus Passes	83	8	91	Following closure of accounts.	Hold for specific purpose. Planned expenditure is in 2015/16.
ICT Investment Reserve	510	-250	260	Following closure of accounts.	Retain to support expenditure over the ICT strategy until 2016/17.
Dome Planned Maintenance Earmarked Res	259	0	259	Following closure of accounts.	Retain subject to lease agreement with Brighton Dome & Festival Society
Investment Properties (Dilapidations) Reserve	125	-51	74	Following closure of accounts.	Retain for specified purpose for potential properties earmarked for disposal or refurbishment. Balance of £0.074m relates to Workstyles properties that have now been disposed of (Patcham Place and major Close)
Insurance Reserve - Risk Management	18	-18	0	Following closure of accounts.	To be utilised in 2014/15 on Interplan upgrade.
GENERAL FUND PROVISIONS					
Cemetery - Maintenance of Graves in Perpetuity	79	0	79	Following closure of accounts.	Retain for maintenance and replacement as required.
Cemetery - Maintenance of	17	0	17	Following closure of	Retain for maintenance and replacement as

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
Monuments				accounts.	required.
Cemetery - Replacement	15	0	15	Following closure of accounts.	Retain for maintenance and replacement as required.
Demolition of Dangerous Building	25	0	25	Following closure of accounts.	Retain until final accounts from contractors are signed off and remedial works to adjoining buildings are completed.
Land Charges Personal Searches Provision	311	-311	0	Following closure of accounts.	One court case has been resolved for which we have settled our liability. There remains a court case yet to be resolved which will determine any further liability and until this has been heard it is not proposed to revise this provision.
Modern Records units X and Z	93	-93	0	Following closure of accounts.	We have settled all liabilities incurred up until our vacation but we still need to pay our element of the dilapidations that is being negotiated by East Sussex County Council. The amount and timing of this expenditure is difficult to predict since it is ESCC negotiating with the landlord but it is expected to be settled by the end of 14/15.
Pay Modernisation & Equal Pay Provision	450	0	450	Following closure of accounts.	Provision relates to liability to HMRC and outstanding equal pay offers.
Workstyles Dilapidations Provision	366	-315	51	Following closure of accounts.	Retain for Workstyles VFM project. Funds identified for dilapidations costs for specific leased properties due to be vacated in future years.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
HRA RESERVES					
Working Balance - HRA	4,798	-500	4,298	Following closure of accounts.	A minimum working balance of £2m is recommended by the Chief Finance Officer in accordance with the requirements of Section 25 of the Local Government Act 2003. Any residual balance can be used to support the HRA long term business plan.
Capital Reserves	1,699	0	1,699	Following closure of accounts.	Committed to fund the capital programme.
Revenue Grants Reserve	27	-27	0	Following closure of accounts.	Retain for specified purpose. Relates to Social Housing Fraud. Project delayed until 2014/15
Estates Development Budget (EDB) Reserves	246	-50	196	Following closure of accounts.	Retain for estates development. Annual amount is approved to fund EDB; the programme is a rolling programme with new schemes approved annually. The reserves are still committed to projects approved in the EDB programme.
Restructure & Redundancy Reserve	547	0	547	Following closure of accounts.	Retain to cover possible redundancies following further restructuring of Housing Management
SCHOOLS / DSG RESERVES					
Dedicated Schools Grant (DSG) Capital Reserve	1,200	-1,200	0	Review alongside Education Capital investment programme.	Retain for specific purpose. Committed to support the Education capital programme for new pupil places. Remaining £1.2m to be fully used in 2014/15.
Schools PFI Project Reserve	1,647	-60	1,587	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Schools – Local Management of Schools (LMS) Balances	6,000	0	6,000	Following closure of accounts.	Balances are held by school governing bodies.

Description	Estimated Balance as at 01/04/14 £'000	Planned Use 2014/15 £'000	Estimated Balance as at 31/03/15 £'000	Review Arrangements	Conclusion
Portslade Community College Adult Balance	107	0	107	Following closure of accounts.	Balance used at the discretion of the facility.
TOTAL ALL FUNDS	59,141	-7,481	51,660		