

Review of Reserves

Adequacy of Reserves – working balance

The working balance is recommended to be maintained at £9m over the next 5 years of the Medium Term Financial Strategy together with a one off risk provision for 2019/20 of £1.352m as set out in section 9 of the report. 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 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 outage;
- (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 3½ 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.

Reserve Name	Estimated Balance as at 01/04/19 £'000	Planned Use 2019/20 £'000	Estimated Balance as at 31/03/20 £'000	Review Process	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	10,352	0	10,352	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. In addition a further £1.352m is being held as a one-off risk provision taking into account known and foreseeable risks in the 2019/20 budget.
Capital Reserves	591	-591	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Capital Receipts Reserve	23,600	-9,500	14,100	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme and support for the 4 year Integrated Service & Financial Plans.
Library PFI Reserve	877	98	975	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	3,789	292	4,081	Following closure of accounts.	Use for funding the project over the life time of the PFI. This reserve will be used to provide short term cashflow funding to support the Housing Joint Venture. This reserve will be replenished in time to meet existing Waste PFI commitments.
Finance Costs Reserve	250	-250	0	Following closure of accounts.	Held to level out fluctuations in the financing costs budget.
Section 106 Receipts	308	-60	248	Reviewed throughout the	Retain for specified purpose.

Reserve Name	Estimated Balance as at 01/04/19 £'000	Planned Use 2019/20 £'000	Estimated Balance as at 31/03/20 £'000	Review Process	Conclusion
(Revenue)				year to reflect agreed liabilities and new agreements.	
Section 106 Interest	394	30	424	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Developer Contributions Unapplied (S106 Capital)	629	-100	529	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	2,845	23	2,868	Following closure of accounts.	Held to support future expenditure on the Brighton Waterfront project from 2022/23 onwards. Interest is accrued on balances held.
Customer Access & Accommodation Strategies & The Link Network Upgrade Reserve	179	-58	121	Following closure of accounts.	Balance being held as contingency for the Link programme as included in the business case.
Museum Objects Acquisitions Reserve	64	0	64	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.
Concessionary Bus Passes	60	-60	0	Following closure of accounts.	Retain for specified purpose to smooth out annual purchases of concessionary passes.
IT&D Investment Reserve	155	-125	30	Following closure of accounts.	Held on behalf of specific services to support planned IT&D expenditure over the next two years.
Environmental Enforcement Reserve	90	-90	0	Following closure of accounts.	Initial costs for bringing the service in-house in 2019/20 as agreed at Dec 2018 ETS committee

Appendix 4

Reserve Name	Estimated Balance as at 01/04/19 £'000	Planned Use 2019/20 £'000	Estimated Balance as at 31/03/20 £'000	Review Process	Conclusion
Modernisation Fund Reserve	320	-320	0	Following closure of accounts.	Held in respect of reprofiled or delayed Modernisation projects which support delivery of the council's planned savings.
Winter Maintenance	426	-40	386	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Dome Planned Maintenance	396	-127	269	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	15	15	30	Following closure of accounts.	Held to replace the pitch at the end of its useful life.
James Green Foundation	101	0	101	Following closure of accounts.	Retain for specified purpose - to fund the Burmese collection.
Surface Water Management (SWAMP) Reserve	870	-395	475	Following closure of accounts.	Retain to support planned SWAMP related works.
Community Equipment Reserve	240	-240	0	Following closure of accounts.	Risk reserve held to manage pressures on this high demand service that can't be managed through the Better Care programme.
Licensing - other reserve	100	0	100	Following closure of accounts.	Retain to fund potential future deficits or repayment to licensees.
Taxi Licensing	97	0	97	Following closure of accounts.	Retain to fund potential future deficits or repayment to licensees.
East Brighton Parking Surplus	9	-9	0	Following closure of accounts.	Retain to support expenditure on East Brighton Park. Projected to be spent in 2019/20 on the Park and parking infrastructure.
Preston Park Parking Surplus	169	-169	0	Following closure of accounts.	Retain to support expenditure on Preston Park. Projected to be spent in 2019/20 on park infrastructure.
NEH Refurbishment Reserve	150	0	150	Following closure of accounts.	Balance of £0.150m held to provide match funding for New England House redevelopment.

Appendix 4

Reserve Name	Estimated Balance as at 01/04/19 £'000	Planned Use 2019/20 £'000	Estimated Balance as at 31/03/20 £'000	Review Process	Conclusion
Road Works Permit Scheme	127	-50	77	Following closure of accounts.	To separately account for permit income so that any surplus can be carried forward to future years to fund relevant costs.
i360 Reserve	3,606	0	3,606	Following closure of accounts and Policy Resources and Growth Committee in June 2019	£1.0m is ring fenced for reinvestment in Madeira Drive with all remaining resources held until the review of i360 business model is concluded.
HMO Licensing Fees Reserve	335	-50	285	Following closure of accounts.	Retain to support annual inspections of HMO licenses.
HMO Additional Licensing Fees (3)	689	0	689	Following closure of accounts.	Retain to support additional licensing work over the period of the license.
Damage Deposit Guarantee Scheme	231	0	231	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.
PRS Rent Deposit Scheme	43	0	43	Following closure of accounts.	Retained for specific purpose but required level will continue to be reviewed.
Business Rates S31 adjustment reserve	358	-358	0	As part of closure of accounts.	Retain for specified purpose.
Seaside Homes Reserve	55	0	55	Following closure of accounts.	Retained for specific purpose but required level will continue to be reviewed
City Deal New England House Dev Reserve	4,900	-500	4,400	Following closure of accounts.	Expected to be utilised by 2020/21 depending on outcome of project negotiations.
Investment Properties (Dilapidations)	245	-125	120	Following closure of accounts.	Retain for specific purpose. Dilapidations are anticipated to be agreed over the next 2 years.
Restructure Redundancy	1,323	-580	743	As part of closure of	Restructure & Redundancy costs are

Reserve Name	Estimated Balance as at 01/04/19 £'000	Planned Use 2019/20 £'000	Estimated Balance as at 31/03/20 £'000	Review Process	Conclusion
Reserve				accounts.	funded within the capital programme as part of the capitalisation direction.
Insurance Reserve General	5,593	0	5,593	The Insurance Fund is subject to a bi-annual health check by the actuaries. The next health check is due to by the end of March 2019.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary as part of the 2018/19 outturn report.
Total General Fund Reserves	64,581	-13,339	51,242		
HRA Reserves					
HRA Working Balance	8,868	-1,682	7,186	Following closure of accounts.	A minimum working balance of £3m 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.
Estate Development Budget (EDB) Reserve	237	-169	68	Following closure of accounts.	Retain for estates development. Annual amount is approved to fund the EDB. The programme is a rolling programme with new schemes approved annually.
Renewable Energy Reserve	179	-50	129	Following closure of accounts.	Maintain for specified purpose.
Restructure & Redundancy Reserve	388	0	388	Following closure of accounts.	Retained to fund possible future redundancies.
Total HRA Reserves	9,672	-1,901	7,771		
Schools / DSG Reserves					
Schools PFI Project Reserve	1,339	-50	1,289	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	2,803	0	2,803	Following closure of	Balances are held by school governing bodies.

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				accounts.	
Portslade Adult Learning	20	0	20	Annually	Balance used at the discretion of the facility regarding potential liabilities.
Total Schools / DSG Reserves	4,162	-50	4,112		
TOTAL RESERVES	78,415	-15,290	63,125		
General Fund Provisions					
Hostel Accommodation Dilapidations	23	-23	0	Following closure of accounts.	Held for dilapidation costs for West Pier Hostel following retendering of service.
Cemetery Replacement	2	0	2	Following closure of accounts.	Retain for maintenance and replacement as required.
Cemetery - Maintenance of Graves in Perpetuity	34	-10	24	Following closure of accounts.	Retain for maintenance and replacement as required.
Cemetery - Maintenance of Monuments	15	0	15	Following closure of accounts.	Retain for maintenance and replacement as required.
Workstyles Dilapidations	41	0	41	Following closure of accounts.	Balance held to meet potential liabilities.
Total General Fund Provisions	115	-33	82		
Total All Funds	78,530	-15,323	63,207		

