

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 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 appropriate, representing about 3 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. Table 4 in the main report sets out the expected level of internal borrowing from reserves at £4.216m, of which £2.233m relates to short term Covid-19 expenditure which will be repaid over a period of up to 10 years, and £1.983m to support the 4 year MTFS which will be repaid over the 4-year planning period. The reserves table below does not detail the reserves to be borrowed from which will be determined at year-end

alongside any improvements in the 2021/22 outturn position and the final 'borrowing' requirement which is subject to Policy & Resources Committee approval.

The council also approved £1.520m internal borrowing from reserves to support short term Covid-19 costs in the 2021/22 budget and repayments of £0.152m are included in the 2022/23 budget, which is reflected 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, £0.352m can be released from a small number of reserves following confirmation from budget holders that there are no further commitments or planned use of the reserve. In addition, £0.877m will be released from the Insurance Reserve due to the change in accounting treatment which will see this switch to an accounting provision to meet identified potential claims liabilities.

	Estimated Balance as at 01/04/22 £'000	Planned Use 2022/23 £'000	Estimated Balance as at 31/03/23 £'000	Review Arrangements	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	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.
General Fund Working Balance/General Reserves - held for specific future commitments	1,038	-642	396	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Capital Receipts Reserve	13,059	-11,159	1,900	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.
Capital Reserves (GF)	516	0	516	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Library PFI Reserve	950	-20	930	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	5,131	925	6,056	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.

Appendix 4

	Estimated Balance as at 01/04/22 £'000	Planned Use 2022/23 £'000	Estimated Balance as at 31/03/23 £'000	Review Arrangements	Conclusion
Section 106 Receipts (Revenue)	601	0	601	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	534	0	534	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Developer Contributions Unapplied (S106 Capital)	422	0	422	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	1,301	152	1,453	Following closure of accounts.	Held to support future expenditure on the Brighton waterfront project from 2022/23 onwards. Interest is accrued on balances held.
ICT Investment Reserve	199	-199	0	Following closure of accounts.	Held to support planned IT&D expenditure over the next year.
Environmental Enforcement Reserve	120	0	120	Following closure of accounts.	Retain for specified purpose.
Winter Maintenance	285	0	285	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Outdoor Events	74	-74	0	Following closure of accounts.	Funds for the (delayed) 2021 UEFA women's Football Championships where Brighton & Hove is a host city.
Dome Planned Maintenance	181	-100	81	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.

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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 Reserve	432	39	471	Following closure of accounts.	Retain to support planned SWMP related works.
BikeShare Scheme Reinvestment Reserve	55	-55	0	Following closure of accounts.	Retain to hold income share to the council from the Bike Share scheme to support future expansion and innovation of the scheme.
Sports Facilities Reserve	244	-189	55	Following closure of accounts.	The future capital investment in sports facilities is still in discussion.
Licensing - other reserve	44	0	44	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Taxi Licensing	88	-10	78	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Stanmer Park Parking Surplus	100	0	100	Following closure of accounts.	Retain to support expenditure on Stanmer Park.
East Brighton Parking Surplus	20	0	20	Following closure of accounts.	Retain to support expenditure on East Brighton Park.
Preston Park Parking Surplus	237	0	237	Following closure of accounts.	Retain to support expenditure on Preston Park.
Road Works Permit Scheme	33	0	33	Following closure of accounts.	To separately account for permit income so that any surplus can be carried forward to future years to fund relevant expenditure.
Overdown Rise Footpath Maintenance	20	-5	15	Following closure of accounts.	To fund future years maintenance costs of

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					the footpath at Overdown Rise
i360 Reserve	7,806	0	7,806	Following closure of accounts and completion of the revised loan agreement.	£1.0m is ring fenced for reinvestment in Madeira Drive with all remaining resources held until the i360 is in a sustainable financial position
HMO Licensing Fees Reserve	384	0	384	Following closure of accounts.	Retain to support annual inspections of HMO licenses
HMO Additional Licensing Fees	272	0	272	Following closure of accounts.	Retain to support Additional licensing work over the period of the license to 2023
Phoenix House Sinking Fund	60	-60	0	Following closure of accounts.	Retain for maintenance requirements at Phoenix House.
Damage Deposit Guarantee Scheme	200	0	200	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.
Cemeteries Maintenance Reserve	56	-25	31	Following closure of accounts.	Retain for maintenance of cemeteries, tree clearance etc
PRS Rent Deposit Scheme	41	-41	0	Following closure of accounts.	Retained for specific purpose but required level will continue to be reviewed.
Travellers Site Capital Reserve	79	0	79	Following closure of accounts.	Contribution each year to reserves for future major works costs of the Travellers site to pay for capital works to the site such as works to shower blocks.
City Deal New England House Dev Reserve	4,568	0	4,568	Following closure of accounts.	Spend to commence in 2023/24 on major refurbishment works

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Investment Properties (Dilapidations)	239	-239	0	Following closure of accounts.	Proposed to invest in improvements to existing stock and support rental security / improve rental streams. Forms part of Capital Investment Programme.
Restructure Redundancy Reserve	157	-157	0	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
CIL - Neighbourhood reserve	100	0	100	Yearly	CIL expenditure is difficult to estimate until projects begin. CIL income also dependent on levels of development activity during year.
CIL - Strategic reserve	535	0	535	Yearly	CIL expenditure is difficult to estimate until projects begin. CIL income also dependent on levels of development activity during year.
Total General Fund Reserves	49,196	-11,859	37,337		
Schools / DSG Reserves					
Schools PFI Project Reserve	854	-185	669	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	6,912	0	6,912	Following closure of accounts.	Balances are held by school governing bodies. Position unclear for future years.
Portslade Adult Learning	20	0	20	Following closure of accounts.	Balance used at the discretion of the facility.
Total Schools / DSG Reserves	7,786	-185	7,601		
TOTAL RESERVES	56,982	-12,044	44,938		

	Estimated Balance as at 01/04/22 £'000	Planned Use 2022/23 £'000	Estimated Balance as at 31/03/23 £'000	Review Arrangements	Conclusion
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.
Voluntary Severance Provision	288	-288	0	Following closure of accounts.	To fund cost of potential severance agreements from 2022/23 Budget plans.
Insurance Provision	4,326	0	4,326	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in February 2021.	The level of the Insurance Provision will be adjusted in line with the recommendations of the actuary as part of the 2021/22 outturn report.
Workstyles Dilapidations	41	0	41	Following closure of accounts.	Balance held to meet potential liability.
Total General Fund Provisions	4,737	-288	4,449		
TOTAL ALL FUNDS	61,719	-12,332	49,387		

Summary of amounts released from Reserves to support one-off resources

Description	£'000
Released following change in accounting practise for insurance liabilities	927
Released following review of unrequired reserves	352
Total	1,279