

Review of Reserves

Adequacy of Reserves – working balance

The working balance is recommended to be maintained at £9m over the next 4 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 including large savings programmes, 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 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 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.

	Estimated Balance as at 01/04/16 £'000	Planned Use 2016/17 £'000	Estimated Balance as at 01/04/17 £'000	Review Arrangements	Conclusion
GENERAL FUND RESERVES					
Developer Contributions Unapplied	216	0	216	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Capital Receipts	5,073	-1,430	3,643	Ongoing review as part of TBM process.	Fully committed to fund the Capital Investment programme including HRA Capital Programme, Workstyles and support for the 4-Year Service and Financial Plans.
Capital Reserves	59	141	200	Following closure of accounts.	Retain for specified purpose. The fund is fully committed to fund the capital programme.
Library PFI Project Reserve	427	0	427	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	3,345	550	3,895	Following closure of accounts.	Use for funding the project over the life time of the PFI. This reserve has provided a 5 year loan to the East Sussex Credit Union agreed at Policy & Resources in January 2016.
Section 106 Receipts	374	0	374	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	298	0	298	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	3,366	-33	3,333	Following closure of accounts.	Future contributions to this reserve are planned to coincide with the sale of

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					Patcham Court Farm. Planned expenditure relates to supporting progress of the project. Interest is accrued on balances held.
Customer Access & Accommodation Strategies	258	-60	198	Following closure of accounts.	Balance being held as contingency for the Link programme as included in the business case.
Disclosure & Barring Service checks	75	-25	50	Following closure of accounts.	Balance of £0.050m not required and can be released.
Modernisation Fund Reserve	1,424	-1,424	0	Following closure of accounts.	This reserve is supplemented by an allocation of £0.550m held in Contingency in the 2016/17 budget.
City Regeneration Fund	77	-77	0	Following closure of accounts.	Balance expected to be utilised in 2016/17.
Welfare Reform Reserve	872	-430	442	Following closure of accounts.	Retain to support the council's response to Welfare Reform and reduction in funding for Discretionary Housing Payments and Local Discretionary Social Fund.
Business Rates S31 Adjustment Reserve	236	-236	0	As part of closure of accounts.	Retain for specified purpose.
Restructure & Redundancy Reserve	500	900	1,400	As part of closure of accounts.	Retain for specified purpose. The Reserve reflects the contribution of £2.5m and an estimate of use in 2016/17. However, this will be reviewed in conjunction with the Voluntary Severance provision at the year-end when there is more clarity around the number of potential redundancies and early retirements as a result of the 2016/17 budget package.
Insurance Reserve - General	5,565	0	5,565	The Insurance Fund is subject to a bi-annual health check by the actuaries. The	The last Insurance Fund health check was completed in 2015 and the level of fund held was adjusted accordingly.

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				next health check is due to in March 2017.	
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. All resources over the £9m have been reflected in the 2016/17 budget.
i360 Earmarked Reserve	730	-730	0	Following closure of accounts.	Current balance is ring fenced for reinvestment landscaping around the i360 site. Future balances earmarked for wider development of the seafront and its infrastructure
City Deal New England House Dev Reserve	4,900	-4,900	0	Following closure of accounts.	Expected to be utilised in 2016/17 depending on outcome of project negotiations.
Museum Objects Acquisition Reserve	63	0	63	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.
Royal Pavilion Fund	66	0	66	Following closure of accounts.	Retain for specified purpose - conservation works at the royal Pavilion.
Jack Thompson - Hove Museum	227	0	227	Following closure of accounts.	Retain for specified purpose - acquisitions/ refurbishment at Hove Museum.
James Green Foundation	107	0	107	Following closure of accounts.	Retain for specified purpose - to fund the Burmese collection.
Brighton & Hove Natural History Society Reserve	8	0	8	Following closure of accounts.	Retain for specified purpose - maintaining the assets of Brighton & Hove Natural History Society which are held at the Booth Museum.
Sports Facilities Reserve	218	-218	0	Following closure of accounts.	Anticipated to be fully utilised in 2016/17.
Financial Inclusion &	102	-102	0	Following	Retain for specified

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Community Banking				closure of accounts.	purpose to fund contractually committed expenditure as part of community banking commission. Expected to be fully utilised in 2016/17.
Sustainable Temporary Accommodation Reserve	296	-90	206	Reviewed during the year as part of budget monitoring process.	Held for dilapidation costs for leased temporary accommodation. Level to be kept under review.
HMO Licensing Fees Reserve	189	110	299	Following closure of accounts.	Retain to support annual inspections of HMO licenses
HMO Additional Licensing Fees	196	-120	76	Following closure of accounts.	Retain to support annual inspections of HMO licenses
Damage Deposit Guarantee Scheme Reserve	331	0	331	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed
Seaside Homes Reserve	36	0	36	Reserve is likely to maintain at this level	Retained for specific purpose but required level will continue to be reviewed
Winter Maintenance	451	0	451	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Surface Water Management Plan (SWAMP) Reserve	663	-325	338	Following closure of accounts.	Retain to support planned SWAMP works. Major draw down on this reserve expected to commence in 2016/17.
Preston Park Parking Surplus Reserve	110	44	154	Following closure of accounts.	Retain to support expenditure on Preston Park.
East Brighton Park Parking Surplus	11	7	18	Following closure of accounts.	Retain to support expenditure on East Brighton Park.
Concessionary Bus Passes	60	10	70	Following closure of accounts.	Retain for specified purpose - to smooth out annual purchase of concessionary passes.
ICT Investment Reserve	157	-52	105	Following closure of accounts.	Retain balance to support the Customer First in the Digital Age (CFDA) Strategy until 2018/19.
Dome Planned Maintenance Earmarked	237	0	237	Following closure of	Retain - subject to lease agreement with Brighton

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Reserve				accounts.	Dome & Festival Society.
New England House (NEH) Refurbishment Reserve	150	0	150	Following closure of accounts.	Balance of £0.150m held to provide match funding for NEH redevelopment.
Social Fund Reserve	271	-136	135	Following closure of accounts.	Retain balance to support expenditure on Social Fund.
Investment Properties (Dilapidations) Reserve	57	-57	0	Following closure of accounts.	Remaining balance expected to be utilised in 2016/17.
Insurance Reserve - Risk Management	19	-4	15	Following closure of accounts.	Balance of £0.015m not required and can be released.
Licensing – (other) reserve	36	-6	30	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Four Year Integrated Service & Financial Plan Reserve	2,750	-2,750	0	Following closure of accounts.	Retain for specified purpose - supporting investment requirements contained in Service & Financial Plans
Total General Fund Reserves	43,606	-11,443	32,163		
GENERAL FUND PROVISIONS					
Modern Records units X and Z	93	0	93	Following closure of accounts.	Balance being held for potential dilapidations.
Workstyles Dilapidations Provision	300	0	300	Following closure of accounts.	Balance of £0.300m no longer required and can be released.
Business Rates Appeals Provision	1,613	-500	1,113	As part of closure of accounts.	Retain for specified purpose to meet back-dated costs of successful business rates appeals.
Carbon Reduction Commitment (CRC) Provision	233	-81	152	Following closure of accounts.	Balance held to meet anticipated liability.
Seaside Rent Guarantee Provision	132	0	132	Following closure of accounts.	Maintain for specified purpose. The balance is likely to increase in the early years and will be drawn down in accordance with the agreement.
Cemetery Provisions	68	0	68	Following closure of accounts.	Retain for maintenance and replacement as required.
Land Charges Personal Searches Provision	87	-87	0	Following closure of accounts.	Expected to be utilised in 2016/17.

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Total General Fund Provisions	2,526	-668	1,858		
HOUSING REVENUE ACCOUNT RESERVES					
Capital Receipts	8	-8	0	Following closure of accounts.	Expected to be utilised in 2016/17
Estates Development Budget (EDB) Reserve	649	-149	500	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.
HRA Automatic Meter Readers Reserve	45	0	45	Following closure of accounts.	Maintain to fund installation of automatic meter readers.
Restructure & Redundancy Reserve	388	0	388	Following closure of accounts.	Retained to fund possible future redundancies.
Working Balance - HRA	5,002	-271	4,731	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.
Total Housing Revenue Account Reserves	6,092	-428	5,664		
SCHOOLS / DSG RESERVES					
Schools PFI Project Reserve	1,482	-75	1,407	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Revenue Grants Reserve - DSG	40	-40	0	Following closure of accounts.	Unspent balance on DSG must be carried forward to support future schools budget expenditure.
Schools – Local management of Schools (LMS) Balances	4,500	-750	3,750	Following closure of accounts.	Balances are held by school governing bodies.
Portslade Community College Adult Balance	41	0	41	Following closure of accounts.	Balance used at the discretion of the facility.
Total Schools / DSG Reserves	6,063	-865	5,198		
TOTAL ALL FUNDS	58,287	-12,904	45,383		

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

Description	Amount Released £'000
CRB Checks Reserve	50
Risk Management Reserve	15
Workstyles Dilapidation Provision	300
Total Released	365