

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 together with a one off risk provision for 2018/19 of £1.5m. Determining the appropriate level 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 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 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. It should be noted that many schools' finances are under pressure and that the total 'licensed budget deficits', which allows schools to manage a budget deficit over a 2-year period, currently exceed the

Scheme for Financing Schools guideline of 40% of Schools' Balances. It is currently forecast that there will be a total debit balance of £0.339m at 31st March 2018 – see paragraph 8.2 of main report. This situation will be kept under review by the S151 Chief Finance Officer but may require further consideration if schools' management of deficits falls behind approved plans. Schools PFI reserves will be a first call to provide financial smoothing of approved plans.

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 01/04/18 £'000	Planned Use 2018/19 £'000	Estimated Balance as at 01/04/19 £'000	Review Arrangements	Conclusion
General Fund Reserves					
Capital Receipts Reserve	31,231	-14,845	16,386	Ongoing review as part of TBM monitoring process.	Committed to fund the Capital Investment programme including HRA Capital Programme and support for the four year Service and Financial Plans.
Capital Reserves	406	-373	33	Following closure of the accounts.	Balance will be used to fund ongoing corporate commitments.
Developer Contributions Unapplied (S106 Capital)	638	-100	538	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Library PFI Reserve	856	169	1,025	Following closure of the accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	3,497	285	3,782	Following closure of the accounts.	Use for funding the project over the life time of the PFI. This reserve will be used to provide short term cash-flow funding to support the Housing Joint Venture. The reserve will be replenished in time to meet existing Waste PFI commitments.

	Estimated Balance as at 01/04/18 £'000	Planned Use 2018/19 £'000	Estimated Balance as at 01/04/19 £'000	Review Arrangements	Conclusion
Section 106 Receipts (Revenue)	246	-50	196	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	390	30	420	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	2,891	-200	2,691	Following closure of the 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 & The Link Network Upgrade Reserve	318	-318	0	Following closure of the accounts.	Balance being held as contingency for the Link programme as included in the business case.
Museum Objects Acquisitions Reserve	63	0	63	Following closure of the 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	40	10	50	Following closure of the accounts.	Retain for specified purpose - to smooth out annual purchase of concessionary passes.

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ICT Investment Reserve	159	-159	0	Following closure of the accounts.	Retain balance to support the Digital First programme until 2018/19. Multi-function Device lease payments are also funded by some of this reserve as 1 st year payment was set aside when the contract was reduced from 5 years to 4 years (but at same cost).
Winter Maintenance	470	0	470	Following closure of the accounts.	Held to fund exceptional costs of harsh weather.
Dome Planned Maintenance	325	0	325	Following closure of the accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
James Green Foundation	100	0	100	Following closure of the accounts.	Retain for specified purpose - to fund the Burmese collection.
Surface Water Management Reserve (SWAMP)	768	-202	566	Following closure of the accounts.	Retain to support planned SWAMP works. Major drawdown expected to commence in 2018/19 and continue further in 2019/20.
Welfare and Local Government Funding Reform Reserve	224	-224	0	Following closure of the accounts.	Retain to support the council's response to Welfare Reform and reduction in budget for Local Discretionary Social Fund.
Sports Facilities Reserve	224	-224	0	Following closure of the accounts.	To contribute to the £0.700m cost of the AHU project at Prince Regent Swimming complex to be delivered in 2018.
Licensing - other reserve	170	0	170	Following closure of the accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Taxi Licensing	76	0	76	Following closure of the accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.

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New license fees for sex establishments	150	0	150	Following closure of the accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
East Brighton Parking Surplus	10	-10	0	Following closure of the accounts.	Retain to support expenditure on East Brighton Park. Projected spend in 2018/19 of £0.010m on the Park and parking infrastructure.
Preston Park Parking Surplus	140	-40	100	Following closure of the accounts.	Retain to support expenditure on Preston Park. Projected spend of £0.040m in 2018/19 on park infrastructure.
New England House Refurbishment Reserve	150	0	150	Following closure of the accounts.	Balance of £0.150m held to provide match funding for New England House redevelopment.
Road Works Permit Scheme	262	-262	0	Review as part of scheme fees review. Review is due in 2018/19	Scheme must be cost neutral over time and therefore balance is held to offset scheme costs and the impact of changes to permits. The review in 2018/19 is for the consideration of scheme cost neutrality after completion of the third year of the scheme.
i360 Reserve	3,535	1,391	4,926	Following closure of the accounts.	Balance is ring fenced for reinvestment in the wider development of the seafront and its infrastructure
Sustainable Temporary Accommodation Reserve	116	-50	66	Reviewed during the year as part of budget monitoring process.	Held for dilapidation costs for leased temporary accommodation. Level to be kept under review.
Hoses in Multiple Occupation (HMO) Licensing Fees Reserve	307	0	307	Following closure of the accounts.	Retain to support annual inspections of HMO licenses.

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Damage Deposit Guarantee Scheme	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.
Business Rates S31 adjustment reserve	1,019	-1,019	0	As part of closure of the accounts.	Retain for specified purpose.
City Deal New England House Dev Reserve	4,900	0	4,900	Following closure of the accounts.	Expected to be utilised in 2019/20 depending on outcome of project negotiations.
General Fund Working Balance/General Reserves	9,123	1,377	10,500	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 current balance is £9.123m and therefore £0.123m can be released. For 2018/19 this is supplemented by £1.500m risk provision.
Investment Properties (Dilapidations)	245	-145	100	Following closure of the accounts.	Retain for specific purpose. Dilapidations are anticipated to be agreed over the next 2 years
Insurance Reserve General	5,561	0	5,561	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 January 2019.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary.
Total General Fund Reserves	68,941	-14,959	53,982		

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HRA Reserves					
HRA Working Balance	7,504	-1,150	6,354	Following closure of the 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) Reserves	339	-170	169	Following closure of the accounts.	Retain for estates development. Annual amount is approved to fund the EDB. The programme is a rolling programme with new schemes approved annually.
HRA Auto Meter Readers Reserve	45	0	45	Following closure of the accounts.	Maintain to fund installation of automatic meter readers.
Renewable Energy Reserve	219	-50	169	Following closure of the accounts.	Maintain for specified purpose.
Restructure & Redundancy Reserve	388	0	388	Following closure of the accounts.	Retained to fund possible future redundancies.
Total HRA Reserves	8,495	-1,370	7,125		
Schools / DSG Reserves					
Schools PFI Project Reserve	1,300	-120	1,180	Following closure of the accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	-339	0	-339	Following closure of the accounts.	Balances are held by school governing bodies.
Portslade Adult Learning	20	0	20	Annually	Balance used at the discretion of the facility
Total Schools / DSG Reserves	981	-120	861		
TOTAL RESERVES	78,417	-16,449	61,968		

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General Fund Provisions					
Hostel Accommodation Dilapidations	23	-23	0	Following closure of the accounts.	Held for dilapidation costs for West Pier Hostel following retendering of service.
Cemetery Replacement	2	0	2	Following closure of the accounts.	Retain for maintenance and replacement as required.
Cemetery Maintenance of Graves in Perpetuity	48	0	48	Following closure of the accounts.	Retain for maintenance and replacement as required.
Cemetery Maintenance of Monuments	15	0	15	Following closure of the accounts.	Retain for maintenance and replacement as required.
Workstyles Dilapidations	126	0	126	Following closure of the accounts.	Balance no longer required. Release £0.126m
Business Rates Appeal Provision	4,037	3,015	7,052	As part of closure of the accounts.	Retain for specified purpose to meet back-dated costs of successful business rates appeals.
Total General Fund Provisions	4,251	2,992	7,243		
TOTAL ALL FUNDS	82,668	-13,457	69,211		

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

Description	£'000
General Fund working Balance	123
Workstyles Dilapidations	126
Total Released	249