

Appendix 5 - Summary of Reserves as at 1st April 2019

Reserves and Balances

In the interests of transparency, the table below categorises the council's reserves and the potential flexibility for any alternative use. All reserves are reviewed at least twice annually to ensure they are still appropriate at current levels. Reserves fall into the following broad categories:

- i) **Risk Reserves:** for example the Insurance Fund or Working Balances. These types of reserves must last the lifetime of the authority and are set at recommended levels to cover a wide range of potential risks.
- ii) **Capital Reserves:** A number of reserves are fully committed to approved capital programmes. Capital schemes often span more than one year and hence the use of reserves to manage timing differences across years. Reserves backed by capital resources cannot be used for revenue purposes.
- iii) **Contractual or Partnership Reserves:** Many reserves are held in lieu of legal agreements, partnership arrangements, licensing arrangements, PFI contracts or other legally binding arrangements (e.g. S106 planning agreements). These are contractually and legally committed and cannot be re-purposed.
- iv) **Ringfenced Reserves:** Reserves relating to the Housing Revenue Account (HRA) or Schools (DSG) are statutorily ringfenced to these services only.
- v) **Project Reserves:** This covers a number of large reserves held for specific projects. These have been set up to support regeneration or other priority projects following consideration and approval by members. They are often created in respect of the council's agreed contribution to these schemes in order to lever in other resources, for example, Local Enterprise Partnership funds.
- vi) **Other Reserves:** All other reserves are held to meet identified future, one-off commitments. All are approved by members at different times of the year.

Reserve	Balance as at 01/04/19 £'000	Flexibility (for alternative use)	Impact of using for alternative application
Working Balance	9,000	Should only be used in an emergency and must be replenished. Must last the lifetime of the authority.	Reputational impact on the council's 'financial resilience' assessment by the external auditor.
Risk Provisions	1,065	Reviewed and agreed as part of budget setting. Held in order to mitigate in-year forecast risks.	May need to be replenished in the following year. Can be released for the next budget round if not called upon in 2019/20.
Committed to support 2019/20 Budget	5,138	One-off resources committed as part of the 2019/20 budget as approved at Feb 2019 budget council.	Would create in year overspends that would need to be reflected in Targeted Budget Management Reports.
Capital Reserves	8,768	Committed to approved capital schemes. Certain reserves are from capital sources and cannot be used for revenue.	Would require member decision to overturn previous capital programme decisions.
Major Projects (e.g. Brighton Centre, New England House)	12,934	Committed to high priority, high profile regeneration projects.	Potential loss of capital grants, LEP funding, etc. Requires member approval to release for alternative use.

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Reserve	Balance as at 01/04/19 £'000	Flexibility (for alternative use)	Impact of using for alternative application
PFI Reserves	6,340	Committed to future PFI scheme costs (3 contracts) but could be utilised temporarily.	Must be replenished before funds are required to meet PFI Unitary Payments.
Schools, Trusts and Partnership funds	4,245	Not usable. Controlled jointly with or by other parties.	n/a
(Self) Insurance Fund	5,455	Set by an independent actuary. This risk reserve underpins many risks for which the council self-insures or cannot procure insurance policies. Could be utilised temporarily but must be replenished quickly.	Such use would be likely to attract comment/criticism from the auditor as this is one of the authority's key risk reserves.
Restructure & Redundancy	210	Reviewed each year to provide the minimum level of funding required to meet estimated severance costs (as part of Modernisation Funding).	Removing this would be likely to add to the budget gap because services would need to fund severance directly, thereby reducing potential savings.
Planned & Winter Maintenance Reserves	2,415	Could be used in emergency but must be replenished.	May result in calls on the Working Balance, particularly for a bad winter etc.
HMO and other Licensing Reserves	1,475	Not usable – statutory reserve.	n/a
S106 Reserves	1,075	Not usable – earmarked under legal agreements.	n/a
Welfare Reform	29	Fully committed.	Could be released but is a current priority for members.
Carry Forwards	2,315	Use is approved by PR&G Committee as part of the TBM provisional outturn report.	Fully committed. Use of these reserves will simply cause an equivalent overspend in the 2019/20 TBM position.
DSG Carry Forward	804	Not usable, applicable to the schools budget only.	n/a
Modernisation Fund	1,137	Committed to modernisation programmes in 2019/20.	Would impact on delivery and future savings. Requires member approval and would be likely to cause an equivalent overspend in the 2019/20 TBM position.
Other Reserves	2,977	Includes items such as Trust Funds, Seaside Homes, earmarked Parking scheme surpluses, S31 reserves, BCF reserve – not generally useable.	Very limited potential to utilise as normally outside of council control or bound by statute or agreement.
HRA Reserves	10,429	Ring-fenced to the HRA.	n/a
Total	75,811		