

## 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. 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.

## Appendix 4

	Estimated Balance as at 01/04/20 £'000	Planned Use 2020/21 £'000	Estimated Balance as at 31/03/21 £'000	Review Arrangements	Conclusion
<b>General Fund Reserves</b>					
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. In addition a further £1.677m is being held as a one-off risk provision taking into account known and foreseeable risks in the 2019/20 budget.
Capital Receipts Reserve	12,304	-12,304	0	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme and support for the four year Service and Financial Plans.
Library PFI Reserve	818	-1	817	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	5,721	980	6,701	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	120	-120	0	Following closure of accounts.	Held to smooth fluctuations in the financing costs budget.
Modernisation Fund and 4 Year Integrated Service & Financial Plan Reserves	0	0	0	Following closure of accounts.	<b>Balance of £1.137m transferred to Working Balance in 2019/20 to offset TBM Outturn overspend.</b>

## Appendix 4

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Section 106 Receipts (Revenue)	490	-163	327	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	559	208	767	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Developer Contributions Unapplied (S106 Capital)	648	-216	432	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	2,495	-350	2,145	Following closure of accounts.	Held to support future expenditure on the Brighton waterfront project from 2022/23 onwards. Interest is accrued on balances held. This reserve will be used in the short term if there remains any unfunded overspend from the 2019/20 outturn.
Customer Access & Accommodation Strategies & The Link Network Upgrade Reserve	109	-60	49	Following closure of accounts.	Balance being held as contingency for the Link programme as included in the business case.
Concessionary Bus Passes	74	-74	0	Following closure of accounts.	Retain for specified purpose - to smooth out annual purchase of concessionary passes.
One Planet Living Implementation	14	-14	0	Following closure of accounts.	Plans by the International & Sustainability Programme team to support the programme.
ICT Investment Reserve	172	-72	100	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.

## Appendix 4

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Environmental Enforcement Reserve	70	-20	50	Following closure of accounts.	Initial costs for bringing the service in-house in 19/20 as agreed at Dec18 ETS committee
Winter Maintenance	651	-308	343	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Outdoor Events	76	12	88	Following closure of accounts.	Retain to hold funds for the 2021 UEFA women's Football Championships where Brighton & Hove is a host city.
Dome Planned Maintenance	427	0	427	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	15	0	15	Following closure of accounts.	Held to replace pitch at the end of its useful life.
Surface Water Management Reserve	862	-300	562	Following closure of accounts.	Retain to support planned SWAMP related works.
BikeShare Scheme Reinvestment Reserve	128	-48	80	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.
Community Equipment Reserve	21	-21	0	Following closure of accounts.	Risk reserve held to manage any pressures within adult social care services that can't be managed through the Better Care programme.
Welfare and Local Government Funding Reform Reserve (Renamed)	29	0	29	Following closure of accounts.	Retain to support the council's response to Welfare Reform and reduction in budget for Local Discretionary Social Fund.
Sports Facilities Reserve	227	-227	0	Following closure of accounts.	To contribute to the capital project at Prince Regent Swimming complex to be delivered in 2020.

## Appendix 4

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Licensing - other reserve	78	-16	62	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Taxi Licensing	81	-10	71	Following closure of accounts.	Retain for specified purpose - 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	98	-35	63	Following closure of accounts.	Retain to support expenditure on Preston Park. Projected to be spent in 2019/20 on park infrastructure.
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.
i360 Reserve	4,989	0	4,989	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 i360 is in a sustainable financial position
HMO Licensing Fees Reserve	352	-50	302	Following closure of accounts.	Retain to support annual inspections of HMO licenses
HMO Additional Licensing Fees	398	-150	248	Following closure of accounts.	Retain to support Additional licensing work over the period of the license to 2023
Phoenix House Sinking Fund	60	0	60	Following closure of accounts.	Retain for maintenance requirements at Phoenix House.
Damage Deposit Guarantee Scheme	298	0	298	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.

## Appendix 4

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Cemeteries Maintenance Reserve	54	-15	39	Following closure of accounts.	Retain for maintenance of cemeteries, tree clearance etc
PRS Rent Deposit Scheme	41	-1	40	Following closure of accounts.	Retained for specific purpose but required level will continue to be reviewed.
Travellers Site Capital Reserve	54	-35	19	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.
Seaside Homes Reserve	55	0	55	Following closure of accounts.	Retained in case of changes to the current arrangements and any associated costs.
City Deal New England House Dev Reserve	4,900	-500	4,400	Following closure of accounts.	Report to Strategic Delivery Board in Sept 2019 forecasts spend to commence in 2022/23 on major refurbishment works
Investment Properties (Dilapidations)	245	-245	0	Following closure of accounts.	Proposed to invest in improvements to existing stock and support rental security / improve rental streams.
Restructure Redundancy Reserve	100	0	100	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
Insurance Reserve General	5,196	0	5,196	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in 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.
<b>Total General Fund Reserves</b>	<b>52,071</b>	<b>-14,164</b>	<b>37,907</b>		

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<b>HRA Reserves</b>					
HRA Working Balance	5,130	-60	5,070	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 is to pay for any extra H&S costs post Grenfell and risk around new repairs service.
Capital Reserves	1,000	1,900	2,900	Following closure of accounts.	Held to fund the Housing Capital Programme in 2021/22
EDB Reserves	142	-107	35	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.
Renewable Energy Reserve	144	-50	94	Following closure of accounts.	Maintain for specified purpose.
Rent Support Reserve	800	-800	0	Following closure of accounts.	To support the delivery of new council homes at a lower rent in 2020/21
Restructure Redundancy Reserve	388	0	388	Following closure of accounts.	Transfer to HRA General reserves in 2020/21
<b>Total HRA Reserves</b>	<b>7,604</b>	<b>883</b>	<b>8,487</b>		
<b>Schools / DSG Reserves</b>					
Schools PFI Project Reserve	1,128	-100	1,028	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	3,000	0	3,000	Following closure of accounts.	Balances are held by school governing bodies.
Portslade Adult Learning	20	0	20	Annually	Balance used at the discretion of the facility
<b>Total Schools / DSG Reserves</b>	<b>4,148</b>	<b>-100</b>	<b>4,048</b>		
<b>TOTAL RESERVES</b>	<b>63,823</b>	<b>-13,381</b>	<b>50,442</b>		

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<b>General Fund Provisions</b>					
Hostel Accommodation Dilapidations	23	-23	0	Following closure of accounts.	Held for dilapidation costs for West Pier Hostel following retendering of service.
Voluntary Severance Provision	475	0	475	Following closure of accounts.	To fund cost of potential redundancies from 2020/21 Budget plans.
<b>Total General Fund Provisions</b>	<b>498</b>	<b>-23</b>	<b>475</b>		

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

Description	£'000
General Fund Working Balance (paragraph 3.15)	167
Modernisation Fund and 4 Year Integrated Service & Financial Plan Reserves	1,137
<b>Total</b>	<b>1,304</b>