

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 the working balance which is budgeted to be repaid over 2024/25 to 2026/27.

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, £1.840m can be released from the Waste PFI reserve in 2022/23 (i.e. no requirement to make planned contribution).

	Estimated Balance as at 01/04/23 £'000	Planned Use 2023/24 £'000	Estimated Balance as at 31/03/24 £'000	Review Arrangements	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	3,600	0	3,600	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 MTFS includes replenishment of the Working Balance from 2024/25 to 2026/27.
General Fund Working Balance/General Reserves - held for specific future commitments	492	-457	35	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Capital Receipts Reserve	7,902	-3,582	4,320	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)	90	-90	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Library PFI Reserve	861	-133	728	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme. Expected to be increased contributions from reserves, due to inflationary pressures.
Waste PFI Project Reserve	5,940	0	5,940	Following closure of accounts.	Use for funding the project over the life time of the PFI. This reserve has been reviewed in light of the latest changes in the contract for inflation, energy income and tonnages. This allows the release of £1.840m in 2022/23 and will not require any contributions during 2023/24.
Section 106 Receipts (Revenue)	509	-100	409	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.

Appendix 4

	Estimated Balance as at 01/04/23 £'000	Planned Use 2023/24 £'000	Estimated Balance as at 31/03/24 £'000	Review Arrangements	Conclusion
Section 106 Interest	481	-50	431	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Developer Contributions Unapplied (S106 Capital)	275	-75	200	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	1,080	-1,080	0	Following closure of accounts.	Held to support future expenditure on the Brighton Centre essential maintenance from 2023/24 onwards. Interest is accrued on balances held. £1.52m was temporarily drawn down from this reserve to fund the 2021/22 Covid related expenditure and this is being repaid over 10 years
ICT Investment Reserve	481	0	481	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Environmental Enforcement Reserve	155	-50	105	Following closure of accounts.	Hold for specified purpose – planned draw down is to fund project related posts.
Winter Maintenance	325	0	325	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Dome Planned Maintenance	191	0	191	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	380	-200	180	Following closure of accounts.	Retain to support planned SWMP related works, emergency work and to contribute to any carbon neutral opportunities. This reserve is retained to meet our statutory obligations as the Lead Local Flood Authority.
BikeShare Scheme Reinvestment Reserve	98	0	98	Following closure of accounts.	Retain to hold income share to the council from the Bike Share scheme to support future expansion

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					and innovation of the scheme.
Sports Facilities Reserve	283	0	283	Following closure of accounts.	The future capital investment in sports facilities is still in discussion. Breakdown of movement on individual classification codes is available.
Licensing - other reserve	14	-14	0	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Taxi Licensing	95	-50	45	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Stanmer Park Parking Surplus	205	35	240	Following closure of accounts.	Retain to support expenditure on Stanmer Park as part of the ringfence.
East Brighton Parking Surplus	15	-5	10	Following closure of accounts.	Retain to support expenditure on East Brighton Park. The balance is due to be drawn down for investment in playgrounds.
Preston Park Parking Surplus	336	30	366	Following closure of accounts.	Retain to support expenditure on Preston Park.
Road Works Permit Scheme	33	0	33	Following closure of accounts.	The reserve is required to ensure that the permit scheme can meet its costs as in accordance with the legislation. The service is demand led depending on the volume of works in the city and it can reduce as was experienced in 2019 and 2020 where it was running at a loss. It had to be supported by the wider Traffic Management revenue at that time. A reserve reduces this risk and pressure on the wider council's revenue budgets.
Overdown Rise Footpath Maintenance	20	0	20	Following closure of accounts.	Hold for future years maintenance costs of the foot path at Overdown Rise
i360 Reserve	9,083	0	9,083	Following closure of accounts and regular review for reporting to	Full reserve will be held to offset the outstanding debt from the i360 subject to ongoing negotiations with the i360.

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				P&R Committee in light of the i360 financial position	
HMO Licensing Fees Reserve	732	-218	514	Following closure of accounts.	Retain to support annual inspections of HMO licenses
Phoenix House Sinking Fund	60	0	60	Following closure of accounts.	Retain for maintenance requirements at Phoenix House (contributions from tenants).
Damage Deposit Guarantee Scheme	200	-200	0	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.
RP&M Trust Sinking Fund	191	0	191	Following closure of accounts.	Retain for RPM Trust maintenance requirements
Cemeteries Maintenance Reserve	58	0	58	Following closure of accounts.	Retain for maintenance of cemeteries, tree clearance etc
Travellers Site Capital Reserve	79	-79	0	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	0	0	0	Following closure of accounts.	Reserve was drawn down to support the Budget Process in 2022/23. Repayment will commence during the MTFs period.
Restructure Redundancy Reserve	59	0	59	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
CIL - Neighbourhood reserve	437	300	737	Yearly	CIL expenditure (when funds are drawn down) difficult to estimate until projects begin. CIL income also dependent on levels of development activity during year.
CIL - Strategic reserve	2,330	0	2,330	Yearly	CIL expenditure (when funds are drawn down) difficult to estimate until projects begin. CIL income also dependent on levels of development activity during year.
Total General Fund Reserves	37,105	-6,018	31,087		

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Schools / DSG Reserves					
Schools PFI Project Reserve	632	-185	447	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	2,135	0	2,135	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	2,787	-185	2,602		
TOTAL RESERVES	39,892	-6,203	33,689		
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	500	-500	0	Following closure of accounts.	To fund cost of potential severance agreements from 2023/24 Budget plans.
Insurance Provision	4,326	0	4,326	The Insurance Fund is subject to a bi-annual health check by the actuaries. The next review is due to be published in March 2023.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary as part of the 2022/23 outturn report.
Workstyles Dilapidations	41	0	41	Following closure of accounts.	Balance held to meet potential liability.
Equal Pay Settlement Provision	1,000	-1,000	0	Following closure of accounts.	
Total General Fund Provisions	5,949	-1,500	4,449		
TOTAL ALL FUNDS	45,841	-7,703	38,138		

