

Adequacy of Reserves and Working Balance

The working balance is recommended to be maintained at a minimum of £9 million 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 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 minimum of £9 million 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.

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, £1.041m can be released from the following reserves in 2026/27.

Appendix 5 – Review of Reserves & Provisions

Reserve or Provision	Amount to be Released £'000
Section 106 Interest Reserve	6
Legacy LEP funds Revenue Reserve	4
Winter Maintenance Reserve	540
East Brighton Parking Surplus Reserve	70
Preston Park Parking Surplus Reserve	275
Cemeteries Maintenance Reserve	65
Insurance Provision	81
Total Reserves & Provisions to be released	1,041

Appendix 5 – Review of Reserves & Provisions

	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	8,965	1,126	10,091	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 Working Balance is being replenished over three years with the final repayment due in 2026/27.
General Fund Working Balance/General Reserves - held for specific future commitments	175	-175	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
General Risk Reserve	0	1,041	1,041	Following closure of accounts.	Creation of a general risk reserve to pool general fund budgetary risks
Library PFI Reserve	520	-156	364	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. Contributions to the reserve may be required in future years.
Waste PFI Project Reserve	6,688	-343	6,345	Following closure of accounts.	Use for funding the project over the lifetime of the PFI and to bridge the gap for when PFI credits stop. This reserve has been used to fund the Term Time only costs and will be replenished in time to meet existing Waste PFI commitments.

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	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
Section 106 Receipts (Revenue)	501	0	501	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	6	-6	0	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Transfer residual unrequired balance to General Risk Reserve.
Developer Contributions Unapplied (S106 Capital)	747	0	747	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
ICT Investment Reserve	402	-125	277	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Legacy LEP funds Revenue reserve	4	-4	0	Following closure of accounts.	Transfer residual unrequired balance to General Risk Reserve.
Winter Maintenance	540	-540	0	Following closure of accounts.	Pool with other risks under a general risk reserve
Dome Planned Maintenance	103	-53	50	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	0	15	15	Following closure of accounts.	Held to replace pitch at the end of its useful life. Pitch replaced in 2025/26 and reserve to fund the capital spend. Future sinking fund payments will be received to replace the newly replaced pitch at the end of its useful life.

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Surface Water Management Reserve	421	39	460	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.
Sports Facilities Reserve	453	0	453	Following closure of accounts.	Retain to support Sports Facilities.
Licensing - other reserve	26	0	26	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. Reserve smooths out fluctuations in volumes of licences issued each year.
Taxi Licensing	82	0	82	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. This smooths out fluctuations in volumes of licences issued each year.
East Brighton Parking Surplus	70	-70	0	Following closure of accounts.	Release of reserves following agreement to un-ringfence surpluses Transport & Sustainability committee (6 Feb 2024)
Preston Park Parking Surplus	275	-275	0	Following closure of accounts.	Release of reserves following agreement to un-ringfence surpluses Transport & Sustainability committee (6 Feb 2024)
Overdown Rise Footpath Maintenance	20	0	20	Following closure of accounts.	Commuted sum held for future years maintenance costs of the foot path at Overdown Rise

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	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
HMO Licensing Fees Reserve	531	41	572	Following closure of accounts.	Retain to support annual inspections of HMO licenses - this is a statutory function (Mandatory HMO Licensing Fees income needs to be used only for the running of the Mandatory HMO Licenses.)
Damage Deposit Guarantee Scheme	94	0	94	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	50	0	50	Following closure of accounts.	Retain - subject to lease agreement with RPMT
HMO Additional Licensing Fees	833	-192	641	Following closure of accounts.	Additional HMO Licensing Fees income needs to be used only for the running of the Additional HMO Licenses. Each license is for 5 years. The fee income is therefore used for that 5-year period.
Selective Licensing Fees	1,736	-390	1,346	Following closure of accounts.	Selective Licensing Fees income needs to be used only for the running of the Selective Licenses. Each license is for 5 years. The fee income is therefore used for that 5-year period.
Cemeteries Maintenance Reserve	65	-65	0	Following closure of accounts.	Pool with other risks under a general risk reserve
Travellers Site Capital Reserve	79	0	79	Following closure of accounts.	Held to fund future major works costs of the Travellers site.
Restructure Redundancy Reserve	130	124	254	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the

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					capitalisation direction.
Community Infrastructure Levy (CIL) - Neighbourhood reserve	384	0	384	Following closure of accounts.	Allocations from the Neighbourhood Reserve will be made in accordance with the agreed process which involves ward councillors.
CIL - Strategic reserve	1,217	0	1,217	Following closure of accounts.	Allocations from the Strategic reserve will be made in line with the strategic objectives set out in the initial scheme and will be approved by Cabinet.
Total General Fund Reserves	25,117	-8	25,109		
Schools / DSG Reserves					
Schools LMS Balances	-5,600	0	-5,600	Following closure of accounts.	Balances are held by school governing bodies. Position unclear for future years.
Total Schools / DSG Reserves	-5,600	0	-5,600		
TOTAL RESERVES	19,517	-8	19,509		
General Fund Provisions					
10 Year lease revenue costs Provision	105	0	105	Review of annual contribution to this provision at closedown.	This is required to pay back the borrowing costs when 10 year leases finish in 2032/33. These are 30 properties leased through Rough Sleeping Accommodation Programme partly funded by MHCLG.
Voluntary Severance Provision	1,250	-750	500	Following closure of accounts.	To fund cost of potential severance agreements from 2026/27 savings proposals.

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Insurance Provision	4,021	-81	3,940	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in March 2025.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary report which enables £81k to be released to the General Risk Reserve. The next health check is due in due in March 2027.
Total General Fund Provisions	5,376	-831	4,545		
TOTAL ALL FUNDS	24,893	-839	24,054		