

Review of Reserves

Adequacy of Reserves – working balance

The working balance is planned to be maintained at £9m over the next 3 years of the Medium Term Financial Strategy. Determining the appropriate levels 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, 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. 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 failure;
- (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.

It is likely that an increase in the level of the working balance will be required in 2013/14 due to the significant change in the council's risk profile arising from the localisation of council tax support and the reforms to local government finance/business rates retention.

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 Children, Schools and Families 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.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
GENERAL FUND					
Capital Receipts Reserve	-4,590	3,635	-955	Ongoing review as part of TBM process	Committed to fund the Capital Investment programme including HRA Capital Programme relating to LDV receipts to support Decent Homes
Capital Reserves	-674	674	0	Following closure of accounts.	Committed to fund the capital programme
Financing Costs Reserve	-979	345	-634	Following closure of accounts.	This reserve is being held to smooth the fluctuations in the financing costs budget over the next 3 years. This will cover the extended period of lower investment income.
Section 106 Receipts (capital)	-405	125	-280	Reviewed throughout the year to reflect agreed liabilities and new agreements	Retain for specified purpose
Section 106 Receipts (Revenue)	-400	75	-325	Reviewed throughout the year to reflect agreed liabilities and new agreements	Retain for specified purpose
Section 106 Interest	-285	25	-260	Reviewed throughout the year to reflect agreed liabilities and new agreements	Retain for specified purpose
Library PFI Reserve	-278	17	-261	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Waste PFI Project Reserve	-9,501	4,865	-4,636	Following closure of accounts.	Use for funding the project over the life time of the PFI. The review has identified that £5.9m can be released to general reserves in lieu of permanent savings being taken from the revenue budget. There is a planned contribution to the reserve in 2013/14.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
Pay Modernisation Reserve	-2,200	0	-2,200	Following closure of accounts.	Required to support the implementation of pay modernisation.
Brighton Centre Redevelopment Reserve	-3,616	194	-3,422	Following closure of accounts.	Future contributions to this reserve are planned to coincide with the sale of Patcham Court Farm. Planned expenditure in 2013/14 relates to supporting progress of the redevelopment project.
The Link Network Upgrade Reserve	-1,500	1,500	0	Following closure of accounts.	Reserve is for the implementation of the LINK, the public service network and resources include the £0.5m allocation from reserves included at table 4
Automatic Meter Readers (AMR)	-407	407	0		Retain for specific purpose. Planned to be fully used in 2013/14.
Museum Objects Acquisitions Reserve	-57	0	-57	Following closure of accounts.	Retain for specified purpose, which includes the agreed wider use to support the transfer of museum objects and records to the Keep
Pavilion Renewals Fund	-126	25	-101	Following closure of accounts.	Used to support maintenance and improvements to the Royal Pavilion during 2012/13. Planned spend in 13/14 to include preparation costs for HLF bid in Nov13. The Brunswick Royalties Reserve is now amalgamated with this reserve.
Jack Thompson - Hove Museum	-252	0	-252	Following closure of accounts.	Reserve for acquisitions/refurbishment at Hove Museum in accordance with bequest.
Concessionary Bus Passes 9Major reissue every 5 years)	-66	-20	-86	Following closure of accounts	Hold for specific purpose. Planned expenditure is in 2015/16
CRB Checks	-100	50	-50	Following closure of accounts	Hold for specific purpose following previous Ofsted inspection requirements. Reserve expected to be fully used in 2014/15.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
One Planet Living implementation reserve	-39	39	0	Following closure of accounts	Remaining funds to be used to support implementation of agreed programme.
Winter Maintenance	-436	0	-436	Following closure of accounts.	Held to fund exceptional costs of extreme weather. The level of reserve is sufficient subject to
Dome Planned Maintenance	-220	0	-220	Review annually with Brighton Dome & Festival Ltd	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Connexions/Prospects Pensions Reserve	-200	200	0	Actuarial pension valuation	Release reserve. Any liability will be included in the triennial actuarial review of the pension fund
Vehicles Reserve Fund - Animal Welfare Vehicles	-13	13	0	Following closure of accounts.	Reserve used to purchase vehicle in 2012/13. The balance of reserve will be used in 2013/14
James Green Foundation	-54	0	-54	Following closure of accounts.	This reserve was set up from a donation by Colonel James Green in 1993. The James Green reserve is used to help fund the Burmese collection.
Brighton & Hove Natural History Society Reserve	-5	0	-5	Following closure of accounts.	Reserve for maintaining the assets of Brighton & Hove Natural History Society which are held at the Booth Museum.
Investment in the Seafront	-37	37	0	Following closure of accounts.	Reserve will be fully used in 2013/14 for its specified purpose
New Homes Venture Reserve	-200	0	-200	Following closure of accounts	Retain to enable appropriate General Fund contribution to HRA led estate regeneration
ASC Long Term Capacity Reserve	-753	753	0	Following closure of accounts	Reserve will be used to support the capital development of Craven Vale as agreed at Policy & Resources in January 2013
Welfare and Local Government Funding Reform Reserve	-303	303	0	Review quarterly alongside monitoring of impact of welfare reforms	Planned to be spent to support the council's response to welfare reform including digital inclusion.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
Sports Facilities Investment Reserve	-195	24	-171	Following closure of accounts.	Retain for specified purpose of investment in contracted sports facilities.
Carry Forward - LPSA	-44	44	0	Following closure of accounts.	Held to fund allocations which are determined by the Public Services Board. It is expected that some of this will be used for the Troubled Families Initiative.
Sustainable Temporary Accommodation Reserve	-326	-41	-367	Following closure of accounts.	Held for dilapidation costs for leased temporary accommodation.
HMO Licensing Fees Reserve	-207	28	-179	Following closure of accounts.	Retain to support annual inspections of HMO premises.
HMO Licensing Fees Reserve 2012 - 2017	-565	115	-450	Following closure of accounts.	Retain to support annual inspections of HMO premises.
Damage Deposit Guarantee Scheme	-56	20	-36	Following closure of accounts.	Retain to guarantee deposits for supporting people service users moving into the private rented accommodation.
Mercury Abatement Reserve	-479	479	0	Following closure of accounts.	Earmarked for works required to the crematorium to meet mercury abatement legislation as agreed at Policy & Resources in Oct 2012
General Fund General Reserves	-7,877	7,427	-450	Following closure of accounts and through TBM monthly monitoring.	General Reserves includes £6.1m released from this review of reserves and allocations are set out in table 4 of this report. The remaining £0.45m is committed in 2014/15 for the Transformation fund and the final year of the 3 year youth grants programme

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
General Fund Working Balance	-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.
Investment Properties (Dilapidations)	-105	55	-50	Following closure of accounts.	Retain for specified purpose for potential properties earmarked for disposal or refurbishment.
Cemetery Replacement	-84	0	-84	Following closure of accounts.	Retained for maintenance & replacement as required.
Cemetery Maintenance of Graves in Perpetuity	-86	0	-86	Following closure of accounts.	Retained for maintenance & replacement as required.
Cemetery Maintenance of Monuments	-17	0	-17	Following closure of accounts.	Retained for maintenance & replacement as required.
Modern Records Units X & Z (Dilapidations)	-93	0	-93	Following closure of accounts.	Retain to meet agreed dilapidations at Newhaven Records Unit.
Workstyles Dilapidations	-658	337	-321	Following closure of accounts	Retain for Workstyles VFM project. Funds identified for dilapidations costs for specific leased properties due to be vacated in future years.
Land Charges Provision	-339	150	-189	Following closure of accounts.	The court case is yet to be resolved which will determine any liability and until this has been heard it is not proposed to revise this provision. It is more likely that this needs to be increased rather than reduced.
Restructure Redundancy Reserve	-3,688	1,800	-1,888	Following closure of accounts.	Balance assumes transfer of £1.2m from general reserves and 3.3m to support Voluntary Severance Scheme. Remainder enables funding of upfront pension liabilities for future redundancies to enable the costs to be spread out over 5 years by the service area subject to the business case meeting council guidelines.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
Insurance Reserve General	-6,509	0	-6,509	The insurance fund is subject to a bi-annual health check by the actuaries. The next health check is due to report back in 2013.	The Insurance Fund biennial health-check was completed in June 2011 and the level of fund recommended is in line with that currently held. Reserve will need to be reviewed once the outcome of 2013 review is completed
Insurance Reserve Risk Management	-37	0	-37	Following closure of accounts.	Earmarked for specific risk management projects during 2013/14.
SCHOOLS/DSG					
DSG Capital Reserve	-1,350	150	-1,200	Review alongside Education Capital investment programme	Retain for specific purpose. Committed to support the Education capital programme for new pupil places. Remaining £1.2m planned to be fully used in 2014/15
Schools PFI Project Reserve	-1,748	16	-1,732	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Schools LMS Balances	-5,800	500	-5,300	Following closure of accounts.	Balances are held by School Governing Bodies.
Portslade Adult Learning balance	-122	50	-72	Following closure of accounts.	Use at the discretion of the Facility
HOUSING REVENUE ACCOUNT					
HRA Working Balance	-5,153	1,500	-3,653	Following closure of accounts.	A minimum working balance of £2.000m 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.
HRA Restructure Redundancy Reserve	-388	0	-388	Following closure of accounts.	Retain for specified purpose. Reserve may be required for 2013/14 following outcome of Voluntary Severance Scheme.

Description	Estimated Balance 01/04/2013 £'000	Planned use 2013/14 £'000	Estimated balance 31/3/2014 £'000	Review Arrangements	Conclusion
HRA EDB Reserves	-146	0	-146	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. The reserves are still committed to projects approved in the EDB programme. There could be some use of these reserves in 2013/14, the amount will depend on individual EDB projects progress.
HRA Auto Meter Readers Reserve	-348	200	-148	Following closure of accounts.	Retain for specified purpose.
TOTAL ALL FUNDS	-73,116	26,116	-47,000		

