

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. 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 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 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.

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.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
GENERAL FUND RESERVES					
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.
Capital Reserves	996	-696	300	Following closure of accounts.	Balance of £0.300m not required and can be released.
Library PFI Project Reserve	270	0	270	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	4,369	821	5,190	Following closure of accounts.	Use for funding the project over the lifetime of the PFI. The review has identified that £1.340m can be released to general reserves in lieu of permanent savings of £0.090m being taken from the revenue budget. There is a planned contribution to the reserve in 2015/16.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
Financing Costs Reserve	473	0	473	Following closure of accounts.	The profile of the financing costs medium term revenue projections has become more stable due to a revision in the Borrowing Strategy. This offers increased certainty on planned new borrowing and consequently the balance on the Financing Cost reserve of £0.473m can be released.
Section 106 Receipts	324	-100	224	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	290	0	290	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	3,395	2,200	5,595	Following closure of accounts.	Future contributions to this reserve are planned to coincide with the sale of Patcham Court Farm. Planned expenditure relates to supporting progress of the project. Interest is accrued on balances held.
Customer Access & Accommodation Strategies	294	-247	47	Following closure of accounts.	Balance of £0.047m can be released as project completed.
Disclosure & Barring Service (DBS) Checks	34	-34	0	Following closure of accounts.	Expected to be fully utilised in 2015/16.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
City Regeneration Fund	10	-10	0	Following closure of accounts.	Expected to be fully utilised in 2015/16.
Welfare Reform Reserve	795	-339	456	Following closure of accounts.	Retain to support the council's response to Welfare Reform and reduction in budget for Discretionary Housing Payments.
Restructure & Redundancy Reserve	2,000	-500	1,500	Following closure of accounts.	Retain for specified purpose. This will be reviewed in conjunction with the Voluntary Severance provision (below) at the year end when there is more clarity around the number of potential redundancies and early retirements as a result of the 2015/16 budget package.
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 in March 2015.	The last Insurance Fund health check was completed in 2013 and the level of reserves was line with the valuation.
Museum Objects Acquisition Reserve	62	0	62	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	87	0	87	Following closure of accounts.	Retain for specified purpose - conservation works at the royal Pavilion.
Jack Thompson - Hove Museum	254	0	254	Following closure of accounts.	Retain for specified purpose – acquisitions / refurbishment at Hove Museum.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
James Green Foundation	105	0	105	Following closure of accounts.	Retain for specified purpose - to fund the Burmese collection.
Brighton & Hove Natural History Society Reserve	11	0	11	Following closure of accounts.	Retain for specified purpose - maintaining the assets of Brighton & Hove Natural History Society which are held at the Booth Museum.
Sports Facilities Reserve	217	-217	0	Following closure of accounts.	Expected to be utilised in 2015/16.
Sustainable Temporary Accommodation Reserve	407	-300	107	Following closure of accounts.	Held for dilapidation costs for leased temporary accommodation.
Homes in Multiple Occupation (HMO) Licensing Fees Reserve	170	-47	123	Following closure of accounts.	Retain to support annual inspections of HMO licenses
HMO Additional Licensing Fees	493	-190	303	Following closure of accounts.	Retain to support annual inspections of HMO licenses
Damage Deposit Guarantee Scheme Reserve	331	0	331	Following closure of accounts.	Retain to guarantee deposits for housing related service users moving to private rented accommodation.
ASC Long Term Capacity Reserve	1,076	-1,076	0	Following closure of accounts.	Reserve will be used to support the capital development of Brooke Mead as approved by Policy & Resources Committee in December 2013.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
External Contributions	31	0	31	Following closure of accounts.	This relates to old schemes where more was funded from revenue than originally planned and these remaining balances are no longer required. Balance of £0.031m not required and can be released.
Developer Contributions Unapplied	386	-100	286	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Capital Receipts	12,948	-6,781	6,167	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme and Workstyles.
Winter Maintenance	439	0	439	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Vehicles Reserve Fund	31	0	31	Following closure of accounts.	Balance of £0.031m not required and can be released.
Surface Water Action Management Plan (SWAMP) Reserve	524	0	524	Following closure of accounts.	Retain to support planned SWAMP works. Major draw down on this reserve expected to commence in 2016/17.
Preston Park Parking Surplus Reserve	9	0	9	Following closure of accounts.	Retain to support expenditure on Preston Park.
Concessionary Bus Passes	86	-40	46	Following closure of accounts.	Retain for specified purpose - to smooth out annual purchase of concessionary passes.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
One Planet Living Implementation Reserve	30	-30	0	Following closure of accounts.	Expected to be utilised in 2015/16.
ICT Investment Reserve	671	-350	321	Following closure of accounts.	Retain balance to support the ICT Strategy period until 2016/17.
Dome Planned Maintenance Earmarked Res	276	0	276	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
New England House Refurbishment Reserve	150	-150	0	Following closure of accounts.	Expected to be utilised in 2015/16.
Revenue Grants Reserve	110	0	110	Following closure of accounts.	Balance of £0.110m not required and can be released.
Investment Properties (Dilapidations) Reserve	74	0	74	Following closure of accounts.	Balance of £0.074m not required and can be released.
Insurance Reserve - Risk Management	38	-20	18	Following closure of accounts.	Balance of £0.018m not required and can be released.
Total General Fund Reserves	47,775	-8,206	39,569		
GENERAL FUND PROVISIONS					
Voluntary Severance Provision	659	0	659	Following closure of accounts.	Retain for specified purpose. This will be reviewed in conjunction with the Restructure & Redundancy reserve (above) at the year end when there is more clarity around the number of potential redundancies and early retirements as a result of the 2015/16 budget package.
Workstyles Dilapidations Provision	328	-328	0	Following closure of accounts.	Expected to be utilised in 2015/16.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
Business Rates Appeals Provision	1,000	-700	300	As part of closure of accounts.	Retain for specified purpose to meet back-dated costs of successful business rates appeals.
Cemetery - Maintenance of Graves in Perpetuity	47	0	47	Following closure of accounts.	Retain for maintenance and replacement as required.
Land Charges Personal Searches Provision	103	0	103	Following closure of accounts.	There remains a court case yet to be resolved which will determine any future liability and until this has been heard it is not proposed to revise this provision.
Carbon Reduction Commitment (CRC) Provision	213	0	213	Following closure of accounts.	Balance held to meet anticipated liability.
Total General Fund Provisions	2,350	-1,028	1,322		
HRA RESERVES					
Working Balance - HRA	4,985	-1,100	3,885	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 can be used to support the HRA long term business plan.
Capital Reserves	600	-600	0	Following closure of accounts.	Expected to be utilised in 2015/16.

Description	Estimated Balance as at 01/04/15 £'000	Planned Use 2015/16 £'000	Estimated Balance as at 31/03/16 £'000	Review Method	Conclusion
Estates Development Budget (EDB) Reserves	599	0	599	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.
HRA Auto Meter Reads Reserve	20	-20	0	Following closure of accounts.	Expected to be utilised in 2015/16.
HRA - Renewable Energy Projects	244	-240	4	Following closure of accounts.	Expected to be substantially utilised in 2015/16.
HRA Restructure Redundancy Reserve	388	0	388	Following closure of accounts.	Retain to cover possible redundancies.
Total HRA Reserves	6,836	-1,960	4,876		
SCHOOLS/DSG RESERVES					
DSG Capital Reserve	1,500	0	1,500	Review alongside Education Capital Investment Programme.	Retain to support anticipated future spend on pupil growth in secondary schools.
Schools PFI Project Reserve	1,581	0	1,581	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Revenue Grants Reserve - DSG	1,097	0	1,097	Following closure of accounts.	Unspent balance on DSG must be carried forward to support future schools budget expenditure.
Schools Local Management of schools (LMS) Balances	7,219	0	7,219	Following closure of accounts.	Balances are held by school governing bodies.
Portslade Community college - Adult	17	0	17	Following closure of accounts.	Balance used at the discretion of the facility.
Total Schools / DSG Reserves	11,414	0	11,414		
TOTAL ALL FUNDS	68,375	-11,194	57,181		

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

Description	Amount Released £'000
Capital Reserves	300
Waste PFI Reserve	1,340
Financing Costs Reserve	473
Customer Access & Accommodation Strategy	47
External Contributions	31
Vehicle Reserve Fund	31
Revenue Grants Reserve	110
Investment Properties (Dilapidations) Reserve	74
Risk Management Reserve	18
Total Released	2,424

