

## Review of Reserves

### *Adequacy of Reserves – working balance*

The working balance is recommended 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 including large savings programmes, 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. It should be noted that many schools' finances are under pressure and that the total 'licensed budget deficits', which allows schools to manage a budget deficit over a 2-year period, currently exceed the

Scheme for Financing Schools guideline of 40% of Schools' Balances. This situation will be kept under review by the S151 Chief Finance Officer but may require further consideration if schools' management of deficits falls behind approved plans.

### **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.

	<b>Estimated Balance as at 01/04/17 £'000</b>	<b>Planned Use 2017/18 £'000</b>	<b>Estimated Balance as at 01/04/18 £'000</b>	<b>Review Arrangements</b>	<b>Conclusion</b>
<b>GENERAL FUND RESERVES</b>					
Developer Contributions Unapplied	493	300	793	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Capital Receipts	8,212	20,059	28,271	Ongoing review as part of TBM process.	Committed to fund the Capital Investment programme including HRA Capital Programme, Workstyles and support for the four year Service and Financial Plans.
Capital Reserves	0	0	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Library PFI Project Reserve	727	171	898	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	3,351	110	3,461	Following closure of accounts.	Use for funding the project over the life time of the PFI. This reserve has provided a 5 year loan to the East Sussex Credit Union agreed at Policy & Resources in January 2016
Section 106 Receipts	358	0	358	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	353	30	383	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	3,224	-184	3,040	Following closure of accounts.	Future contributions to this reserve are planned to coincide with the sale of

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					Patcham Court Farm. Planned expenditure relates to supporting progress of the project. Interest is accrued on balances held.
Customer Access & Accommodation Strategies	278	-60	218	Following closure of accounts.	Balance held for the Link programme as included in the business case.
Disclosure & Barring Service Checks	25	0	25	Ongoing cost of DBS checks are recharged to service budgets.	<b>Balance of £0.025m not required and can be released.</b>
Modernisation Fund Reserve	857	-857	0	Following closure of accounts.	This reserve is part of the overall funding being used to support the delivery of the Integrated Service & Financial Plans.
City Regeneration Fund	31	-31	0	Following closure of accounts.	Balance expected to be utilised in 2017/18.
Welfare Reform Reserve	827	-534	293	Following closure of accounts.	Planned use includes a one-off allocation of £0.295m to continue the Social Fund in 2017/18, £0.095m for discretionary council tax support and £0.144m for the welfare reform programme. A contingency of £0.100m is set aside for 2018/19 and therefore <b>the remaining £0.193m can be released.</b>
Restructure Redundancy Reserve	0	320	320	As part of closure of accounts.	Retain for specified purpose. The Reserve reflects the contribution of £2m and an estimate of the use in 2017/18 of £1.68m.
Insurance Reserve - General	5,728	0	5,728	The Insurance Fund is subject to a bi-annual health check by the actuaries.	The healthcheck was carried out in January 2017 and recommended an Insurance Fund of £5.521m. <b>This releases £0.207m.</b>
Working Balance - GF	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. All resources over the £9m have been reflected in the 2017/18 budget.
i360 Earmarked	2,731	887	3,618	Following	Balance is ring fenced for

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Reserve				closure of accounts.	reinvestment in the wider development of the seafront and its infrastructure. This balance is after £1m contribution to landscaping works.
City Deal New England House Dev Reserve	4,900	-4,900	0	Following closure of accounts.	Expected to be utilised in 2017/18 depending on outcome of project negotiations.
Museum Objects Acquisition Reserve	63	0	63	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.
Royal Pavilion Fund	95	0	95	Following closure of accounts.	Retain for specified purpose - conservation works at the royal Pavilion.
Jack Thompson - Hove Museum	227	0	227	Following closure of accounts.	Retain for specified purpose - acquisitions/refurbishment at Hove Museum.
James Green Foundation	133	0	133	Following closure of accounts.	Retain for specified purpose - to fund the Burmese collection.
Brighton & Hove Natural History Society Reserve	10	0	10	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	220	-220	0	Following closure of accounts.	Anticipated to be fully utilised in 2017/18 for M & E works at the Prince Regent swimming pool.
Financial Inclusion & Community Banking	107	-107	0	Following closure of accounts.	Retain for specified purpose to fund contractually committed expenditure as part of the Moneyworks contract.
Sustainable Temporary Accommodation Reserve	166	0	166	Reviewed during the year as part of budget monitoring process.	Held for dilapidation costs for leased temporary accommodation. Level to be kept under review.
HMO Licensing Fees Reserve	180	0	180	Following closure of accounts.	Retain to support annual inspections of HMO licenses
HMO Additional Licensing Fees	454	0	454	Following closure of accounts.	Retain to support annual inspections of HMO licenses
Hostel Accommodation	23	-23	0	Following closure of	Held for dilapidation costs for West Pier Hostel

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Dilapidations				accounts.	following retendering of service.
Damage Deposit Guarantee Scheme Reserve	271	0	271	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed
Seaside Homes Reserve	44	0	44	Reserve is likely to maintain at this level	Retained for specific purpose but required level will continue to be reviewed
Winter Maintenance	498	0	498	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Surface Water Management Reserve	684	-300	384	Following closure of accounts.	Retain to support planned SWAMP works.
Preston Park Parking Surplus Reserve	87	-35	52	Following closure of accounts.	Retain to support expenditure on Preston Park.
East Brighton Park Parking Surplus	9	2	11	Following closure of accounts.	Retain to support expenditure on East Brighton Park.
Road works permit scheme reserve	165	100	265	Review as part of scheme fees review	Scheme must be cost neutral over time and therefore balance is held to offset scheme costs and the impact of changes to permits
Concessionary Bus Passes	54	0	54	Following closure of accounts.	Reserve used to smooth out annual purchase of concessionary passes as there is a major reissue every 5 years. Reduce reserve to reflect the likely future cost and <b>release £0.030m.</b>
ICT Investment Reserve	294	-198	96	Following closure of accounts.	Retain balance to support the Digital First Programme in 2018/19.
Dome Planned Maintenance Earmarked Res	238	0	238	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.	Balance of £0.150m held to provide match funding for New England House redevelopment.
Social Fund Reserve	90	-90	0	Following closure of accounts.	Reserve to be fully used in 2017/18
Investment Prop (Dilapidations)	87	-87	0	Following closure of	Remaining balance expected to be utilised in

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Reserve				accounts.	2017/18.
Insurance Reserve - Risk Management	9	0	9	Following closure of accounts.	<b>Remaining Balance of £0.009m to be released</b>
Regulatory services Licensing	116	0	116	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Four Year Integrated Service & Financial Plan Reserve	607	-607	0	Following closure of accounts.	Retain for specified purpose - supporting investment requirements contained in Service & Financial Plans
<b>Total General Fund Reserves</b>	<b>46,176</b>	<b>13,596</b>	<b>59,772</b>		
<b>GENERAL FUND PROVISIONS</b>					
Modern Records units X and Z	93	0	93	Following closure of accounts.	Provision no longer required <b>Balance of £0.093m can be released</b>
Workstyles Dilapidations Provision	226	-226	0	Following closure of accounts.	Retain for specific purpose relating to 2 properties. Dilapidation negotiations expected to be concluded in 2017/18
Business Rates Appeals Provision	2,702	2,861	5,563	As part of closure of accounts.	Retain for specified purpose to meet back-dated costs of successful business rates appeals.
Seaside Rent Guarantee Provision	322	0	322	Following closure of accounts.	Maintain for specified purpose. The level of the provision is likely to increase in the early years and will be drawn down in accordance with the agreement.
Cemetery Provisions	71	-10	61	Following closure of accounts.	Retain for maintenance and replacement as required.
Land Charges Personal Searches Provision	36	0	36	Following closure of accounts.	Remaining balance of provision not required. <b>This releases £0.036m</b>
<b>Total General Fund Provisions</b>	<b>3,450</b>	<b>2,625</b>	<b>6,075</b>		
<b>HOUSING REVENUE ACCOUNT RESERVES</b>					
Capital Reserves	1,002	-800	202	Following closure of accounts.	Committed to fund the HRA capital investment programme
EDB Reserves	510	-297	213	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.

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HRA Auto Meter Reads Reserve	45	0	45	Following closure of accounts.	Maintain to fund installation of automatic meter readers.
HRA - Renewable Energy Projects	269	-180	89	Following closure of accounts.	Retain to support renewable energy projects
Restructure Redundancy Reserve	388	0	388	Following closure of accounts.	Retained to fund possible future redundancies.
Working Balance - HRA	8,131	-500	7,631	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.
<b>Total Housing Revenue Account Reserves</b>	<b>10,345</b>	<b>-1,777</b>	<b>8,568</b>		
<b>SCHOOLS / DSG RESERVES</b>					
Schools PFI Project Reserve	1,436	-50	1,386	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	1,000	-500	500	Following closure of accounts.	Balances are held by school governing bodies.
Portslade CC Adult Balance	20	0	20	Following closure of accounts.	Balance used at the discretion of the facility.
<b>Total Schools / DSG Reserves</b>	<b>2,456</b>	<b>-550</b>	<b>1,906</b>		
<b>TOTAL ALL FUNDS</b>	<b>62,427</b>	<b>13,894</b>	<b>76,321</b>		

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

<b>Description</b>	<b>Amount Released £'000</b>
Disclosure & Barring Service Checks	25
Welfare Reform Reserve	193
Insurance Reserve - General	207
Concessionary Bus Passes	30
Insurance Reserve - Risk Management	9
Modern Records units X and Z	93
Land Charges Personal Searches Provision	36
<b>Total</b>	<b>593</b>