

Review of Reserves

Adequacy of Reserves – 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 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 reserves as £3.971m which would be repaid over a period of up to 10 years. The reserves table below does not reflect this but those reserves with a longer term nature will be used in the first instance, for example the Insurance Reserve.

	Estimated Balance as at 01/04/21 £'000	Planned Use 2021/22 £'000	Estimated Balance as at 31/03/22 £'000	Review Arrangements	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	9,188	-188	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. This includes the release of £0.188m that was transferred unused grant.
Capital Receipts Reserve	18,772	-4,842	13,930	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	97	-97	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
Library PFI Reserve	679	-2	677	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Waste PFI Project Reserve	3,455	1,205	4,660	Following closure of accounts.	Use for funding the project over the lifetime of the PFI. This reserve has been used to fund the Term Time only costs and will be replenished in time to meet existing Waste PFI commitments.
Section 106 Receipts (Revenue)	483	-150	333	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Section 106 Interest	566	-140	426	Reviewed throughout the year to reflect	Retain for specified purpose.

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	Estimated Balance as at 01/04/21 £'000	Planned Use 2021/22 £'000	Estimated Balance as at 31/03/22 £'000	Review Arrangements	Conclusion
				agreed liabilities and new agreements.	
Developer Contributions Unapplied (S106 Capital)	669	-50	619	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
Brighton Centre Redevelopment Reserve	2,772	-350	2,422	Following closure of accounts.	Held to support future expenditure on the Brighton waterfront project from 2022/23 onwards. Interest is accrued on balances held.
Customer Access & Accom Strategies & The Link Network Upgrade Reserve	79	-50	29	Following closure of accounts.	Balance being held as contingency for the Link programme as included in the business case.
Concessionary Bus Passes	74	0	74	Following closure of accounts.	Retain for specified purpose - to smooth out annual purchase of concessionary passes.
ICT Investment Reserve	169	-85	84	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Environmental Enforcement Reserve	35	-35	0	Following closure of accounts.	Initial costs for bringing the service in-house in 2019/20 as agreed at Dec 2018 ETS committee. The planned drawdown is to cover expansion of the service prior to income levels matching spend.
Winter Maintenance	616	0	616	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Outdoor Events	121	0	121	Following closure of accounts.	Retain to hold funds for the planned 2021 UEFA women's Football Championships where

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					Brighton & Hove is a host city.
Dome Planned Maintenance	176	-30	146	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. Timing to be confirmed.
Surface Water Management Reserve (SWAMP)	487	-261	226	Following closure of accounts.	Retain to support planned SWAMP related works.
BikeShare Scheme Reinvestment Reserve	135	-30	105	Following closure of accounts.	Retain to hold income share to the council from the Bike Share scheme to support future expansion and innovation of the scheme.
Community Equipment Reserve	33	0	33	Following closure of accounts.	Risk reserve held to manage any pressures within adult social care services that can't be managed through the Better Care programme.
Sports Facilities Reserve	338	0	338	Following closure of accounts.	The future capital investment in sports facilities is still in discussion.
Licensing - other reserve	44	0	44	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
Taxi Licensing	65	-10	55	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees.
East Brighton Parking Surplus	10	-10	0	Following closure of accounts.	Retain to support expenditure on East Brighton Park. The balance is due to be drawn down for investment in playgrounds in 2021/22 (as reported

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					to ETS in January 2021).
Preston Park Parking Surplus	113	-113	0	Following closure of accounts.	Retain to support expenditure on Preston Park. Subject to the overall financial position for City Parks at the end of 2020/21, there may be a £100k drawdown for tree maintenance works. The balance drawn down for investment in playgrounds in 2021/22 (as reported to ETS in January 2021).
NEH Refurbishment Reserve	150	-150	0	Following closure of accounts.	Balance of £0.150m held to provide match funding for New England House redevelopment.
Road Works Permit Scheme	33	0	33	Following closure of accounts.	To separately account for permit income so that any surplus can be carried forward to future years to fund relevant expenditure.
i360 Reserve	7,814	1,382	9,196	Following closure of accounts and any loan agreement restructure with the i360	£1.0m is ring fenced for reinvestment in Madeira Drive with all remaining resources held until the i360 is in a sustainable financial position.
HMO Licensing Fees Reserve	340	-21	319	Following closure of accounts.	Retain to support annual inspections of HMO licenses.
HMO Additional Licensing Fees	193	-120	73	Following closure of accounts.	Retain to support Additional licensing work over the period of the license to 2023.
Phoenix House Sinking Fund	60	0	60	Following closure of accounts.	Retain for maintenance requirements at Phoenix House.
Damage Deposit Guarantee Scheme	200	0	200	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.

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Cemeteries Maintenance Reserve	49	-10	39	Following closure of accounts.	Retain for maintenance of cemeteries, tree clearance etc.
PRS Rent Deposit Scheme	41	-2	39	Following closure of accounts.	Retained for specific purpose but required level will continue to be reviewed.
Travellers Site Capital Reserve	79	-50	29	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	4,900	-200	4,700	Following closure of accounts.	Report to Strategic Delivery Board in Sept 2019 forecast spend to commence in 2022/23 on major refurbishment works
Climate Change Carbon reduction reserve	0	1,000	1,000	Following closure of accounts.	New Reserve created as part of 2021/22 budget.
Investment Properties (Dilapidations)	189	-100	89	Following closure of accounts.	Proposed to invest in improvements to existing stock and support rental security / improve rental streams. Forms part of Capital Investment Programme.
Restructure Redundancy Reserve	85	-30	55	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
Insurance Reserve General	5,372	0	5,372	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in March 2019.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary as part of the 2020/21 outturn report.
Total General Fund Reserves	58,696	-3,539	55,157		

	Estimated Balance as at 01/04/21 £'000	Planned Use 2021/22 £'000	Estimated Balance as at 31/03/22 £'000	Review Arrangements	Conclusion
HRA Reserves					
HRA Working Balance	8,466	-190	8,276	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 is to pay for any extra H&S costs post Grenfell and risk around new repairs service.
Capital Reserves	2,900	-2,900	0	Following closure of accounts.	To fund the capital programme
Estate Development Budget (EDB) Reserves	240	-100	140	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.
Renewable Energy Reserve	175	-40	135	Following closure of accounts.	Maintain for specified purpose.
Rent Support Reserve	909	-909	0	Following closure of accounts.	To support the delivery of new council homes at a lower rent in 2021/22
Sustainability and Retrofit reserve	4,010	0	4,010	Reviewed as part of the budget setting process for HRA	To support the delivery of new council homes at a lower rent in 2021/22
Total HRA Reserves	16,700	-4,139	12,561		
Schools / DSG Reserves					
Schools PFI Project Reserve	886	0	886	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme.
Schools LMS Balances	3,496	0	3,496	Following closure of accounts.	Balances are held by school governing bodies.
Portslade Adult Learning	20	0	20	Following closure of accounts.	Balance used at the discretion of the facility.
Total Schools / DSG Reserves	4,402	0	4,402		

	Estimated Balance as at 01/04/21 £'000	Planned Use 2021/22 £'000	Estimated Balance as at 31/03/22 £'000	Review Arrangements	Conclusion
TOTAL RESERVES	79,798	-7,678	72,120		
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	285	-285	0	Following closure of accounts.	To fund cost of potential severance agreements from 2021/22 Budget plans.
Total General Fund Provisions	367	-285	82		
TOTAL ALL FUNDS	80,165	-7,963	72,202		

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

Description	£'000
General Fund Working Balance (see paragraph 5.19 of main report)	188
Total	188