

APPENDIX K - RESERVES FORECAST

BRENT RESERVES		PURPOSE AND PLANNED USAGE	Actual 31/03/2024 £m	Movement £m	Forecast 31/03/2025 £m	Movement £m	Forecast 31/03/2026 £m																
BALANCES																							
General Fund Balance	This both provides the Council's working balance and represents an amount held against unexpected overspends or failure to identify sufficient savings to balance the budget in year. On a net budget of £387m, even a 2% variance would rapidly erode this and would leave the Council dangerously exposed. For this reason the Council aims to retain at least 5% of its net expenditure as a contingency reserve.		(20.0)	0.0	(20.0)	(0.5)	(20.5)																
Schools Balances	Balance carried forward of Dedicated Schools Grant delegated to individual schools. Forecast to decline in response to school funding pressures and not directly in the control of the Council.		(13.1)	3.8	(9.3)	2.0	(7.3)																
Housing Revenue Account Balance	This is the accumulated surplus of income over expenditure for the HRA. This can only be used for the HRA. The balance is used as a contingency against overspending and unexpected events that affect the HRA.		(2.4)	0.0	(2.4)	0.0	(2.4)																
TOTAL BALANCES			(35.5)	3.8	(31.7)	1.5	(30.2)																
CAPITAL RESERVES																							
Capital Receipts Reserve	The proceeds from the disposal of land or other assets. Capital receipts can only be used to finance new capital expenditure, to provide loans or grants or to repay debt. They cannot be used to fund revenue expenditure.		(33.2)	11.2	(22.0)	0.0	(22.0)																
Major Repairs Reserve	The unspent amount of the Major Repairs Allowance provided for capital renewal of HRA properties.		(8.5)	0.0	(8.5)	0.0	(8.5)																
Capital Grants Unapplied	Capital grants received from central government agencies unapplied as not yet used to fund capital projects. Major elements include Basic Needs Grant for additional school places, School Condition Grants, DFG – Disabled Facilities Grant and others.		(112.3)	33.0	(79.3)	40.3	(39.0)																
TOTAL CAPITAL RESERVES			(154.0)	44.2	(109.8)	40.3	(69.5)																
EARMARKED RESERVES																							
Capital and other statutorily ring-fenced reserves																							
S106/Community Infrastructure Levy (CIL)	This reserve is made up of the Community Infrastructure Levy (CIL) and S106 planning contributions made under legally binding agreements. The accumulated S106/CIL receipts that have not yet been spent are committed to finance planned capital expenditure, as set out in the <i>Capital Strategy</i> . Community Infrastructure Levy is made up of an amount paid over to the Mayor of London on a quarterly basis (MCIL), and an amount retained by the Borough (BCIL). BCIL is divided into Strategic CIL (SCIL) for use borough-wide, and a local amount termed Neighbourhood CIL (NCIL). A Cabinet decision is required to allocate Strategic CIL to finance new capital expenditure before it can be added to the Brent capital programme. There is also an allowance for administration costs which can be deducted from CIL. The S106 reserve balance at 31 March 2024 was £17.5m. The majority of this is committed to financing capital expenditure, with some revenue projects also benefitting. The reserve must be used to offset the impact of new development (there are some very specific exceptions which apply to some older S106 agreements, but these will invariably be very restrictive in any event). There are limits to the discretion as to what S106 contributions can subsequently be used to finance which are written into the individual S106 legal agreements. The balance on each category at 31 March 2024 was: <table><tr><td></td><td>£m</td></tr><tr><td>SCIL</td><td>(159.0)</td></tr><tr><td>NCIL</td><td>(19.6)</td></tr><tr><td>BCIL</td><td>(178.6)</td></tr><tr><td>MCIL</td><td>(3.9)</td></tr><tr><td>Admin</td><td>(2.5)</td></tr><tr><td>Total CIL</td><td>(185.0)</td></tr><tr><td>S106</td><td>(17.5)</td></tr></table>			£m	SCIL	(159.0)	NCIL	(19.6)	BCIL	(178.6)	MCIL	(3.9)	Admin	(2.5)	Total CIL	(185.0)	S106	(17.5)	(202.4)	27.5	(174.9)	13.8	(161.1)
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PURPOSE AND PLANNED USAGE						
Total S106 & CIL (202.4)						
<i>Ring-fenced</i>						
HMO Licensing	Income is received on a five yearly cycle and released annually to meet expenditure. The service does not have a mainstream budget for this activity, and the reserve is ring-fenced by law and operationally required to match the different cycles of income and expenditure. When setting fees regard must be had to the European Union Services Directive. Fees must be reasonable and proportionate and cannot be set to act as an economic deterrent to deter certain business types from operating within an area. However, fees can be set at a level enabling the authorities to recover from licensed operators the full costs of managing and enforcing the licensing scheme, including the cost of investigating and prosecuting those operating without the necessary licence.	(4.0)	0.0	(4.0)	0.0	(4.0)
HRA Earmarked	This reserve has been set aside to cover contingent liabilities for insurance claims and other possible pressures.	(2.7)	0.0	(2.7)	0.0	(2.7)
Public Health	Reflects carry forward of ring fenced funds for Public Health	(10.0)	1.1	(8.9)	2.1	(6.8)
Edward Harvist Trust	Brent distributes grant monies from the Edward Harvist Trust	(0.1)	0.0	(0.1)	0.0	(0.1)
Total Ring-fenced		(16.9)	1.1	(15.8)	2.1	(13.7)
<i>Capital Finance Related</i>						
South Kilburn	This reserve smooths annual payments on the programme, which is any given year may be more or less than the budget. It is allocated to South Kilburn and, assuming that the remaining 7 years of the programme run to budget, will be spent in full.	(5.7)	0.0	(5.7)	0.0	(5.7)
General Fund Capital funding	This reserve is used to finance existing or future expenditure on projects within the Capital Programme.	(52.9)	32.0	(20.9)	0.0	(20.9)
Total Capital Finance Related		(58.6)	32.0	(26.6)	0.0	(26.6)
Total Capital and other statutorily ring-fenced reserves		(278.0)	60.6	(217.4)	15.9	(201.5)
Committed reserves						
<i>Sinking fund and other smoothing reserves</i>						
PFI	In the financial models for the council's PFIs, income and expenditure do not match in any given year. This is normal under such arrangements, as the PFI contractor is bearing the up-front cost of the capital investment. This reserve is ring-fenced to provide funds to cover this mismatch.	(9.4)	0.9	(8.4)	0.2	(8.2)
UC staffing	This reserve is fully committed to paying for staff working on Housing Benefit claims. As more cases transfer to Universal Credit, managed by the DWP, less staff will be required to work on Housing Benefit claims.	(0.4)	0.4	(0.0)	0.0	(0.0)
Redundancy	The reserve is used to fund redundancy costs. Without it, many planned savings would take a year longer to start delivering their benefits (assuming that the average redundancy cost is about one year's salary).	(1.7)	0.0	(1.7)	0.0	(1.7)
Insurance	The insurance reserve sets aside funds to cover self-insured items and any excesses on externally insured cover. This differs from the Insurance provision which covers amounts set aside upon review by the Council's insurance actuary to make sure that we have enough to deal with the pipeline of known cases that are not yet settled.	(5.3)	0.4	(4.9)	0.0	(4.9)

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PURPOSE AND PLANNED USAGE						
Collection Fund Reserve	This reserve is used to manage volatility in the amounts retained within the council tax and business rates retention regimes, in particular the impact of backdated revaluation appeals, appeals relating to Material Change of Circumstances and collection rates.	(2.8)	(8.0)	(10.8)	7.6	(3.2)
Total Sinking fund and other smoothing reserves		(19.6)	(6.3)	(25.9)	7.8	(18.1)
Total Committed reserves		(19.6)	(6.3)	(25.9)	7.8	(18.1)
Other earmarked reserves						
<i>Service reserves</i>						
Service Reform and Strategy	These reserves are comprised of Brent NHS S256 Agreement - Joint Investment Funding. Agreement with the Council for joint programmes across health and social care. This also includes balance of grants for CNWL Mental Health Supplement and Reablement and LD DHSC Community Discharge Grant	(8.6)	1.6	(7.1)	0.7	(6.4)
Children, Young People and Community Development	These reserves are mainly comprised of: - £3.2m for Homes for Ukraine, providing support services to refugees from Ukraine - £1.9m which relates to the ring-fenced DSG held against this reserve. The overall DSG is in deficit, however the DfE requires the historic deficit balance against the DSG to be held against the unusable reserves i.e. £13.2m carried forward from 2023/24 and at the removal of the statutory override, the £1.9m will be used in the future to set balanced DSG schools' budgets. - £3.9m of this reserve is linked to a combination of previous and current specific government grants, including the Youth Justice fund grant, troubled families programme and Best Start for life programme.	(9.0)	3.8	(5.1)	0.0	(5.1)

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		This reserve is comprised of:					
		Council Tax Improvement project (covers system replacement) (0.1)					
		Cemeteries Maintenance: to fund the long term maintenance of cemeteries. Some fees & charges income in the years that burial plots are sold are set aside to fund a proportion of the maintenance in the future – (i) any large maintenance expenditure that cannot be funded by in-year income and (ii) ongoing maintenance costs once cemeteries are full and no longer receiving income (2.9)					
Residents and Housing Services		Transformation: monies set aside to fund a contribution to investments in transformational project work to improve the department's ability to generate future income. (0.7)					
		Various ringfenced government grants for housing and libraries (1.6)					
		<u>(5.3)</u>	(5.3)	3.1	(2.2)	0.0	(2.2)
		These reserves are comprised of reserves for Neighbourhoods & Regeneration, covering a range of services. This includes Proceeds of Crime Act (POCA) funds which is ringfenced and used to fund financial investigators and enforcement officers. There are also reserves that were created to cover the embedding of the new contracts in Public Realm, it is anticipated these will be used within the next 2 years.					
Neighbourhoods & Regeneration			(11.1)	1.5	(9.6)	0.0	(9.6)
Finance and Resources		These reserves are comprised of reserves held for investigations, elections and an improvement project in Governance.	(2.1)	(0.5)	(2.5)	0.0	(2.5)
Total Service reserves			(36.0)	9.5	(26.5)	0.7	(25.8)

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<i>Budget stabilisation</i>						
Future funding risks	This is a general reserve to cover any future service pressures, such as demand pressures and demographic changes, which are in excess of any provision already made in the annual budget and future funding risks relating to the funding review and business rates reset to be carried out by central government in 2026/27.	(4.7)	(2.4)	(7.1)	(3.0)	(10.1)
Transformation	This is a reserve to cover projects which will bring future financial benefit to the Council, including but not limited to: transformation projects, change projects and invest-to-save projects.	(1.0)	0.0	(1.0)	0.5	(0.5)
Total Budget stabilisation		(5.7)	(2.4)	(8.1)	(2.5)	(10.6)
Total other earmarked reserves		(41.7)	7.2	(34.6)	(1.8)	(36.4)
TOTAL EARMARKED RESERVES		(339.3)	61.4	(277.8)	21.9	(255.9)
GRAND TOTAL		(528.7)	109.4	(419.3)	63.7	(355.6)