

APPENDIX K - RESERVES FORECAST

| BRENT RESERVES   |   | PURPOSE AND PLANNED USAGE | Actual<br>31/03/2022<br>£m | Movement<br>£m | Forecast<br>31/03/2023<br>£m | Movement<br>£m | Forecast<br>31/03/2024<br>£m |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
|--|---|---------------------------|----------------------------|----------------|------------------------------|----------------|------------------------------|--------|------|---------|------|-------|-------|-----|------------------|----------------|------|--------|-----------------------------|----------------|--|--|--|--|--|
| <b>BALANCES</b>  |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| 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 £358m, 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.  |                           | (15.1)                     | 0.0            | (15.1)                       | (2.9)          | (18.0)                       |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| 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.   |                           | (17.0)                     | 3.9            | (13.1)                       | 2.6            | (10.5)                       |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| HRA 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.   |                           | (0.4)                      | 0.0            | (0.4)                        | 0.0            | (0.4)                        |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>TOTAL BALANCES</b>  |   |                           | <b>(32.5)</b>              | <b>3.9</b>     | <b>(28.6)</b>                | <b>(0.3)</b>   | <b>(28.9)</b>                |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>CAPITAL RESERVES</b>  |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| 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.   |                           | (7.1)                      | 0.0            | (7.1)                        | 0.0            | (7.1)                        |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| Major Repairs Reserve  | The unspent amount of the Major Repairs Allowance provided for capital renewal of HRA properties.   |                           | (0.9)                      | 0.0            | (0.9)                        | 0.0            | (0.9)                        |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| 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.  |                           | (69.6)                     | 0.0            | (69.6)                       | 0.0            | (69.6)                       |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>TOTAL CAPITAL</b>   |   |                           | <b>(77.6)</b>              | <b>0.0</b>     | <b>(77.6)</b>                | <b>0.0</b>     | <b>(77.6)</b>                |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>EARMARKED RESERVES</b>  |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>Capital and other statutorily ring-fenced reserves</b>  |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <p>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>.</p> <p>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.</p> <p>The balance on each category at 31 March 2022 was:</p> |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| S106/Community Infrastructure Levy (CIL)   |   |                           | (150.5)                    | (3.5)          | (154.0)                      | (4.9)          | (158.9)                      |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
|  | <table style="margin-left: auto; margin-right: auto;"> <tr><td>£m</td><td></td></tr> <tr><td>SCIL</td><td>(114.6)</td></tr> <tr><td>NCIL</td><td>(13.9)</td></tr> <tr><td>BCIL</td><td>(128.5)</td></tr> <tr><td>MCIL</td><td>(3.9)</td></tr> <tr><td>Admin</td><td>0.5</td></tr> <tr><td><b>Total CIL</b></td><td><b>(131.9)</b></td></tr> <tr><td>S106</td><td>(18.6)</td></tr> <tr><td><b>Total S106 &amp; CIL</b></td><td><b>(150.5)</b></td></tr> </table> |                           | £m                         |                | SCIL                         | (114.6)        | NCIL                         | (13.9) | BCIL | (128.5) | MCIL | (3.9) | Admin | 0.5 | <b>Total CIL</b> | <b>(131.9)</b> | S106 | (18.6) | <b>Total S106 &amp; CIL</b> | <b>(150.5)</b> |  |  |  |  |  |
| £m   |   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| SCIL   | (114.6)   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| NCIL   | (13.9)  |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| BCIL   | (128.5)   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| MCIL   | (3.9)   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| Admin  | 0.5   |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>Total CIL</b>   | <b>(131.9)</b>  |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| S106   | (18.6)  |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |
| <b>Total S106 &amp; CIL</b>  | <b>(150.5)</b>  |                           |                            |                |                              |                |                              |        |      |         |      |       |       |     |                  |                |      |        |                             |                |  |  |  |  |  |

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| BRENT RESERVES                                   | PURPOSE AND PLANNED USAGE  | Actual<br>31/03/2022<br>£m | Movement<br>£m | Forecast<br>31/03/2023<br>£m | Movement<br>£m | Forecast<br>31/03/2024<br>£m |
|--|--|----------------------------|----------------|------------------------------|----------------|------------------------------|
| S106/Community Infrastructure Levy (CIL)         | The S106 reserve balance at 31 March 2022 was £18.5m. 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. |                            |                |                              |                |                              |
| <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.  | (2.6)                      | 0.0            | (2.6)                        | 0.0            | (2.6)                        |
| HRA Earmarked                                    | This reserve has been set aside to cover contingent liabilities for insurance claims.  | (1.7)                      | 0.0            | (1.7)                        | 0.0            | (1.7)                        |
| Public Health                                    | Reflects carry forward of ring fenced funds for Public Health  | (8.1)                      | (2.0)          | (10.1)                       | 0.0            | (10.1)                       |
| Edward Harvist Trust                             | Brent distributes grant monies from the Edward Harvist Trust   | (0.1)                      | 0.0            | (0.1)                        | 0.0            | (0.1)                        |
| <b>Total</b>                                     |  | <b>(12.5)</b>              | <b>(2.0)</b>   | <b>(14.5)</b>                | <b>0.0</b>     | <b>(14.5)</b>                |
| <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.   | (5.5)                      | 0.0            | (5.5)                        | 0.0            | (5.5)                        |
| General Fund Capital funding                     | This reserve is used to finance existing or future expenditure on projects within the Capital Programme.   | (70.5)                     | 9.2            | (61.3)                       | 3.6            | (57.7)                       |
| <b>Total</b>                                     |  | <b>(76.0)</b>              | <b>9.2</b>     | <b>(66.8)</b>                | <b>3.6</b>     | <b>(63.2)</b>                |
| <b>TOTAL</b>                                     |  | <b>(88.5)</b>              | <b>7.2</b>     | <b>(81.3)</b>                | <b>3.6</b>     | <b>(77.7)</b>                |
| <b>Committed Reserves</b>                        |  |                            |                |                              |                |                              |
| <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.  | (5.4)                      | 0.0            | (5.4)                        | 0.0            | (5.4)                        |
| 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.  | (1.1)                      | 0.5            | (0.6)                        | 0.6            | 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).   | (3.2)                      | 1.7            | (1.5)                        | 0.0            | (1.5)                        |
| 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)                      | 0.0            | (5.3)                        | 0.0            | (5.3)                        |

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|--|---|---------------------------|----------------------------|----------------|------------------------------|----------------|------------------------------|
| Business Equalisation Reserve and other Central Reserves | 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. In addition c£35m was previously held to repay the collection fund deficit, over three years, generated from compensation grants from government received to offset the additional COVID-19 reliefs that were granted to businesses. |                           | (24.6)                     | 15.0           | (9.6)                        | 6.1            | (3.5)                        |
| Temporary Accommodation                                  | Temporary Accommodation Service Pressures - Smoothing reserve to manage fluctuations in homelessness costs.   |                           | (8.3)                      | 0.0            | (8.3)                        | 0.0            | (8.3)                        |
| Total  |   |                           | <b>(47.9)</b>              | <b>17.2</b>    | <b>(30.7)</b>                | <b>6.7</b>     | <b>(24.0)</b>                |
| <b>TOTAL</b>   |   |                           | <b>(47.9)</b>              | <b>17.2</b>    | <b>(30.7)</b>                | <b>6.7</b>     | <b>(24.0)</b>                |
| <b>Other earmarked reserves</b>                          |   |                           |                            |                |                              |                |                              |
| <i>Service reserves</i>                                  |   |                           |                            |                |                              |                |                              |
| Adult Social Care & Health                               | This reserve is comprised of:<br><br>Brent NHS S256 Agreement - Joint Investment Funding. Agreement with the Council for joint programmes across health and social care. (6.7)<br><br>Other reserves including MHCLG Community Champions (0.6)<br><br>This includes balance of grants for CNWL Mental Health Supplement and Reablement and LD DHSC Community Discharge Grant (0.2)<br><br><u>(7.5)</u>  |                           | (7.5)                      | 1.7            | (5.8)                        | 1.2            | (4.6)                        |
| Children and Young People                                | £1.5m of the reserves relates to projects including Education Recovery, Mental Health Support teams in schools and Accelerated Support scale up team and most of the funding will be utilised in 2022/23.<br><br>£1.2m of this reserve is linked to a combination of previous and current government grants, including the Youth Justice fund grant, troubled families program and MOPAC grants.  |                           | (2.6)                      | 2.0            | (0.6)                        | 0.2            | (0.5)                        |

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|------------------------------|---|---------------------------|----------------------------|----------------|------------------------------|----------------|------------------------------|
| Resident Services            | This reserve is comprised of:<br>Customer Services and Libraries:<br>- Community Hubs (play key role in responding to Poverty Commission's recommendations) (0.7)<br>- Council Tax Improvement project (covers system replacement) (0.3)<br>Transformation: monies set aside to fund a contribution to investments in improving the condition of the roads and pavements and transformational project work to improve the department's ability to generate future income. (3.2) |                           |                            |                |                              |                |                              |
|                              | Proceeds of Crime Act: historic income from Proceeds of Crime Act which is subject to a ringfence and is planned to be used to fund financial investigators and enforcement officers (1.2)  |                           |                            |                |                              |                |                              |
|                              | 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 (1.5)  |                           | (9.1)                      | 1.7            | (7.4)                        | 0.1            | (7.3)                        |
|                              | Environmental Services: this contains some external funding to which there will be ring-fences on policy purposes (e.g. for Community Protection Team, shared reserve with Harrow for Trading Standards Service), and more or less formal earmarking by the services in question. Otherwise, the reserves allow the services in question to operate with a degree of flexibility in responding to issues. (2.1)   |                           |                            |                |                              |                |                              |
|                              | This includes MHCLG Rogue Landlord Enforcement Grant (0.1)<br><u>(9.1)</u>  |                           |                            |                |                              |                |                              |
| Communities and Regeneration | This is comprised of reserves for Regeneration (£2.2m) and Communities (£0.8m). These are earmarked for various specific projects and initiatives.  |                           | (3.0)                      | 0.4            | (2.6)                        | 0.0            | (2.6)                        |
| Governance                   | This reserve is earmarked for specific projects and the local elections.  |                           | (1.5)                      | (0.5)          | (2.0)                        | 0.0            | (2.0)                        |
| Finance and Resources        | This reserve is held for investigations.  |                           | (0.2)                      | 0.0            | (0.2)                        | 0.0            | (0.2)                        |
| <b>Total</b>                 |   |                           | <b>(23.9)</b>              | <b>5.3</b>     | <b>(18.6)</b>                | <b>1.5</b>     | <b>(17.1)</b>                |

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|-----------------------------|--|----------------------------|----------------|------------------------------|----------------|------------------------------|
| <i>Budget stabilisation</i> |  |                            |                |                              |                |                              |
| Inflation Risk              | This is a general reserve to smooth out the effects of high and volatile inflation on the Council's budgets. The reserve will be used to offset additional pressures on service budgets which arise as a result of inflation exceeding what was forecast at budget setting, thereby reducing the requirement for savings in order to balance budgets in the short term.  | 0.0                        | (10.0)         | (10.0)                       | 0.0            | (10.0)                       |
| 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 one-year front-loaded local government finance settlement, changes to the business rates revaluation methodology and the Government's 'levelling up' agenda, which is widely expected to move resources away from London. | (19.2)                     | 13.1           | (6.1)                        | 0.0            | (6.1)                        |
| Total                       |  | <b>(19.2)</b>              | <b>3.1</b>     | <b>(16.1)</b>                | <b>0.0</b>     | <b>(16.1)</b>                |
| COVID-19 reserves           | This reserve covers the potential financial impact of COVID-19 and is funded through Government Grants with restrictions on the use of the funding   | (15.8)                     | 12.6           | (3.2)                        | 1.1            | (2.1)                        |
| <b>TOTAL</b>                |  | <b>(58.9)</b>              | <b>21.0</b>    | <b>(37.9)</b>                | <b>2.6</b>     | <b>(35.3)</b>                |
| <b>TOTAL EARMARKED</b>      |  | <b>(345.8)</b>             | <b>41.9</b>    | <b>(303.9)</b>               | <b>7.9</b>     | <b>(295.9)</b>               |
| <b>GRAND TOTAL</b>          |  | <b>(455.9)</b>             | <b>45.8</b>    | <b>(410.1)</b>               | <b>7.6</b>     | <b>(402.4)</b>               |