

AUDIT COMMITTEE Regulatory Committee Agenda

Date Thursday 29 July 2021

Time 6.00 pm

Venue Queen Elizabeth Hall, Civic Centre, Oldham, West Street, Oldham, OL1 1NL.

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Constitutional Services in advance of the meeting.
 2. CONTACT OFFICER for this Agenda is Constitutional Services Tel. 0161 770 5151 or email Constitutional.Services@oldham.gov.uk
 3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Monday, 26 July 2021.
 4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:
Councillors Ahmad, Alyas, Briggs, Dean, C. Gloster, Islam (Vice-Chair), Lancaster, Salamat and Surjan

Item No

- 1 Apologies For Absence
To receive apologies for absence.

2 Urgent Business

Urgent business, if any, introduced by the Chair

3 Declarations of Interest

To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.

4 Public Question Time

To receive Questions from the Public, in accordance with the Council's Constitution.

5 Minutes of Previous Meeting (Pages 1 - 8)

The Minutes of the previous meeting held on 29th June 2021 are attached for approval.

6 Reserves Policy for 2020/21 to 2021/22 (Pages 9 - 28)

The present to the Audit Committee, the proposed Reserves Policy of the Council for the financial years 2020/21 to 2021/22 and to incorporate any views into the final policy.

7 External Audit - Audit Completion Report

8 2020/21 Statement of Accounts

9 Exclusion of the Press and Public

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph(s) 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

10 Feedback on Financial Reporting Council (FRC) Review of External Audit (Pages 29 - 36)

To report to the Audit Committee that as part of the quality assurance arrangements for external audit in the public sector the Financial Reporting Council (FRC) undertake a selection of reviews on the quality of external undertaken. For the audit undertaken for the financial year 2019/20 the external audit for Oldham Council was selected for review



AUDIT COMMITTEE
29/06/2021 at 6.00 pm

Present: Councillor Islam (Vice-Chair, in the Chair)
Councillors Ahmad, Alyas, Surjan and Kenyon (Substitute)

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Assistant Director of Finance for Corporate Governance and Strategic Financial Management
Lee Walsh	Finance Manager - Capital and Treasury
Sian Walter-Browne	Principal Constitutional Services Officer

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Briggs, Dean, Gloster, Lancaster and Salamat.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee meeting held on 10th June 2021 be approved as a correct record.

6 **2020/21 ANNUAL REPORT TO AUDIT COMMITTEE**

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which provided the Committee with the Annual Report for 2020/21 and reported back on the matters required by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2017).

The Annual Report for 2020/21 contained the following sections:

- **Appendix 1:** Annual Report and Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management of the System of Internal Control (the Councils Head of Internal Audit) for the year ended 31 March 2021, to assist the Committee's review of the 2020/21 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Accounts.
- **Appendix 2:** Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2020/21 Achievements and 2021/22 Targets.

The Committee noted that the 2020/21 AGS was reported elsewhere on the agenda and it identified ten significant issues for the Council to mitigate its risks during 2021/22. The progress made in mitigating these risks would be reported regularly to the Audit Committees held in the current Municipal Year.

Members were informed that the financial year 2020/21 was a difficult year due to the impact of the pandemic. In terms of the work of the Internal Audit Service, it had resulted in an 8-month plan being agreed, as in the early part of the financial year work had to be undertaken to support the administration of business grants. As such, assurance could only be given to Members based upon this work. Effort had concentrated on ensuring the work on fundamental financial systems was prioritised. In addition, the implementation of the new payroll system was supported by the Service, undertaking the role of a critical friend.

The overall opinion of Oldham Council's Head of Internal Audit, linked into the principle of limited assurance, was that the overall system of Internal Control in Oldham Council was adequate. 2020/21 had been a challenging year and overall, the Council had worked with partners to provide essential services. As with all large organisations there were areas of improvement required, including those identified in the Annual Governance Statement. Whilst improvements in internal control could not be sustained in some areas, there were other promising improvements such as going live with a new payroll system despite the pandemic. The importance going forward was for improvements to be made in the areas identified in the Annual Governance Statement.

RESOLVED that the Annual Report presented by the Assistant Director of Corporate Governance and Strategic Financial Management and the continued developments in overall internal control and financial administration across the Council be noted.

7

ANNUAL GOVERNANCE STATEMENT FOR 2020-21

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which provided the Committee with an update on the draft Annual Governance Statement for the financial year 2020/21.

The Committee noted this report supported the draft Statement of Accounts which were considered elsewhere on the Agenda.

The Committee was informed that the Council, as part of its Statement of Final Accounts produced an Annual Governance Statement. This identified the significant governance issues that the Council needed to consider at the financial year-end to reduce its risk.

Members noted that, at regular meetings of the Committee, update reports had been produced, highlighting the progress made on issues identified for improvement in the Annual Governance Statement produced for 2019/20 and identifying

new issues that required consideration. This had informed the production of the Annual Governance Statement for 2020/21.



The 2019/20 Annual Governance Statement (AGS) had identified a total of nine issues for the Council, which had been monitored in the financial year 2020/21 understand how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal control within both the Payroll Service and the financial administration systems in Adult Social Care. Both matters had been long term issues for the Council to address.

The Committee was informed in respect of payroll there had continued to be improvements in administration which, supported by the implementation of the new MYHR system, meant there was potential in 2021/22 for the opinion to be improved to adequate. The Annual Report showed, due in part to COVID, the administration linked into Adult Social Care had not improved, and as the opinion for the Residential Care audit showed, had declined in 2020/21. As such this might be an area for the Audit Committee to request be subject to a future report when the annual work programme was prepared for the September meeting.

Members noted that progress made to improve arrangements linked into contracting and commissioning would also be incorporated into the future work programme. It was suggested that reports be submitted on this topic to the planned September and March meetings.

Members were informed that, along with other issues to be included in the 2020/21 AGS, it was proposed to add one extra issue linked into ongoing legal issues which were not resolved, involving third parties and other local authorities. If the local authorities lost those cases, it had the potential to impact the future resilience of the Council in future financial years.

Pre COVID it was planned that 2020/21 would be the year local authorities implemented the Financial Management Code. The Council had continued its preparation for this during the financial year and completed a self-assessment which had identified the Council was compliant with a number of requirements in advance of the financial year 2021/22. Looking forward, the most challenging Principle for the Council to demonstrate compliance would be Principle A, involving the management arrangements for Statutory Officers.

Members asked for clarification of the issues around Adult Social Care and were informed that this was a challenging area in most authorities. It had been difficult to programme financial reviews and additional support was being considered. The service was looking to make improvements and this would be a long-term issue.

RESOLVED that the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2020/21 be noted.

8

DRAFT 2020/21 ANNUAL STATEMENT OF ACCOUNTS

Consideration was given to a report of the Finance Manager (Capital and Treasury), which presented the draft Statement of Accounts for 2020/21 for consideration.

The report highlighted:

- The overall revenue outturn position for 2020/21 was a surplus of £2.153m;
- The year-end variances that were attributable to each Portfolio;
- The level of Grants received in relation to the COVID-19 Pandemic;
- Schools balances at 31 March 2020 were £9.306m
- The Dedicated Schools Grant (DSG) deficit was £3.560m, which was now held in an unusable reserve rather than being netted off the Schools balances (as presented in the accounts in previous years);
- The final Housing Revenue Account (HRA) balance was £21.370m;
- The balance on the Collection Fund was a deficit of £27.213m;
- The revenue account earmarked reserves at £113.512m, other earmarked reserves at £29.452m (Revenue Grant Reserves of £20.145m plus School Balances as above) and an increase in the General Fund balance of £2.153m to £17.263m, reflective of the revenue outturn position;
- Expenditure on the Council's Capital Programme for 2020/21 was £73.227m, which was an increase on the month 9 forecast expenditure of £71.012m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2020/21;
- The significant items in each of the primary financial statements;
- The preparation of Group Accounts incorporating the Council's two wholly owned companies – the Unity Partnership Ltd. and MioCare Community Interest Company;
- The performance of the Finance Team in closing the accounts.

The presentation of the draft Statement of Accounts provided the Committee with the opportunity to review the Council's year-end financial position.

Members asked for and received clarification on the following:-

- Severance packages – the figures showed the cumulative cost of the package including pension strain, not the amount received by individual.

- Increased number of write-offs – the staff who would usually undertake reviews had been moved to other tasks last year and reviews were being undertaken fully now.
- Investment with a term of one day – this was related to an investment in a fund that required one day's notice to withdraw the investment. The notice-term was therefore one day.
- Unspent Covid grants – the final payment dates for some grants ran over the end of the financial year. Unspent discretionary grants (for which the Council acted as a Principal) were held in reserves. Unspent mandatory grants (for which the Council acted as agent for the government) were reflected in the balance sheet. Unspent grants had been rolled forward to this year (2021/22) and many were already spent.
- Supplementary statement for the Housing Revenue Account – one presentation of the outturn included depreciation and one did not. This was the result of a technical accounting requirement.
- Croydon-type risk – the Council took a rigorous risk-averse approach to income and would not therefore credit income without reasonable certainty of receipt.
- External Audit delay in agreeing accounts – this had been caused by the GMPF last year. This year was on track for agreement by the end of July.
- Increased reserves – reserves were higher than expected largely due to the impact of the pandemic and the volatility of the financial position. The Council would still rely on reserves to balance its budget in future years. The increase in reserves improves financial resilience and would help give time for service redesign to take place and efficiencies to be delivered. Reserves could also be used if government funding was reduced.

RESOLVED that the Council's draft Statement of Accounts for 2020/21 be noted.

9

TREASURY MANAGEMENT REVIEW 2020/21

Members gave consideration was given to a report of the Finance Manager (Capital and Treasury), which provided them with the annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. The Committee noted the report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved 26 February 2020)
- a mid-year (minimum) treasury update report (approved 16 December 2020)

- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment placed responsibility on Members for the review and scrutiny of treasury management policy and activities. The report was therefore important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The Committee was charged with the scrutiny of treasury management activities in Oldham and was requested to review the content of the annual report prior to its consideration by Cabinet and Council (to ensure full compliance with the Code for 2020/21).

The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, were set out in the report.

The Committee noted that actual capital expenditure was less than the revised budget estimate for 2020/21 presented within the 2020/21 Treasury Management Strategy report considered at the Council meeting of 4 March 2021. The outturn position was significantly less than the £147.632m original capital budget for 2020/21 as approved at Budget Council on 26 February 2020.

It had been apparent at the beginning of 2020/21 that spending plans were not going to be realised, the COVID-19 pandemic halted works on projects and delayed the start of others. Because of this, and taking account of re-profiled expenditure, new assumptions, approvals and scheme updates the expenditure budgets and funding plans were continually reassessed throughout in year. The significant re-phasing was associated with the revised vision and strategic framework for 'Creating a Better Place' which was approved in August 2020. This placed more emphasis on economic recovery, given the impact of the pandemic. This review required several existing regeneration projects to be examined and rephased to align to the long-term vision of the new strategy.

The final outturn position for 2020/21 of £73.227m was a significant reduction compared to the expenditure initially planned and approved at Budget Council in February 2020.

Short Term Temporary Borrowing was undertaken during the year and was detailed in the report.

Other prudential and treasury indicators were set out in the main body of the report.

The Director of Finance confirmed that the statutory borrowing limit (the authorised limit) was not breached during the financial year 2020/21.

The Committee noted that the financial year 2020/21 had continued the challenging investment environment of previous years, namely low investment returns. The Council constantly sought the best rate of return.

On being put to the votes, it was

RESOLVED that :-

1. The actual 2020/21 prudential and treasury indicators presented in the report be approved.
2. The annual treasury management report for 2020/21 be approved.
3. The report be commended to the Cabinet.

The meeting started at 6.00 pm and ended at 7.04 pm

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Report to Audit Committee

Reserves Policy for 2020/2021 to 2021/22

Portfolio Holder: Cllr A Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans - Director of Finance

Report Author: Anne Ryans – Director of Finance
Ext. 4902

29 July 2021

Reason for Decision

The purpose of this report is to present to Members of the Committee, the proposed Reserves Policy of the Council for the financial years 2020/21 to 2021/22 and to incorporate any views into the final policy.

Executive Summary

Members will recall that the Council has developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy and the presentation of the Policy to the Audit Committee. The aim is to improve the transparency of the level of and the use of reserves.

There have been several reports issued on Local Government Financial Resilience over the last few years with the Chartered Institute of Public Finance and Accountancy releasing its Financial Resilience Index, most recently in February 2021. This Index places an increased focus on the level of reserves held by Local Authorities and therefore its ability to be financially resilient. Members will also be aware that over recent months, two Councils have issued Section 114 notices which means they are not able to maintain a balanced financial position without the implementation of significant management action.

Furthermore, the global pandemic has had a significant impact on Local Government and the financial challenges faced by the Council meaning a greater reliance will be placed on the availability of reserves.

The Policy is presented to the Audit Committee for review but also to provide assurance that the Council manages its reserves effectively.

The Reserves Policy is attached at Appendix 2 and presents the Council's strategic approach to the creation and maintenance of reserves.

Recommendations

That Members of the Audit Committee review the Reserves Policy for 2020/21 to 2021/22 and advise the Council on its suitability from a governance perspective.

Reserves Policy for 2020/21 to 2021/221**1 Background**

- 1.1 There is a need to have a strategic approach to the creation and maintenance of the Earmarked Reserves held by the Authority. This is because resources are becoming even more scarce and any money set aside needs to both support the priorities of the Council and prevent unforeseen expenditure/events impacting on year on year budgets wherever possible.
- 1.2 The level of reserves maintained by Local Authorities collectively has in the past attracted comment from the (now former) Secretary of State for the Department of Communities and Local Government (now Ministry for Housing, Communities and Local Government) indicating they are excessive.
- 1.3 In December 2012, the Audit Commission produced a report into their research on the level of reserves held by Councils. The report, whilst produced a number of years ago, set out sound advice and recognised that there is no set formula for deciding the level of reserves that is appropriate. It stated that having the right level of reserves was important and where reserves were low, there could be very little resilience to financial shocks and sustained financial challenges (the COVID-19 pandemic is an event that was completely unforeseen and has created significant financial turbulence for Local Government). It also stated that where reserves are high, there is a risk that some Councils may retain certain funding which could otherwise be utilised as a one-off resource to address challenging savings targets and provide time for transformation to deliver permanent financial savings.
- 1.4 One conclusion from the Audit Commission report was that Councils needed to consider their present decision making around reserves in a number of areas:
- Undertaking an annual review to ensure reserves align with Medium Term Financial Strategies;
 - Having clarity about what earmarked reserves are for;
 - Ensuring earmarked reserves held to mitigate financial risk reflect an up-to-date assessment of risk;
 - Monitoring the level and use of reserves over recent years and comparing the Council's approach to other organisations facing similar circumstances;
 - Budget monitoring and forecasting to give Elected Members greater awareness of likely year-end movements on reserves;
 - Ensuring significant or unexpected variations to budget are dealt with.
- 1.5 Members can be assured that the Council already meets the criteria detailed above through the regular review of reserves, the Revenue Budget Monitoring reports presented to Cabinet, the Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments Report presented alongside the Revenue Budget Report to Council and the production of an annual Reserves Policy.
- 1.6 Members of Audit Committee will recall that during 2019/20, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Resilience Index. This was in response to financial challenges being experienced by some Local Authorities. The level of reserves and balances are a key element in the CIPFA Financial Resilience Index which was published for the first time in December 2019. A second Resilience Index was issued in February 2021.

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- 1.7 In this February Index, none of the Oldham indicators were considered to be extremely high risk or a cause for immediate concern. Compared to the December 2019 Index, a number of indicators increased in risk, however, the Reserves Sustainability Measure reduced in risk quite considerably when compared to the “nearest neighbour” Local Authority comparator group. The Index has provided some useful information and confirmed the position that, leading into 2020/21, the Council was financially resilient. The Index will be issued again during 2021/22 to reflect the position at the end of 2020/21 and key information will subsequently be presented to Members once it is available.
- 1.8 Given the position facing most Authorities, including Oldham, the information contained in the Index as at the end of 2020/21 is likely to be out of date by the time it is published and will also be greatly impacted by the issues arising from Covid in 2020/21. This will prove challenging when comparing performance against previous financial years.
- 1.9 Members will also recall that a report on Local Government Financial Resilience was presented to this Committee on 12 September 2019. As highlighted within the report, a number of Authorities had been identified as having sustainability issues at that time. Since this report, the global pandemic has further impacted Local Authorities with a number identifying short and longer term resilience issues as a result of COVID-19. Croydon Council issued a Section 114 notice during December 2020 and Slough Council issued a Section 114 notice on 2 July 2021. A number of Local Authorities have sought assistance from the Ministry of Housing, Communities and Local Government in the form of a capitalisation direction (allowing expenditure normally classified as revenue to be treated as capital expenditure and therefore to be supported by prudential borrowing). These Councils include both Croydon and Slough.
- 1.10 It is important to note that those Authorities facing a significant financial challenge did not have the level of reserves available to support them through the pandemic as an unforeseen event.
- 1.11 As shown above, the level of Local Authority reserves is a key issue when discussing the funding of Council services and it is therefore considered appropriate to present this Reserves Policy for scrutiny by the Audit Committee.

2 Reserves Policy for 2020/21 to 2021/22

- 2.1 The 2020/21 to 2021/22 reserves policy has been prepared, following the finalisation of the financial outturn position at the end of 2020/21 and after a risk-based review by the Director of Finance having regard to Corporate Priorities. There are 14 major Earmarked Reserves included in the Policy to align to the presentation of reserves at Note 15 in the Statement of Accounts (see Appendix 1). As can be seen from the Appendix and also in the Statement of Accounts, the accounts were closed with a balance of Earmarked Reserves of £113.512m (an increase of £34.152m), Revenue Grant Reserves of £20.145m (an increase of £12.212m) and Schools Reserve of £9.306m (an increase of £3.819m). In total, reserves are £142.964m an overall increase of £50.183m.
- 2.2 Overall, reserves were increased in part due to the receipt of some COVID specific grants (including £25.182m compensation for Business Rates reliefs awarded in 2020/21 which was retained for use in 2021/22).
- 2.3 The level of reserves held at the end of 2020/21, which are detailed within the reserves policy, are deemed sufficient to ensure the Council’s financial resilience for 2021/22. It should be noted that there was an immediate call on Earmarked Reserves at the start of the year to reflect the use of reserves to balance the budget for 2021/22 of £42.012m (37%) leaving a balance of £71.501m. Of this balance, a further £12.297m is proposed to be used

to support the revenue budget in 2022/23, leaving a remaining balance of £59.204m available for use.

2.4 The COVID-19 pandemic has created uncertainty, and this has resulted in increased expenditure and income losses. The future impact of the pandemic is unclear. The reserves of the Authority are therefore important in providing support for the financial position giving time for any required budgetary adjustments to be made. The Reserves Policy makes it clear that the final decision in relation to any of the reserves lies with the Director of Finance (S151 Officer) having regard to the overall financial position of the Council.

2.5 This policy document also sets out the rationale for the creation of the reserves, the arrangements for their management and the approval process for use. The Policy is detailed at Appendix 2.

3 **Conclusions**

3.1 An appropriate Reserves Policy subject to scrutiny is considered good governance for a Local Authority.

4 **Options**

4.1 Option 1 - That Members approve the approach to the creation and maintenance of reserves as set out in Appendix 2.

4.2 Option 2 – That Members suggest an alternative approach to the creation and maintenance of reserves.

5 **Preferred Option**

5.1 Option 1 is the preferred option.

6 **Consultation**

6.1 To demonstrate the appropriateness of the earmarked reserves maintained by the Council this Reserves Policy is subject to a detailed review by the Audit Committee.

7 **Financial Implications**

7.1 In order to increase the transparency on the Earmarked Reserves held by the Council, a specific reserves policy has been developed which is now subject to annual review. This has enabled the Council to align its Earmarked Reserves to the Corporate and Strategic Objectives of the Council.

7.2 As shown in the Statement of Accounts which is presented to this Committee elsewhere on the agenda, the Council was able to deliver a financial outturn in accordance with its agreed budget for 2020/21. As such, with the proposed Reserves Policy as detailed in Appendix 2, it is in a robust financial position to meet the challenges for this financial year. However, COVID-19 has undoubtedly changed the financial outlook. In order to manage its medium-term financial position effectively, the Council will have regard to the Government funding packages, any required revisions to budgeted expenditure and income and very careful management of reserves. Appropriate action will be taken to support the financial sustainability of the Council. The Reserves Policy makes it clear that the final decision in relation to any of the reserves lies with the Director of Finance (S151 Officer) having regard to the overall financial position of the Council. (Anne Ryans)

8.	Legal Services Comments
8.1	N/A
9.	Cooperative Agenda
9.1	N/A
10	Human Resources Comments
10.1	N/A
11	Risk Assessments
11.1	It is important in managing its finances that an Authority achieves a balance of both setting aside earmarked reserves which are appropriate in supporting Corporate Priorities and Objectives whilst retaining financial resilience to secure its medium and long term financial stability. (Mark Stenson)
12	IT Implications
12.1	N/A
13	Property Implications
13.1	N/A
14	Procurement Implications
14.1	N/A
15	Environmental and Health & Safety Implications
15.1	N/A
16	Equality, community cohesion and crime implications
16.1	None
17	Equality Impact Assessment Completed?
17.1	No
18	Key Decision
18.1	No
19	Key Decision Reference
19.1	N/A

20 **Background Papers**

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are included at Appendices 1 and 2
Officer Name: Anne Ryans
Contact No: 0161 770 4902

21 **Appendices**

21.1 Appendix 1 – Summary Earmarked Reserves 2020/21
Appendix 2 - Reserves Policy for 2020/21 to 2021/22.

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Appendix 1

Summary Earmarked Reserves 2020/21 (extract from Note 15 of the Statement of Accounts)

	Balance as at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance as at 31 March 2020	Transfer to DSG Adjustment Account	Restated balance as at 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Integrated Working Reserve	(3,662)	376	(700)	(3,986)	-	(3,986)	529	(13,922)	(17,380)
Transformation Reserve	(10,281)	2,849	(377)	(7,809)	-	(7,809)	1,822	-	(5,986)
Adverse Weather Reserve	(1,500)	500	-	(1,000)	-	(1,000)	-	-	(1,000)
Regeneration Reserve	(6,456)	1,795	-	(4,661)	-	(4,661)	1,347	(250)	(3,564)
Demand Changes Reserve	(2,000)	1,660	(1,660)	(2,000)	-	(2,000)	2,000	-	-
Emergency and External Events Reserve	(2,751)	564	(64)	(2,251)	-	(2,251)	2,251	(2,000)	(2,000)
Levy Reserve	(402)	-	-	(402)	-	(402)	153	(90)	(340)
Council Initiatives Reserve	(4,514)	1,591	(609)	(3,532)	-	(3,532)	1,206	(565)	(2,891)
Fiscal Mitigation Reserve	(14,975)	13,718	(25,720)	(26,977)	-	(26,977)	26,407	(11,013)	(11,582)
Life Cycle Costs Reserve	(6,611)	5,031	-	(1,580)	-	(1,580)	500	(571)	(1,651)
Insurance Reserve	(14,529)	2,364	-	(12,165)	-	(12,165)	4,092	(1,912)	(9,985)
Directorate Reserve	(2,767)	1,335	(428)	(1,860)	-	(1,860)	695	(1,027)	(2,192)
Balancing Budget Reserve	(8,818)	8,818	(10,008)	(10,008)	-	(10,008)	10,008	(54,309)	(54,309)
Taxation / Treasury Reserve	(625)	125	-	(500)	-	(500)	1,955	(1,455)	-
District Partnership Reserve	(732)	224	(121)	(629)	-	(629)	127	(92)	(594)
Local Restrictions Support Grant Reserve	-	-	-	-	-	-	-	(37)	(37)
Total Revenue Account Earmarked Reserves	(80,623)	40,950	(39,687)	(79,360)	-	(79,360)	53,090	(87,243)	(113,512)
Other Earmarked Reserves									
Revenue Grants Reserve	(8,733)	1,440	(641)	(7,933)	-	(7,933)	1,327	(13,538)	(20,145)
Schools Reserve	(4,202)	4,207	(576)	(571)	(4,916)	(5,487)	5,495	(9,314)	(9,306)
Total Other Earmarked Reserves	(12,935)	5,647	(1,217)	(8,504)	(4,916)	(13,420)	6,822	(22,852)	(29,452)
Total Earmarked Reserves	(93,558)	46,597	(40,904)	(87,865)	(4,916)	(92,781)	59,912	(110,095)	(142,964)

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Appendix 2

RESERVES POLICY

FOR

2020/21 TO 2021/22

RESERVES POLICY

1 Background

- 1.1 It is important to have a strategic approach to the creation and maintenance of reserves. Having established a reserves policy for the closure of the accounts for 2014/15 and the financial year 2015/16, this updated policy addresses key issues arising from the 2020/21 accounts closure and 2021/22 financial year.

2 Policy

- 2.1 As financial resources have become more scarce, it is essential to ensure that any funds set aside in reserves are considered appropriately so that they have maximum effect. Following established practice, the process of identifying reserves continues to have regard to the addressing of corporate priorities.
- 2.2 Corporate Reserves have in the past been created at the discretion of the Director of Finance. Whilst it is essential that some flexibility is maintained, this policy sets out agreed priority reserves. This will enable any identified additional resources to be directed to the priority areas.
- 2.3 It is also essential to determine by means of a risk based review on a case by case basis, the appropriate level of reserve to be held in each priority area. Clearly there will be the opportunity for the recommended level of required reserve to change, but it is proposed that once each reserve has reached the maximum recommended level, then resources will be directed to the next priority reserve. Once all these reserves have reached the proposed maximum, then any other available resources can be made available for individual budget holder business case requests.
- 2.4 The COVID-19 pandemic has changed the financial landscape of Local Government and the Council and given the many challenges that this has caused, financial resilience has never been more important. It is therefore essential to ensure that reserves are available to support the Council and maintain financial resilience at a time of unprecedented uncertainty about future resource availability.

3 Establishing the Priorities

- 3.1 The closure of the 2020/21 accounts has enabled a detailed review of the Council's reserves and categorisation of these reserves into 14 major areas. There are in most instances, a number of reserves within these major areas including the priority reserves.

For clarity, the **14 major reserves** and the reserves created to support **corporate priorities** within them are set out and explained in this policy as follows.

1) Integrated working – £17.380m at 2020/21 accounts closure

This reserve represents resources that have been set aside to support initiatives arising from the Greater Manchester devolution agenda including joint working with the Oldham Clinical Commissioning Group (CCG) and other health partners around Adult Social Care, other Greater Manchester Councils, and the Greater Manchester Combined Authority.

The priority reserves within this category are:

a) Health and Social Care Integration Reserve

A reserve of £10.300m was established at the end of the financial year and is to provide resources to support further integration between health and social care providers in line with Government policy and the local direction of travel.

b) Adult Social Care - Better Care Fund (BCF)

A reserve of £3.394m (£2.500m at the end of 2019/20) has been created, initially from Improved Better Care Fund grant resources with additional resource subsequently allocated. This reserve is in the first instance to be held pending the potential cessation or reduction of Improved Better Care Funding at the end of the current funding cycle but with potential to also address pressures within Adult Social Care and to assist with the health and social care integration agenda. The increase in reserve will support the increase in costs of care in relation to demand and acuity as well responding to the COVID-19 pandemic and supporting any adjustments to packages of care charged to the Hospital Discharge Fund (HDF).

c) Adult Social Care – Thriving Communities

Established at the closure of the 2020/21 accounts, this reserve of £0.623m holds funds to ensure that the priorities of the Thriving Communities programme are delivered. This will be used in 2021/22.

d) Support for Third Party Providers Reserve

At the closure of the 2020/21 accounts, a reserve of £1.249m was established to support third party providers of services where costs are expected to increase as a result of the ongoing global pandemic.

e) Places for Everyone

At the closure of the 2020/21 accounts, a reserve was established to cover costs expected to be incurred in relation to specialist advice and support in the continued development of the revised GMSF2/Places for Everyone Strategic Development Framework and Local Plan. The balance of this reserve is held at £0.300m.

2) Transformation Reserve - £5.986m at 2020/21 accounts closure

This reserve holds resources set aside to provide for any costs of implementing the Council's budget requirements for 2021/22 and later years and also the on-going programme of change as the Council moves to address funding reductions in future years by the continued transformation of its services.

The priority reserves within this category are:

a) Transformation/ Invest to Save Reserve

In order to facilitate transformational change across the Council, some funding is needed for pump priming initiatives such as dual running of systems and project management. During 2020/21, £0.158m was used to support transformational projects in year, this is lower than previous years due to the

impact of the pandemic. The total held within the reserve at 31 March 2021 was £2.262m.

b) Redundancy/ Efficiency Reserve

As part of the agreed budget strategy for 2015/16, the corporate redundancy base budget was reduced by £2.000m. As a consequence, funding for redundancy costs will be provided by utilising a reserve. The reserve balance at the end of the 2020/21 financial year was £3.000m. If the reserve is utilised then it will be replenished the following the year.

c) Dedicated Schools Grant (DSG) Recovery Plan

A reserve was set aside at the end of the 2016/17 financial year for £1.000m to smooth the implications arising from the realignment of General Fund and DSG resources in part resulting from changes in Government policy around the costs that can be charged to the DSG. During 2020/21, the reserve was reviewed and reduced by £0.755m. The total value held in this reserve at the end of the financial year was £0.245m.

3) Adverse Weather Reserve - £1.000m at 2020/21 accounts closure

The 2015/16 budget setting process approved the reduction in the Winter Maintenance base budget by £0.100m and an increase of the already established adverse weather reserve to compensate. A reserve of £1.000m is considered sufficient to fund the costs of several severe winters and the reserve was held at this value at the closure of the 2020/21 accounts.

4) Regeneration Reserve - £3.564m at 2020/21 accounts closure

The Council has an extensive and ambitious regeneration agenda and resources have been set aside to support a number of regeneration projects which span more than one financial year. The priority reserves within this category are:

a) Property Strategy

At the Council meeting of 18 December 2017, Members approved the creation of a reserve at a value of £0.250m to provide for up front / abortive costs with regard to the Council's property strategy. During the 2020/21 financial year it was deemed appropriate to increase this reserve by a further £0.250m to reflect the Council's revised disposals strategy. At the end of the financial year 2020/21, £0.500m was held within this reserve.

b) Creating a Better Place Reserve

A report was presented to Cabinet on 28 March 2018 approving revenue resources of £2.879m to support the Creating a Better Place Programme. A subsequent report increased this requirement to £3.147m. These funds are to be held in reserve until required. During 2020/21, £0.282m was released to support expenditure incurred in this regard. The balance at the end of the 2020/21 financial year is retained at £2.864m.

5) Emergency and External Events Reserve - £2.000m at 2020/21 accounts closure

This reserve was established in 2015/16 to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs. The priority reserves in this category are:

a) Commissioning and Legal Challenges Reserve

As the Council has changed from being a deliverer in many service areas to becoming a commissioner of services including PFI schemes, Adult Social Care and Public Health, it removes the Council from the day to day direct delivery of services, but introduces a range of contract management challenges which require close monitoring. There are instances where this process has led to disputes and the Council has had to seek expert advice to support and defend its position. The reserve has been maintained to support such funding requirements.

b) Equipment Replacement/ Building Maintenance Costs Reserve

The Council has a reserve to fund requests for the emergency replacement of equipment or the undertaking of immediate building maintenance. This ensures a source of funds is readily available to support such costs in an emergency.

c) Flood Protection Reserve

Following the floods of December 2015 and the impact on neighbouring Authorities, a reserve was set aside to fund required flood protection measures in the Borough and the balance of this reserve stands at £0.250m at the end of the 2020/21 financial year.

d) Emergency Incident, Threat or Hazard Reserve

In order to discharge its Statutory Responsibility for Emergency Planning, the Council prepared a financial procedure to facilitate the incurring of expenditure in the case of an emergency or incident in the Borough which may result in hardship to a group of residents or the Council having to incur expenditure in the interests of public safety. This procedure required the creation of a reserve of £0.250m and this has been retained for 2020/21. It will be necessary to ensure that a fund of £0.250m is permanently available in order to comply with the financial procedure rule.

6) Levy Reserve - £0.340m at 2020/21 accounts closure

This reserve is held to address unbudgeted variances in the levies charged by the Greater Manchester Combined Authority. Initially set up specifically for the waste levy, this reserve with a balance at a value of £0.340m at the year-end will be used to support any variances arising from the Greater Manchester Combined Authority (GMCA) waste and transport levies.

7) Council Initiatives Reserve - £2.891m at 2020/21 accounts closure

There are a number of projects and programmes of work which the Council considers to be priority initiatives. Reserves have been set aside to ensure that these can be undertaken during future years. The major priority reserves are:

a) Learning and Attainment Reserve

There is a political priority to support the learning and attainment agenda to promote the improvement of results in schools. A reserve of £1.000m was created in 2014/15 to be used over future years. At the end of 2020/21, £0.355m remained in the reserve.

b) Career Advancement Service

This reserve was established to fund the Career Advancement Service Pilot scheme during the period 2016/17 to 2019/20. The strategy seeks to improve population skills and outcomes to support Oldham's strategic goals. Due to the success of this scheme during the pilot years, the service has now been extended for a further two years and the reserve was held at a balance of £0.170m at the end of the financial year.

c) Northern Roots

On the 28 January 2019 Cabinet approved a report to support the Northern Roots project with revenue resources of £0.705m over a two year period. External funding of £0.150m supports part of this investment and £0.555m was established within a reserve during 2018/19. During 2020/21, expenditure of £0.130m was incurred with future costs deferred into 2021/22 as a result of the global pandemic. The balance held at the end of the financial year was £0.345m.

8) Fiscal Mitigation Reserve - £11.582m at 2020/21 closure

This reserve has been established to fund future costs expected to arise from reforms to Central Government Funding and also pressures that result from legislative changes or local initiatives. The priority reserves within this category are:

a) Business Rates Reserve

The income from Business Rates remains volatile and therefore it is prudent to have resources available to support the General Fund should business rates income be reduced in future years' budget processes. The balance held within this reserve at the end of the 2020/21 financial year was £1.735m.

b) Pay Award

At the end of the 2020/21 financial year end the NJC pay award for 2021/22 had not yet been agreed with talks ongoing. Pending the outcome of any negotiations and in line with the requirements of the 2021/22 Budget report, it was deemed prudent to put aside resources for any improved offer and as such a reserve of £1.000m was established to mitigate a potential pay increase.

c) Budget Reductions

Whilst the 2021/22 budget was based on the full delivery of all budget reductions, in line with the 2021/22 Budget report, this reserve is held to support any potential shortfall within the Community Health and Adult Social Care / Children's Services portfolio in 2021/22.

d) Financial Resilience

Services in the 2020/21 financial year were delivered against a backdrop of significant uncertainty and unprecedented pressures. The budget setting environment for future years is equally uncertain. It was deemed appropriate at the end of the financial year to establish a reserve to support the financial resilience of the Council over the medium term. The balance held in this reserve at the year-end was £5.951m.

9) Balancing Budget Reserve - £54.309m at 2020/21 accounts closure

During the budget setting process for 2021/22, a reserve was established at a value of £54.309m to balance the 2021/22 and 2022/23 budget. The creation and use of this reserve in 2021/22 was approved by Budget Council on 4 March 2021. Resources of £42.012m will be used to balance the 2021/22 budget leaving £12.297m to support budget setting for 2022/23.

10) Contractual Life Cycle Costs Reserve – £1.651m at 2020/21 accounts closure

The Council has a number of PFI and other schemes that operate in a similar manner to PFIs. The life cycle costs of these schemes vary over the period of the contract and sinking funds are required to support the transition of the asset back into Council ownership at the end of the contract life. The life-cycle costs have been smoothed for budget purposes and therefore require a transfer to and from reserves to meet the commitments.

11) Insurance Reserve - £9.985m at 2020/21 accounts closure

It is essential that reserves are held to ensure that there are adequate resources available to support insurance claims against the Council. The requirement for this reserve is closely linked to the claims profile of the Council and was assessed as part of the 2020/21 year-end closedown process.

12) District Partnership Reserve - £0.594m at 2020/21 accounts closure

This reserve represents sums set aside to fund projects already agreed by the District Partnerships which are either programmed for a future financial year or span more than one financial year.

13) Directorate Reserve - £2.192m at 2020/21 accounts closure

There are a wide range of Directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet utilised. The Directorate Reserve will ensure that such initiatives can be completed.

14) Local Restrictions Support Grant Reserve - £0.037m at 2020/21 accounts closure

This reserve was established at the year end with resources to support the continued payment of Local Restrictions Support Grant (LRSB) to businesses beyond the end of March 2021, in accordance with the regulations issued by Central Government in relation to LRSB. This will be utilised in full in 2021/22.

Management of Reserves

Creation/ Decommissioning of Reserves

- 4.1 A list of areas/initiatives for which an additional reserve might be created or where an existing reserve might be increased in value will be presented to Senior Managers for consideration before the year end. The approval or otherwise of the reserve requests will be considered on a case by case basis and in the context of the overall projected financial position of the Council. The recommended use of reserves will be considered by the Director of Finance at the year-end and action taken as appropriate.
- 4.2 The report will also give consideration to those reserves no longer required or no longer considered to be priority areas. This will allow for the utilisation of the resources for other purposes, either the reallocation to other reserves, or to support the budget.
- 4.3 The financial resilience of the Council is a key issue going forward and the level of reserves available plays an important part. As such, the Director of Finance has delegated authority to decommission any reserves where it is deemed necessary to do so to support the Council in delivering a balanced budget.

Schools Related Reserves

- 4.4 There are some schools related initiatives which may require funding on an academic year basis rather than financial year. It is proposed that such reserves are created as required.

District Partnership Reserve

- 4.5 It should be noted that District Partnership reserves operate under separate arrangements.

Flexibility at the Year End

- 4.6 In addition, given the accelerated timeline for the closure of the accounts, decisions will need to be taken around the use and creation of reserves without the opportunity to formally report these to Senior Managers/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance and reported after the Council's accounts have closed.

5 Approval of the Use of the Reserves

- 5.1 Reserves can only be recommended for use as follows:
- a) After a review and agreement by Senior Managers as to the rationale for their use:
- Adverse Weather Reserve
 - Regeneration Reserve
 - Council Initiatives
 - Integrated Working Reserve (except for the £10.300m Health and Social Care Integration Reserve)
- b) After a review and agreement by the Strategic Director Commissioning of Oldham Council / Chief Operating Officer of Oldham CCG:
- Health and Social Care Integration Reserve (£10.300m)

- c) After review and agreement by the Strategic Design and Delivery Board:
 - Transformation Reserve
- d) After review and agreement by the Deputy Chief Executive, Strategic Director or Managing Director and the Director of Finance:
 - Directorate Reserve
- e) After review and agreement of the Director of Finance:
 - Emergency and External Events Reserve
 - Levy Reserve
 - Fiscal Mitigation
 - Balancing Budget Reserve
 - Life Cycle Costs Reserve
 - Insurance Reserve
 - Local Restrictions Support Grant Reserve
- f) After review and agreement of District Partnership Executives:
 - District Partnership Reserve

5.2 The decision to utilise reserves will only be made once the in-year and future impact of use on the overall financial position of the Council has been considered by the Director of Finance.

5.3 The use and creation of reserves in year will be incorporated into the revenue budget monitoring report which is discussed with the Deputy Leader and Cabinet Member for Finance and Low Carbon and presented to Cabinet for approval. At the end of the financial year, as advised at 4.6, there will be a requirement to allow the Director of Finance discretion to address reserve issues as deemed appropriate in the context of the overall financial position of the Council.

6 Other Key Reserves Matters

6.1 There is an accounting requirement to identify two separate reserves outside the scope of this policy:

- a) Schools Reserve – this includes the balances held by Schools under the scheme of delegation. The use of these reserves is at the discretion of schools and as at the 31 March 2021 £9.306m was held in reserves.
- b) Revenue Grants Reserve – this represents income from grants received which have no conditions attached or where the conditions have been met but no expenditure has yet been incurred. The use of these reserves will be determined by the relevant service Director and the Director of Finance. The balance held in this reserve at the end of the financial year was £20.145m and includes £11.929m of COVID-19 grant that will be spent in 2021/22. These COVID related reserves are shown below.

Revenue Grant Reserves	£000s
Test and Trace Support Payments – Discretionary Payments and Administration	452
Local Authority Test and Trace Service Support Grant	851
Enhanced Response to COVID Grant	133
Funding for Local Authorities for Support to Clinically Extremely Vulnerable Individuals	541
Contain outbreak Management Fund	5,341
COVID Winter Grant Scheme	122
Community Champions Fund	347
Self-Isolation Practical Support Payment Grant	64
Local Authority Compliance and Enforcement Grant	31
Additional Restrictions Grant	4,047
Total COVID Related Revenue Grants Reserve	11,929

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