



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