

Report to Audit Committee

Revision to the Reserves Policy for 2020/2021 to 2021/22

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

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Reason for Decision

The purpose of this report is to present to Members of the Committee, a revision to the Reserves Policy of the Council for the financial years 2020/21 to 2021/22.

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 on the level of and the use of reserves.

The Audit Committee considered the Reserves Policy for 2020/21 to 2021/22 at its meeting on 29 July 2021. This report sets out an amendment to the use of one of the reserves, the Health and Social Care Integration Reserve with a value of £10.3m

Recommendations

That Members of the Audit Committee agree to the revision to the Reserves Policy for 2020/21 to 2021/22.

Revision to the 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 Reserves Policy for 2020/21 and 2021/22 was presented for consideration by the Audit Committee on 29 July 2021.

2 Reserves Policy for 2020/21 to 2021/22

- 2.1 The 2020/21 to 2021/22 reserves policy was 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. 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 One of the reserves outlined in the policy is the Health and Social Care Integration reserve. This reserve of £10.300m was established to provide resources to support further integration between health and social care providers in line with Government policy. Its use was to be approved by Members after a review and agreement by the Strategic Director Commissioning of Oldham Council / Chief Operating Officer of Oldham Clinical Commissioning Group (CCG).
- 2.3 Given the changes to Council management arrangements and the changes to the operation of the Oldham CCG, a report was presented to and approved by the Commissioning Partnership board of 21 October 2021 to revise the use of the reserve and to amend the process for the approval of the reserve. It is now proposed that the use of the £10.300m is revised so that:
 - a) The reserve is split into two elements of £5.300m and £5.000m.
 - b) Whilst some of the £5.300m has already been utilised, any future use of the reserve will be delegated to Commissioning Partnership Board having received a recommendation from the new Oldham Health & Care System Board. All bids for resources will be reviewed and proposed by the Place Lead for Oldham in consultation with the Chief Finance Officers of the CCG and the Council to provide assurance as to the financial benefits and to ensure compliance with the Oldham System Financial Framework as approved at the Commissioning Partnership Board. The use of the funds must, however, align to legislative and local financial frameworks applicable to Oldham Council given that the reserve is held in the accounts of the Council.
 - c) It is proposed that the use of the remaining £5.000m is delegated jointly to the Council's Director of Finance and the CCG's Chief Finance Officer as it is envisaged that this resource will be added to the pooled budget managed via the Section 75 Agreement between the Council and Oldham CCG. This will enable the respective officers to finalise the technical requirements in order to utilise the funds and confirm phasing arrangements.

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- 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 agree the revision to the Reserves Policy for 2020/21 to 2021/22.
- 4.2 Option 2 – That Members do not agree the revision to the Reserves Policy for 2020/21 to 2021/22 and suggest an alternative approach.
- 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. The revised approach outlined in this report was considered and approved by the Commissioning Partnership Board on 21 October 2021.
- 7 **Financial Implications**
- 7.1 The revision to the use and approval of the reserve included in this report relates to a reserve totaling £10.300m and is held within the accounts of the Council.
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 – Reserves Policy presented to the Audit Committee of 29 July 2021 and report to the Commissioning Partnership Board of 21 October 2021 – see links below

<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8429>

<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=548&MId=8231>

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21 **Appendices**

21.1 None