



## **Report to Policy Overview and Scrutiny Committee**

# **Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments**

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

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Vickie Lambert, Senior Accountant / Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

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### **Reason for Decision**

To recommend that Policy Overview and Scrutiny Committee considers the level of balances necessary to support the 2022/23 budget underpinned by the agreed policy on Earmarked Reserves, setting a properly balanced revenue budget which includes the financing of capital investments within the present investment proposals.

### **Executive Summary**

In order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Director of Finance) is required to report on the robustness of the estimates made for the purposes of the revenue budget calculations and the adequacy of the proposed reserves. This information enables a longer-term view of the overall financial resilience of the Council to be taken. It also reports on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and an appropriate level of Earmarked Reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves, are an integral part of its continued financial resilience supporting the stability of the Council.

Over the last few years there have been a number of Local Authorities which have been subject to the issuing of a Section 114 notice or approaching Government for exceptional financial assistance. During 2021/22, both Slough Borough Council and Wirral Council have

been subject to such measures and / or requirements. Further details of this can be found at Section 5.

Whilst the Council has prepared a detailed revenue budget within a five-year Medium Term Financial Strategy (MTFS), a five-year Capital Programme and continues the closure of accounts within an appropriate timeframe allowing early focus on the upcoming challenges and a robust financial transformation programme, there continues to be a reliance on the use of reserves to balance the revenue budget.

Since 2016/17, reserves of £74.627m have been used to underpin the Council's revenue budget alongside other one-off measures. This includes £25.182m relating to grant compensation received in 2020/21 and used in 2021/22 to support the Collection Fund deficit arising from the award by Government of Business Rates Relief after the budget for 2020/21 had been set. For 2022/23, it is proposed to use corporate reserves of £10.101m and specific reserves of £1.805m together with £9.045m to offset the Collection Fund deficit for 2021/22 arising from the awarding of Business Rates Reliefs in 2021/22 after the budget had been set (this is a technical accounting adjustment) combined with one-off measures totaling £2.500m. The remaining corporate Balancing Budget reserve of £9.932m will be used to support 2023/24 and 2024/25.

There is, therefore, a reliance on the use of reserves to balance the budget over the MTFS period. The continued use of reserves and one-off measures has had the impact of deferring the changes that are required to balance the revenue budget by on-going sustainable means. The implementation of the next phase of the transformation programme in 2022/23 is expected to address this challenge although this has been impacted by the global pandemic. The expected benefits of the transformation programme will be phased over several financial years and is therefore supported by the use of reserves over the short term.

As detailed within the Council's Audit Completion Report for 2020/21 received by the Council on 17 December 2021, the External Auditors concluded that "there is not a significant weakness in the Council's arrangements in relation to financial sustainability". This is encouraging and should be considered in the context of 2022/23 budget setting and the Medium Term Financial Strategy for 2022/23 to 2026/27.

It is important to note that the reviews into both Slough Borough Council and Wirral Council indicate that they are at risk of not being able to agree balanced budgets as their reserves are insufficient to mitigate either in year or 2022/23 estimated shortfalls in resources.

Financial resilience does depend in part on the Council maintaining an adequate level of reserves which are set out in this report. In order to scrutinise the level of reserves held by the Council the policy on Earmarked Reserves was considered by the Audit Committee in July 2021 and it is proposed to action the same review again in 2022/23 after the closure of the accounts for 2021/22.

Whilst the Council is utilising a number of reserves to support the 2022/23 revenue budget and anticipates a use of reserves in both 2023/24 and 2024/25, Members can be assured that Oldham Council currently remains financially resilient. Work is taking place to address the on-going financial pressures that the Council is facing. At the start of 2022/23 it will continue to be well placed to meet the difficult financial challenges ahead. However, this strategy relies on the delivery of the transformation programme over the short to medium term. Public findings reported elsewhere have shown that some Authorities have not, in a

small number of cases, been able to deliver the level of transformational savings required so it is important that the Council delivers on current plans.

In conclusion, the Chief Finance Officer is able to advise Members of the robustness of the estimates and the affordability and prudence of capital estimates for 2022/23. Despite the use of reserves over recent years, the level of reserves remains adequate to support the 2022/23 financial position and demonstrates financial resilience. However, this is only the case provided that action is taken to ensure that the balances are set at the level of £19.935m for 2022/23 as calculated in this report and that all budget options, or in year alternatives, are delivered as planned and monitored.

## **Recommendations**

It is recommended that Policy Overview and Scrutiny Committee considers and comments upon:

- 1) The proposed General Fund Balance currently calculated for 2022/23 at £19.935m.
- 2) The initial estimate of General Fund Balances to support the Medium-Term Financial Strategy is as follows:
  - £21.268m for 2023/24 and
  - £21.415m for 2024/25 to 2026/27.
- 3) The intended report to be presented to the Audit Committee on Earmarked Reserves to ensure this area is subject to appropriate scrutiny.
- 4) The actions necessary to secure a properly balanced budget as presented in paragraph 3.6.
- 5) The actions necessary to ensure the prudence and affordability of the capital investments as noted in Section 4.

**Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments****1. Background on Calculating the Recommended Level of General Balances to support the 2022/23 Budget**

- 1.1. There are two approaches for deciding the optimum level of the general contingency reserve required for the Council to support its annual budget process. This is either a percentage of expenditure, which at one stage was recommended by the external auditors to be at a minimum 5% of net expenditure, or an approach based on an assessment of risk.
- 1.2. The agreed Council approach adopted for a number of years is to use a risk-based approach based upon 11 areas of assessed risk:
  - Inflation is underestimated in the original estimates
  - Interest rates are underestimated
  - Changes to grant funding regimes
  - Some budgets are only indicative at the time the budget is agreed
  - Volatility in some budget headings between years
  - Efficiency gains expected in the agreed budget are not achieved
  - Unforeseen insurance costs
  - Emergencies which cannot be foreseen which occur on an ad hoc basis
  - Changes to budgets where targets are not met
  - Financial and Partnership guarantees given by the Council including Health Devolution
  - Unforeseen events
- 1.3. The calculation of balances required to support the 2022/23 revenue budget is detailed at Appendix 1. It also presents the calculation of an indicative recommended level of balances to support the 2023/24 to 2026/27 budgets. These allow for the current pressured state of the Council's finances which, by way of example, include the unprecedented impact of the COVID-19 global pandemic.
- 1.4. The recommended level of general balances to support the 2022/23 budget is £19.935m, an increase of £2.672m. The Council is currently reporting a forecast favourable variance and it is expected that this will remain the case to the end of the financial year and that this favourable variance will be used to support the required General Fund balance.
- 1.5. The detailed assumptions supporting the assessment of risk within the detailed general balances calculation are set out in Appendix 2.
- 1.6. The indicative level of balances for the Medium Term are £21.268m for 2023/24 and £21.415m for the years 2024/25 to 2026/27. These are in line with the level of risk included in the 2022/23 calculation and reflect the need to keep an appropriate level of general balances to manage known challenges. These figures will be reviewed in accordance with the evolving financial position; hence they have not been included in the budget calculations.

**2. Earmarked Reserves**

- 2.1. The Council has 12 Earmarked Reserves (14 during 2021/22) as summarised in Appendix 3 and has estimated Earmarked Reserves at the 2021/22 year-end totalling £80.725m. This net change in Earmarked Reserves is £32.787m which includes the transfer to Earmarked Reserves of a Section 31 grant for Business Rate compensation at a value of £9.045m (£25.182m in 2021/22). This additional Section 31 funding will be used in 2022/23 in full to

support the Collection Fund Deficit as a result of the global pandemic. Alongside this there is further anticipated transfer to reserves of £0.095m with regards to Mercury Emissions and the reclassification of reserves between categories totalling £0.016m. Members will also recall that there was a use of £16.830m of Specific and General Earmarked Reserves to support the revenue budget in 2021/22. Management of these reserves takes place via the monthly monitoring reports during the financial year and at year-end as part of the closure of accounts.

- 2.2. The projected level of reserves does not allow for the carry forward of any COVID related Government grant funding which has been awarded in 2021/22 but may not be spent by the end of the financial year. At this stage it is not clear if or how much of such grant will remain unspent on 31 March 2022.
- 2.3. Further detail of the estimated Earmarked Reserves held by the Council at the end of the 2021/22 financial year which are supported by the Reserves Policy are detailed in Appendix 3. The Earmarked Reserves to meet known or expected liabilities where it is challenging to be specific about the exact financial amount of liability are:
  - Council Initiatives
  - Insurance Reserve
  - Adverse Weather Reserve
  - Transformation Reserve
  - Lifecycle Costs Reserve
  - Fiscal Mitigation Reserve
  - Emergency and External Events Reserve
- 2.4. The Earmarked Reserves required for other more specific, including invest to save purposes are:
  - Balancing Budget Reserve
  - Regeneration Reserve
  - Integrated Working Reserve
  - Directorate Reserves
  - District Executive Reserve
- 2.5. In addition, there are two other reserves, the School Balances reserve (which is not available for the Council to utilise) and the Revenue Grants reserve which is for specific grant related initiatives.
- 2.6. Since 2016/17, reserves of £74.627m have been used to underpin the Council's revenue budget alongside other one-off measures. This includes £25.182m relating to grant compensation received in 2020/21 and used in 2021/22 to support Collection Fund deficit arising from the award by Government of Business Rates Reliefs after the 2020/21 budget had been set. For 2022/23, it is proposed to use £10.101m of the corporate Balancing Budget reserve and four specific reserves held within the Balancing Budget Reserve:
  - a) the reserve to support the Organisational Redesign at a value of £1.300m
  - b) £9.045m with regards to grant compensation received in 2021/22 which will be used in 2022/23 to support the Collection Fund deficit arising from the awarding of Business Rates Reliefs in 2021/22 after the budget had been set
  - c) £0.405m for Invest to Save initiatives to support the implementation of 2023/24 budget reductions via the Transformation Agenda
  - d) £0.100m to provide resources to support the Queen's Jubilee celebrations in 2022/23

This will be combined with other one-off measures totalling £2.500m. The remaining £8.500m of the corporate Balancing Budget reserve will be used to support the revenue budget in 2023/24 and 2024/25. There will also be a use of specific reserves totalling £1.432m held within the Balancing Budget Reserve being used in 2024/25 to support Greater Manchester Bus Reform.

- 2.7. As shown above, the reliance upon reserves remains considerable. However, this approach has enabled the Council to balance its budget, but this has had the impact of deferring the changes that are required to balance the revenue budget by on-going sustainable means. The implementation of the next phase of the transformation programme over the MTF period to 2026/27 is expected to address this challenge. The expected benefits of the transformation programme will be phased over several financial years and as such has been supported by reserves over the short term.
- 2.8. As detailed within the Council's Audit Completion Report received by the Council on 17 December 2021, the External Auditors concluded that "there is not a significant weakness in the Council's arrangements in relation to financial sustainability". This is encouraging and should be considered in the context of 2022/23 budget setting and the Medium-Term Financial Strategy for 2022/23 to 2026/27.
- 2.9. Whilst the level of reserves expected to be available to support the Council over the MTF period ensures it remains financially resilient, it is evident that continued use of the reserves to underpin the budget over time will reduce future levels of resilience and is not sustainable. This is highlighted by the most recent financial challenges experienced by Slough Borough Council and Wirral Council where reserves were depleted over several years to support the revenue budget, partly because there was a prevailing culture of not making difficult decisions which meant the reliance on reserves was high. For Slough, the depletion of the general fund balances and an over reliance on a joint venture (set up for commercial purposes) resulted in an inability to set or sustain a balanced budget without a capitalisation direction to be agreed by the Department for Levelling Up, Housing and Communities (DLUHC).
- 2.10. Oldham Council does have an extensive transformation programme; however, it is essential that this delivers to timeline and to the anticipated budgetary levels required to avoid further unplanned reliance on reserves.

### **3. Robustness of the Estimates**

- 3.1. Key factors in ensuring the robustness of estimates include the initial challenge process to establish budget reduction proposals, essential project management to ensure the delivery of the proposals, monitoring and reporting arrangements and the utilisation of key, skilled finance staff in drawing up detailed estimates and monitoring proposals going forward. Cross cutting and sound key assumptions are also vital in ensuring proper estimates.
- 3.2. There are a large number of factors which make the management of the Authority's budget much more challenging than it has been in the past. These include:
  - The unprecedented impact of the global pandemic. This has had a significant impact on all Local Authorities as they have been at the forefront of the country's response to support its residents. This has had a significant impact across all Council services during the last couple of financial years with far reaching implications of long COVID expected over the medium term. Whilst this has greatly impacted Local Authorities, there has been significant additional resources provided by Central Government which has, in the main, underpinned the extra expenditure / lost income for 2020/21 and 2021/22. However, for 2022/23 the Government has advised that there will be no continuation of the unringfenced grant support specifically for COVID and therefore any impact over the Medium Term will need to be met directly from Council's resources



or the general Government grants provided to support the 2022/23 budget within the Provisional Local Government Finance Settlement.

- Councils such as Oldham in areas where deprivation is causing pressures on services, face significant continued financial challenges. The impact of unprecedented reductions in Government funding for a sustained period, constrained Council Tax increases to fund Adult Social Care, a decline in other income, rising costs and growing demand for many services are all challenging the Councils' financial management and resilience.
- Whilst the publication of the Autumn Budget and Comprehensive Spending Review 21 on 27 October 2021 provided some indication of future financial plans, the Provisional Local Government Finance Settlement issued on 16 December 2021 only provided indicative funding information for 2022/23 making medium term planning more challenging.
- There continues to be a potential for change in Council funding particularly around the likely movement of Business Rates Retention to a 50% model. Originally expected to be implemented in 2020/21, due to the nature of the Government's Levelling Up Agenda, this may no longer be the direction of Government policy. The Council awaits further details on this however, it has received confirmation that the Greater Manchester 100% business rates retention pilot scheme, of which Oldham has been a part since 2017/18, will continue for 2022/23.
- The Relative Needs and Resources Review of the Local Government finance system has been under consideration for several years and it had been anticipated that the Spending Review 21 (announced on 27 October 2021) would have included some detail about this key development. Surprisingly there was no reference to it. The purpose of the review is to examine and update the system for allocating resources among Local Authorities; taking account of relative need and the ability to generate resources locally through taxation. When implemented, this could have a major impact on the distribution of resources between Councils. It is expected that there will be consultation on this review during 2022/23 for implementation in 2023/24 as part of the Government's levelling up agenda.
- As part of the Government's long-term vision for Adult Social Care including within its White Paper Building Back Better, a national Insurance charge of 1.25% for both employers and employees will be implemented from 1 April 2022 which is to be used to fund its reform of Health and Social Care. On 1 December 2021 the Government published a further White Paper "People at the Heart of Social Care" which set out a vision for how Adult Social Care would operate for the next 10 years with personal care/ choice as its central strand. This also set out some proposals to utilise the Adult Social Care Levy as set out in the Building Back Better White Paper. Reform to Adult Social Care clearly impacts on the processes and procedures operated by the Council although the real impact will be from 2023/24 when the changes are introduced.
- As detailed within the Council's Month 8 financial monitoring report, Community Health and Adult Social Care (CHASC) and Children's Social Care (CSC) continue to be areas which are reporting adverse variances. Whilst a large element of this is due to COVID-19, there are other Business as Usual issues. Despite investment of resources as part of the budget setting process over a number of financial years, there continues to be a structural overspend. For 2021/22 there is a projected overspend of £7.455m for CHASC and £4.518m for CSC.

- There is a continued pressure for the Council with regard to its Dedicated Schools Grant (DSG) and in particular the High Needs Block. Despite the support from the Schools Block in 2021/22, the DSG in Oldham is still expected to have an overall revised deficit of £3.029m at the year end. It is an important element of the financial management of the Authority that the DSG is not in a deficit position. The Government's Spending Review 21 announced £1.6bn in additional funding for 2022/23 school budgets, on top of the year-on-year increase already confirmed. The additional £1.6bn is for the Schools and High Needs blocks and of which £300m is for the increased National Insurance Health & Social Care levy as well as all other cost pressures including demographics, inflation, teacher's minimum salary and pay inflation. It has been allocated as a separate grant in 2022/23 and then will be rolled into the National Funding Formula (NFF) from 2023/24. The grant is being allocated to schools as per the NFF formula distribution as if it was part of National Funding Formula from April 2022 for Academies and Maintained schools and to Local Authorities for the High Needs block. As a result of the extra funding, the DSG recovery Plan has been subsequently remodelled and indicates that a surplus will be generated in 2023/24. The Department for Education has been supportive of the Council's Recovery Plan process to date.

3.3. As shown above, the impact of these changes and the level of further funding available in future years is not fully known, but the financial climate is more volatile with the Council carrying more financial risk than has ever been the case.

3.4. These current and future financial challenges pose significant and increasing risks and require robust financial management along with sufficient reserves to strengthen resilience against future uncertainty.

3.5. The preparation of the estimates has been based on the following base assumptions:

- Pressures – As identified within the revenue budget monitoring throughout 2021/22, there are a number of pressures which cannot be absorbed by the Directorates. In these instances, the 2022/23 estimates reflect the additional resources required by these particular service areas. However, these assumptions are based on a prudent approach to budget setting and these services will be continually monitored throughout 2022/23 to determine if these additional resources are required or if they can be released to support the overall financial position.
- Interest and inflation assumptions - a prudent view of interest rates and inflation has been taken when constructing estimates for 2022/23. However, these estimates do incorporate the impact of the rapidly increasing energy prices throughout 2021/22 and that they are expected to continue for the Medium Term. Whilst these estimates are considered to be adequate at this point in time, uncertainty within the economy may lead to further revision.
- Invest to save initiatives – The Council is continuing with its Transformation Agenda and the Medium-Term Financial Strategy (MTFS) reflects the requirement to invest in transformational activities which will deliver savings in the longer term.
- Council Tax income assumptions - the estimates for Council Tax Base setting rely on an overall collection rate of 96.75% (unchanged from 2021/22). The position will be monitored during the year, but the tax yield could vary for matters outside the control of the Council.



- A best estimate of the amount of income to be collected from Non-Domestic Rates with the most up to date information available with regard to the Greater Manchester Business Rates pilot scheme arrangements.

3.6. In order to secure a balanced budget year on year, it is essential that the Council's financial arrangements ensure:

- That all budget changes agreed by the Council are actioned to deliver the estimated savings, or alternatives found to the same net value, by the relevant responsible officers.
- Monthly monitoring of all budgets and reporting on an exception basis through the Director of Finance to senior officers and Cabinet.
- Action is being taken to address future forecast budget shortfalls in advance of the forthcoming financial years. In respect of this the Council's recent and on-going preparation of a multi-year MTFS is an example of enhanced good practice.
- There is a minimum call on reserves, except for agreed corporate priorities.
- Management accountability for budgets so that financial challenges are addressed quickly.

#### **4. Affordability and Prudence**

4.1. The current prudential borrowing regime places a duty on the Chief Financial Officer to ensure that the financial impact of decisions to incur additional borrowing over and above that supported by direct Government resources are affordable both in the immediate and over the longer term.

4.2. However, given the changes in Local Government finance introduced in 2006/07, there is no longer any direct relationship between supported borrowing and the grant to finance it. Consideration of all new capital schemes and their revenue impact is therefore undertaken alongside other revenue issues to ensure that resources are allocated appropriately and are affordable.

4.3. In 2017 the Chartered Institute of Public Finance & Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes which required all Local Authorities to prepare a Capital Strategy report. The Council was already compliant with this requirement, however, in response to concerns about high levels of borrowing to fund commercial investment in a small number of Local Authorities, CIPFA subsequently consulted on revisions to the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services Code of Practice. The consultation ended on 16 November 2021 and the changes to the Codes were issued on 20 December 2021. The areas that have been strengthened are detailed within the Council's Capital Strategy 2022/23 to 2026/27. Both the Council's Treasury Management Strategy and Capital Strategy for 2022/23 have incorporated these recent changes to the Codes where the information is readily available.

4.4. In accordance with previous practice, the Annual Review of the Capital Programme (known as the Summer Review) was completed and subsequently approved by Cabinet on 13 December 2021. This review incorporated extensive discussions with Project Managers and Finance Officers to determine an updated profile of expenditure for all schemes. It also examined any further opportunities to reallocate resources or decommission schemes whilst also including an in-depth analysis of capital receipts. The outcome of this review was that £40.002m was rephased over the length of the Capital Programme.

- 4.5. A review of the Capital Programme was undertaken when preparing Capital Strategy and Capital Programme 2022/23 to 2026/27, not only to ensure that it reflected the most up to date forecasts, but also to see if there were opportunities to alleviate some of the revenue budget pressures of the Council. The reprofiling of planned capital spending in accordance with current projections has facilitated a revision to the base budget for capital financing costs for 2022/23 of £3.766m.
- 4.6. The Capital Strategy and Capital Programme 2022/23 to 2026/27 has therefore been produced following these reviews and the impact of the Council's current investment plans detailed in the Capital Strategy and Capital Programme 2022/23 to 2026/27, which is included elsewhere on the agenda, are planned to be financed as far as appropriate utilising capital grant and capital receipts, Housing Revenue Account (HRA) resources for HRA projects, with the balance being funded through Prudential Borrowing. Related capital financing charges are included in the revenue budget for 2022/23, with future year's charges being estimated in the MTFS. As can be seen in the Capital Strategy, despite the challenging financial position, the Council has ensured that there is sufficient revenue budget to meet the capital commitments and deliver the regeneration objectives for the Borough and it is essential that this remains so going forward. Subject to that, the capital estimates are considered prudent and affordable while supporting the aspirations and ambition of the Council.

## **5. Financial Resilience**

- 5.1. A key issue that must be considered by the Chief Finance Officer when forming an opinion on budget setting arrangements is the financial resilience of the Council of which the level of reserves and balances is a significant element. The issue of financial resilience and sustainability across the Local Authority sector is highly relevant to the ongoing development of the Council's Medium Term Financial Strategy and associated budget proposals for 2022/23 and beyond. Much more attention has been focused on financial resilience over the last few years as highlighted within the Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments report presented to Council on 4 March 2021.
- 5.2. As previously highlighted, there are financial challenges being faced by a number of Local Authorities. During 2021/22, further issues being experienced by Council's were highlighted. These included:

### Slough Borough Council

- 5.3. On the 2 July 2021 the Interim Section 151 Officer at Slough Borough Council issued a Section 114 notice. This followed the External Auditor only considering signing off the accounts for the financial year 2018/19 if an adjustment was processed which reduced the agreed level of general balances to £0.550m. The adjustment related to the Council overstating the income it expected to receive from a joint venture (set up for commercial purposes). Such an adjustment impacted on the 2019/20 and 2020/21 accounts which are currently undergoing audit and could be subject to an adjustment which further reduces the level of general balances. Initial indications from the Interim Section 151 Officer are that adjustments could leave general fund balances in a deficit position of £56m.
- 5.4. On the 1 December 2021, the Secretary of State for Levelling Up, Housing and Communities requested that Commissioners be sent to Slough Borough Council to address serious financial and management failures after an independent review uncovered a "deeply concerning picture of mismanagement, a breakdown in scrutiny and accountability, and a dysfunctional culture at Slough Borough Council". The team immediately took over several functions associated with financial management and governance after the review concluded that the Council was failing it its best duty in these areas.

- 5.5. To assist with its financial position, the Council has requested additional financial support by way of a capitalisation direction. The commissioners will play an important role in deciding the outcome of this request.

#### Wirral Council

- 5.6. During 2021/22, Wirral Council requested Exceptional Financial Support from the DLUHC for 2020/21 and 2021/22 to help it balance its budget by raising capital borrowing to support some of its revenue expenditure. Upon receiving this request, DLUHC commissioned CIPFA to undertake an independent and detailed financial assurance review of Wirral Council. The outcome of this review was published in November 2021.
- 5.7. The review concluded that the financial challenges facing Wirral Council were not solely attributable to dealing with COVID. The ongoing culture amongst officers and Members in the Council prior to COVID had been to avoid difficult financial decisions and this meant that the General Fund reserves needed to meet unexpected events had already been reduced from 8% of net revenue expenditure in March 2018, to an anticipated 3.3% by March 2022. It was considered that the prevailing culture had failed to deliver a realistic and viable financial strategy.
- 5.8. Detailed within the report is the finding that the Council's MTFs to address the financial challenge was not clear about the scale of the challenge or the tough choices that will need to be made to deliver it. The plans relied on considerable savings of £80m up to 2025/26 and that the Council "has failed to deliver over 25% of its savings in the last two years". It was also found that reserves had been reduced over recent years and were held at a level that was lower than similar Councils, which meant that any failure to deliver savings would impact quickly on the Council's ability to set a legal balanced budget.
- 5.9. Whilst the review concluded that the Council's claim for exceptional financial support was reasonable, there were a number of recommendations that the Council needs to implement to improve its financial resilience. These included improvements to its financial planning processes.:
- 5.10. These challenges being experienced by other Local Authorities are a warning to the Local Government sector as a whole and emphasise the importance of good financial management and financial resilience.

#### CIPFA's Local Authority Financial Resilience Index

- 5.11. On 16 December 2019, CIPFA published its first Local Authority Financial Resilience Index which was aimed at supporting the Local Government sector as it faces continued financial challenges. This index was based upon 2018/19 data with a second index (based on 2019/20 data) being published in February 2021. This index included nine primary and seven secondary indicators which are listed below. An updated Financial Resilience Index based on 2020/21 data is due to be published early in 2022.

#### *Primary Indices*

- Reserves sustainability
- Level of Reserves
- Change in the use of reserves
- Ratio of interest payable to net revenue expenditure
- Gross external debt held by the Council
- Ratio of children's and adults social care spend to net revenue expenditure
- Proportion of fees and charges to total service expenditure

- Ratio of Council Tax as a proportion of net revenue expenditure
- Difference between baseline funding level and retained income over baseline funding level

### *Secondary Indices*

- Unallocated reserves to net revenue expenditure
- Earmarked reserves (total usable excluding public health and schools) to net revenue expenditure
- Average % of change in unallocated reserve
- Average % of change in earmarked reserves over past 3 years
- Ratio of HRA reserves divided by net revenue expenditure
- Ratio of children's social care expenditure to net revenue expenditure
- Ratio of adult's social care expenditure to net revenue expenditure

5.12. The February 2021 Index highlighted that 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. A key issue to note is of course is that this related to a period prior to the impact of COVID-19. However, it can provide Members with some assurance as to the financial position of the Council.

5.13. The Index, showing the position at the end of 2020/21 will be issued in early 2022. Given the position facing most Authorities, including Oldham, the information contained in the Index as at the end of 2020/21 will be out of date by the time it is published and will also be greatly impacted by the issues of COVID. Whilst the Index is useful, it will prove challenging when comparing performance against previous financial years.

5.14. Based upon the requirement to support the revenue budget over the short to medium term with a significant level of Earmarked Reserves it is expected that the CIPFA Financial Resilience Index over future financial years will be greatly impacted with risk indicators being high.

### CIPFA's Financial Management Code

5.15. As a result of the financial challenges facing the Local Government sector, CIPFA introduced the Financial Management Code with the objective being "to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability".

5.16. The Code is based upon a series of principles which are supported by specific standards of practice which CIPFA consider necessary for a strong foundation. The foundation being the ability to:

- Financially manage the short, medium, and long-term finances of a Local Authority
- Manage financial resilience to meet foreseen demands on services
- Financially manage unexpected shocks in their financial circumstances

5.17. The Financial Management Code builds on the success of the CIPFA Prudential Code which requires Local Authorities to demonstrate the long-term financial sustainability of their capital expenditure. The Code is also consistent in that it is based upon principles rather than prescriptions and each Local Authority must demonstrate that they meet the requirements of this Code.

- 5.18. A report was considered by the Audit Committee on 17 January 2022, which set out how the Council complies with the Code. Whilst there are a few areas for improvement, the Council's compliance is generally good which can give Members some further assurance about the financial management arrangements within the Council.

#### Committee of Public Accounts – COVID-19: Local Government Finance

- 5.19. On 4 June 2021, the Committee of Public Accounts published a report on English Local Authorities finance in light of the additional funding provided during the coronavirus crisis. The focus of this report was the issue that “despite receiving additional funding during Covid, many local authorities are in a precarious financial situation and will experience long-term financial effects from the pandemic”. The review looked at the DLUHC's response to the pandemic and produced a number of conclusions and recommendations which included:
- The Department was not sufficiently prepared for the local government finance implications of a severe emergency - *The Department should capture learning from the pandemic and should inform the Committee of Public Accounts by the end of 2021 how it will use this to prepare a flexible framework for responding quickly to the implications of severe national emergencies for local government.*
  - The pandemic has exposed limitations in the data that the Department normally collects from local authorities, meaning it has not had a proper picture of local financial resilience - *The Department should draw on the experience of collecting data during the COVID-19 pandemic to improve its regular collections of local government financial data. The Department needs to examine its arrangements, and make changes as necessary, for oversight of financial risk in the sector and ensure that lessons from the financial issues at Croydon Council have been learned.*
  - The Department has not fulfilled previous assurances that it will be transparent about financial risk in the sector by sharing information with the National Audit Office - *In discussion with the National Audit Office, within three months the Department should find a way to share information relevant to financial risk in the sector, including about individual local authorities, while indicating on what basis it can or cannot be shared further.*
  - The Department's over-optimism about the impact of the pandemic on local authorities' risks leading to reductions in services for local people - *The Department, working with other government departments, should ensure that decision-making about actions to stabilise local government finance is informed by sufficient information about the service implications of current financial pressures. The Department and HM Treasury should ensure that their work for the next Spending Review includes full consideration of the longer-term effects of the pandemic on local government finance and the demands placed on local authorities.*
  - The Department has yet to address the longstanding structural issues within local government finance - *The Department should set out its plans to ensure that local government finance is reconsidered from first principles, reformed in a measured fashion working with the sector, and ultimately new arrangements put in place that are fit for purpose and built to last and that a stable funding environment, ideally based on a multi-year settlement, is established as a bridging mechanism while more fundamental long-term reforms are designed.*
  - It is unacceptable that local authorities continue to face uncertainty about the level of financial support they can expect from government on top of the other pressures and uncertainty with which they are currently required to cope - *HM Treasury, working with the Department and other departments as necessary, should explore ways that the government can give local authorities more financial certainty as they develop their 2022–23 spending plans.*



- 5.20. Whilst there has been no significant development with the above recommendations, it is encouraging that the DLUHC are investigating ways to assist Council's will forward planning and their financial resilience.
- 5.21. In overall terms, whilst the Council is still facing financial challenges, based on the information currently available, it is financially resilient for the purposes of setting the 2022/23 budget and a Medium-Term Financial strategy up to 2026/27.

## **6. Budget Recommendations**

- 6.1. In conclusion, the Chief Finance Officer is able to advise Members of the robustness of the estimates and the affordability and prudence of capital estimates for 2022/23. Despite the use of reserves over recent years, the current level of reserves remains adequate to support the 2022/23 financial position and demonstrates financial resilience in the short to medium term. However, this is only the case provided that action is taken to ensure that the balances are set at the level of £19.935m for 2022/23 as calculated in this report and that all budget options, or in year alternatives, are delivered as planned and monitored.

## **7. Consultation**

- 7.1. The professional opinion of the Director of Finance on the overall adequacy of the total level of reserves is integral to the sign off of the overall agreed budget. It is seen as a key factor as to why Local Authorities have been able to manage significant on-going year on year reductions in budget whilst remaining financially resilient.
- 7.2. The Earmarked Reserves as set aside by the Council at each financial year-end have been independently verified by the external auditor.
- 7.3. For the future it is important that the organisation undertakes an appropriate independent scrutiny of its reserves and reduces its reliance on reserves to support the budget setting process. It is proposed that the Audit Committee continues to consider reports from the Director of Finance on the matter.

## **8. Financial Implications**

- 8.1. The review of reserves and provisions has identified that the Council will be required to maintain the recommended level of general balances to support the 2022/23 budget, in line with good practice and the duties of the Director of Finance.
- 8.2. It is essential that the transformation programme is delivered to timeline and value to ensure that there are no unplanned use of reserves and the proposed Medium Term Financial Strategy can be delivered, albeit underpinned by reserves. The 2022/23 financial position will be subject to close monitoring and review and remedial action will be required if there are any variations from plan.

## **9. Legal Services Comments**

- 9.1. Under section 25 of the Local Government Act 2003, the Chief Finance Officer must report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves.

## **10. Co-operative Agenda**

- 10.1. The adequacy of reserves and balances to underpin its agreed budget enables the Council to have long term security to support its aims and objectives and takes forward the co-operative ethos of the Council.



**11. Human Resources Comments**

11.1. Not Required.

**12. Risk Assessments**

12.1. There is a statutory requirement for the Director of Finance to calculate the balances required by the Council to support the production of the annual budget. The methodology utilised as detailed in Appendix 1 and 2 of this report is to assess the required level on the basis of risk. (Mark Stenson)

**13. IT Implications**

13.1. Not Required.

**14. Property Implications**

14.1. Not Required.

**15. Procurement Implications**

15.1. Not Required.

**16. Environmental and Health & Safety Implications**

16.1. Not Required.

**17. Equality, community cohesion and crime implications**

17.1. Not Required.

**18. Equality Impact Assessment Completed?**

18.1. Not Required.

**19. Key Decision**

19.1. Yes.

**20. Key Decision Reference**

20.1. FLC-05-21

**21. Background Papers**

21.1. 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 provided in Appendices 1-3
Officer Name:	Vickie Lambert / Mark Stenson
Contact No:	0161 770 4783

## **22. Appendices**

- 22.1. Appendix 1 General Balances Calculation
- Appendix 2 Eleven Areas of Risk for Oldham Council
- Appendix 3 Anticipated Earmarked Reserves as at 31/03/2022

## General Balances Calculation

## Appendix 1

Area of Risk	2022/23 Budget £000	Risk Factor	Value £000	2023/24 Budget £000	Risk Factor	Value £000	2024/25 to 2026/27 Budget £000	Risk Factor	Value £000
<b>Inflation</b>									
Salaries including pensions	106,367	0.50%	532	114,902	0.50%	575	119,794	0.50%	599
Premises	13,018	0.25%	33	14,268	0.50%	71	15,518	0.50%	78
Transport	5,822	0.25%	15	6,072	0.50%	30	6,322	0.50%	32
Supplies	124,954	0.25%	312	123,935	0.25%	308	122,428	0.25%	306
PFI	21,708	0.00%	0	21,925	0.25%	55	22,144	0.50%	111
Other	Quantum		250	Quantum		250	Quantum		250
			<b>1,142</b>			<b>1,289</b>			<b>1,376</b>
<b>Interest Rates</b>									
Changes in rates	Quantum		500	Quantum		250	Quantum		250
			<b>500</b>			<b>250</b>			<b>250</b>
<b>Grants</b>									
Business Rates Top Up	42,439	0.00%	0	40,230	0.50%	201	40,230	0.75%	302
Revenue Support Grant	0	0.00%	0	17,945	1.00%	179	18,304	1.00%	183
Public Health Grant	0	0.00%	0	17,559	1.00%	176	17,910	1.00%	179

Improved Better Care Fund	11,187	0.00%	0	11,411	0.00%	0	11,639	0.00%	0
Social Care Support Grant	12,132	0.00%	0	12,132	1.00%	121	12,132	1.25%	121
Lower Tier Services Support Grant	428	0.00%	0	428	0.00%	0	428	0.00%	0
Independent Living Fund Grant	2,580	0.00%	0	2,580	1.00%	26	2,580	1.25%	32
H. Benefit/ Council Tax Support	1,195	0.00%	0	1,202	1.00%	12	1,210	1.00%	12
New Homes Bonus	562	0.00%	0	0	0.00%	0	0	0.00%	0
Anticipated Levelling Up Resources	0	0.00%	0	5,029	1.00%	50	5,029	1.00%	50
Grants in Lieu of Business Rates	18,608	1.00%	186	9,210	1.00%	92	9,210	1.00%	92
2022/23 Services Grant	4,467	0.00%	0	0	0.00%	0	0	0.00%	0
Market Sustainability and Fair Cost of Care Fund	758	0.00%	0	0	0.00%	0	0	0.00%	0
New Burdens - Revenue and Benefits	13	0.00%	0	0	0.00%	0	0	0.00%	0
Adult Social Care – Building Back Better	0	0.00%	0	5,300	1.50%	80	7,580	1.75%	133
Discretionary Housing Payments Grant	638	0.00%	0	638	0.00%	0	638	0.00%	0
PFI Credits	13,262	1.00%	132	13,262	1.00%	132	13,262	1.00%	132
			<b>318</b>			<b>1,069</b>			<b>1,236</b>
<b>Estimated Budgets</b>									
Academies Loss	Quantum		75	Quantum		75	Quantum		75

Carbon Emissions	Quantum		50	Quantum		50	Quantum		50
			<b>125</b>			<b>125</b>			<b>125</b>
<b>Volume Changes</b>									
Council Tax including Adult Social Care	103,326	1.00%	1,032	106,175	0.25%	265	109,194	0.25%	273
Retained Business Rates	51,325	1.00%	513	25,403	1.50%	381	25,403	3.00%	762
Unity Partnership Ltd	Quantum		500	Quantum		250	Quantum		250
			<b>2,045</b>			<b>896</b>			<b>1,285</b>
<b>Budget Savings</b>									
2022/23	11,735	25.00%	2,934	11,735	2.00%	235	11,735	2.00%	235
2023/24	0	0.00%	0	17,427	30.00%	5,228	17,427	3.00%	522
2024/25	0	0.00%	0	0	0.00%	0	8,087	30.00%	2,426
			<b>2,934</b>			<b>5,463</b>			<b>3,183</b>
<b>Insurance</b>									
Medical Malpractice linked to Health Devolution	Quantum		100	Quantum		100	Quantum		100
			<b>100</b>			<b>100</b>			<b>100</b>
<b>Emergency Planning</b>									
ICT disaster	Quantum		500	Quantum		500	Quantum		500
Flooding	Quantum		500	Quantum		500	Quantum		500
Offices	Quantum		500	Quantum		250	Quantum		125
Emergency Planning	Quantum		1,000	Quantum		750	Quantum		650
Contractor Failure	Quantum		1,000	Quantum		1,000	Quantum		1,000
Environmental Incident	Quantum		750	Quantum		750	Quantum		1,000

Unforeseen disaster	Quantum		1,000	Quantum		1,000	Quantum		1,250
			<b>5,250</b>			<b>4,750</b>			<b>5,025</b>
<b>Changes</b>									
Debt Collection	Quantum		100	Quantum		175	Quantum		250
			<b>100</b>			<b>175</b>			<b>250</b>
<b>Financial Guarantees</b>									
Contractual Disputes	Quantum		1,000	Quantum		1,000	Quantum		1,000
Levying Bodies	Quantum		250	Quantum		250	Quantum		500
Pensions	Quantum		1,000	Quantum		750	Quantum		750
Devolution	Quantum		250	Quantum		250	Quantum		250
Investments	Quantum		1,000	Quantum		750	Quantum		750
Grant Claw back	Quantum		250	Quantum		250	Quantum		500
			<b>3,750</b>			<b>3,250</b>			<b>3,750</b>
<b>Other</b>									
Transformation Agenda	Quantum		1,000	Quantum		1,250	Quantum		1,750
Flexible Use of Capital Receipts	Quantum		250	Quantum		0	Quantum		0
General	Quantum		500	Quantum		750	Quantum		1,500
COVID Legacy	Quantum		1,921	Quantum		1,901	Quantum		1,585
			<b>3,671</b>			<b>3,901</b>			<b>4,835</b>
<b>TOTAL</b>			<b>19,935</b>			<b>21,268</b>			<b>21,415</b>



## Eleven Areas of Risk for Oldham Council

Number	Area of Risk	Analysis of Risk
1	Inflation is underestimated in the original agreed estimates	<p>With inflation rates expected to rise to 5% by April 2022 when the next round of capped gas prices will increase, any certainty around future inflation rates has decreased. With the Consumer Price Index (CPI) rising in 2021/22 by one of the largest increases seen for 20 years, and an expectation that rates will remain high during 2022/23 there is a risk that inflationary increases within the estimates could be underestimated over the MTFS period.</p>
2	Interest rates are underestimated	<p>This is similar to 1 above, but for a specific area of risk.</p> <p>The Council has appointed The Link Group as its Treasury Adviser and part of its service is to assist the Council to formulate a view on interest rates. The Link Group central view of interest rates from December 2021 to March 2025 are based on the PWLB Certainty Rate. The Certainty Rate is 80 basis points over gilt yields, and is a reduced rate offered to Local Authorities who qualify providing their plans for long-term borrowing and associated capital spending meet the criteria. The Council has applied for and been approved for the Certainty Rate which covers the period November 2021 to October 2022.</p> <p>There are significant risks to these interest forecasts which include:</p> <ul style="list-style-type: none"> <li>• Labour and supply shortages prove more enduring and disruptive and depress economic activity.</li> <li>• Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.</li> <li>• The Monetary Policy Committee acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than anticipated.</li> <li>• The Monetary Policy Committee tightens monetary policy too late to ward off building inflationary pressures.</li> </ul>

		<p>There is the specific risk to consider here of the continued volatile banking market and the consequential risk to Councils of the security of their investments.</p>
3	Changes to grant funding regimes	<p>The Government system for allocating grants can appear short-term and a “best guess” has to be offered in lieu of hard facts. Currently there are a number of issues with the general regime.</p> <p>The Government’s three-year spending review only gave a high level indicator of funding allocations for 2022/23 to 2024/25. The Provisional Local Government Finance Settlement provided detailed information for only 2022/23. Forward planning for future financial years can only therefore be based on indicative estimates.</p> <p>Changes to the present business rates regime linked into the full Business Rates Retention pilot being managed by the Greater Manchester family may now not be implemented, instead being replaced by the Levelling Up Agenda.</p> <p>Major changes to the Local Government Finance System have been expected for several years and have been delayed repeatedly. No details were included within the 2022/23 Provisional Settlement. It is expected that there will be consultation on changes to the Local Government Finance system during 2022/23 for implementation in 2023/24 as part of the Government’s levelling up agenda.</p> <p>The continuing transformation of functions linked into devolution such as those provided by the health service.</p> <p>Changes to the types of expenditure than can be funded by a particular grant is also a potential issue i.e., Dedicated Schools Grant.</p>
4	Some budgets are only indicative at the time the budget is agreed	<p>There are some initiatives that will be implemented during the financial year but are not sufficiently advanced to accurately cost.</p> <p>The impact of the current trend where a number of schools currently administered by the Council who may wish to become an independent Academy is unknown and the corresponding impact this has on previously notified grant funding.</p>

5	Volatility in some budget headings between years	<p>There are long standing areas of risk where the Council budgets for the middle of the range but might find the outturn for a year at the higher end.</p> <p>In respect of Council Tax there is a risk that the Collection Rate falls reducing the future amount which can be drawn down in future years. The Collection Rate for 2022/23 remains at 96.75% which is lower than before the global pandemic.</p>
6	Efficiency gains expected in the agreed budget are not achieved	<p>The budget includes an assumption that the Council will deliver savings; the risk is that they may be delivered at a slower rate than is currently expected.</p> <p>Based upon 2009/10 to 2021/22 experience, the achievement of the budget reduction programme in monetary terms has been good, although it is becoming increasingly difficult for services to be maintained. In the next five financial years from 2022/23 there are further challenging budget savings required, given the context in which the Council is operating. These savings requirements mean it is prudent to retain some balances should these targets not be achieved.</p>
7	Unforeseen Insurance Costs	<p>Acts of God can result in higher insurance traffic than had been anticipated.</p> <p>Oldham Council would seem to be appropriately covered on this aspect regarding the general assessment in that it has been based on a detailed yearly Actuarial Review. It also has included a reserve to meet the costs of Municipal Mutual Insurance (MMI) claims should the Scheme of Arrangement be activated. The assessment of the Council that the scheme would be activated proved to be accurate and sensible prudent accounting has negated any financial impact from the initial levy. The matter will now be subject to continual review.</p> <p>The uncertainty going forward is associated with the current economic climate and adverse weather conditions, which it is anticipated, will increase the number of claims made against the Council. On the present Insurance arrangements however the value of claims is individually capped at £250,000 for liability claims and £100,000 for premises.</p>

8	Emergencies which cannot be foreseen which can occur on an ad hoc basis	<p>Were disasters to occur, the Council needs to have balances in place to pick up costs that will fall to the Local Authority. A disaster such as one involving ICT could occur on a one-off basis.</p> <p>The Council area does also cover higher grounds including Saddleworth, which if weather conditions are extreme can lead to additional unbudgeted costs such as snow clearance or flooding in winter.</p> <p>There is an emerging risk to the Council around the environmental impact from items outside of its control such as the illegal dumping of waste which requires remediation.</p>
9	Changes to budgets where targets are not met	<p>Change involves amending working practices and often there is no evidence that the new ways of working will deliver in line with expectations. The assumptions made maybe wrong.</p> <p>This is the most difficult area to predict but there will be unforeseen costs which are not envisaged when the budget is prepared.</p> <p>It is also anticipated that a change in the general environment caused by an economic shock outside the control of the Council could cause a reduction in the debt collected.</p>
10	Financial and Partnership guarantees given by the Council including health devolution	<p>There are a number of obligations and risks to the Council around its financial guarantees which have been given to a wide variety of organisations and projects:</p> <ul style="list-style-type: none"> <li>• In a complex organisation there are contractual disputes for claims against the Council.</li> <li>• There is a desire from contributing Districts to keep levy increases as low as possible. This will increase the financial stress on these organisations and ultimately it is the Districts who would assist if there is a shortfall.</li> <li>• In respect of staff previously employed by the Council but transferred to other organisations the Council has agreed to underwrite the pension costs. This risk has increased in recent times due to changes in national standards regarding recognising cost risk.</li> <li>• Grant clawback could occur whereby the Council is the accountable body for a grant.</li> <li>• Investments of the Council where market value can fluctuate.</li> <li>• There is a risk around Health Devolution and associated financing agreements between the Council and Oldham CCG (and its successor body).</li> </ul>
11	Unforeseen Events	<p>This covers matters not considered in 1-10 but where it is considered prudent to hold an amount in the General Balances and this includes COVID Legacy.</p>

## Anticipated Earmarked Reserves as at 31/03/2022

Earmarked Reserve	Balance £000	Assessment of Current Risk
Council Initiatives Reserve	(1,982)	<p>There are a number of projects and programmes of work which the Council considers to be priority initiatives. This includes:</p> <ol style="list-style-type: none"> <li>1) There is a Corporate Priority to support the learning and attainment agenda to promote the improvement of results in schools.</li> <li>2) Costs associated with the development of the Corporate Plan Priorities.</li> </ol>
Insurance Reserve	(9,985)	<p>This includes:</p> <ol style="list-style-type: none"> <li>i) Any claims made prior to 1974 when the external insurance arrangements of the Council are not clear, and the assumption is that the Council will bear the full cost of any claim made.</li> <li>ii) Claims relating to asbestos related matters which are not covered by external insurance premiums. These claims are expected to reach their peak in the next ten years.</li> <li>iii) Derelict buildings classed as heritage buildings where the Council's Insurers will only provide insurance cover on a debris only basis. Should there be a fire then it is possible the Council will have to replace at full cost without insurance cover in place.</li> <li>iv) Other claims against the Council not covered by the terms and conditions of the Insurance Policy. A recent trend has been for insurance companies to be more challenging around whether coverage is in place for high value claims.</li> </ol> <p>The amount to include in the Insurance Reserve at the year-end is calculated via an Actuarial report which will be produced for the end of the financial year 2022/23. The amount could increase or decrease at the year-end as reported dependent upon the output of this Actuarial Review.</p>

Adverse Weather Reserve	(1,000)	This reserve is set aside to support unplanned expenditure as a result of an unforeseen weather event such as flooding or severe winter weather when the base budget provision is not adequate to meet the costs incurred within the financial year. As seen in recent events within the North West area the damage caused by severe weather cannot be foreseen at budget setting and can be considerable in terms of damage caused.
Transformation Reserve	(5,952)	This reserve has agreed resources set aside to provide for any costs of implementing the Council's budgets requirements as set out in the Medium-Term Financial Strategy to fund investment required to enable the continued transformation of services to achieve efficiency savings.
Lifecycle Costs Reserve	(1,521)	This reserve is required to support the Fleet Management Programme and the replacement of assets as and when they have reached the end of their lifecycle.
Fiscal Mitigation Reserve	(11,283)	<p>The financial environment in which the Council operates has changed from 1 April 2013. Instead of having certainty around the amount of income it will receive in relation to Business Rates, there is a risk of underperformance and business rate appeals. Should there be less income collected than previously estimated, then a proportion of the loss falls on the Council and will impact on the overall amount of resources available for future budgets.</p> <p>It is also the case that the cost of change will be considerable given the budget reductions required from the Council in the next five years.</p>
Balancing Budget Reserve	(30,883)	This reserve contains resources to support the revenue budget in future years as detailed within the financial strategy. This reserve provides the resources required to underpin the 2022/23 budget, with £10.101m of corporate reserves, £1.805m of specific reserves and the £9.045m to be used to support the Collection Fund deficit in 2022/23. It also holds the £8.500m of reserves to support the 2023/24 and 2023/24 budget with £1.432m of specific reserves for Greater Manchester Bus Reform in 2024/25.



Regeneration Reserve	(2,152)	The Council has an extensive and ambitious regeneration agenda and resources have been set aside to support the Creating a Better Place Programme.
Integrated Working Reserve	(12,028)	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) around Adult Social Care, other Greater Manchester Councils, and the Greater Manchester Combined Authority.
Directorate Reserves	(1,345)	This is a reserve created following discussions within the Council whereby requests from services to finance future expenditure on key Council priorities have been agreed.
District Executive Reserve	(594)	This is a reserve which has funds set aside to support existing commitments of the District Executives across the Borough.
Emergency and External Events Reserve	(2,000)	This reserve has been established to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs.
<b>Total Estimated Earmarked Reserves 31/03/2022</b>	<b>(80,725)</b>	

### Schools/Grant Related Reserves

Individual School Balances	(7,946)	This Earmarked Reserve consists of the estimated individual school balances as at 31 March 2022 held by schools under their delegated budgets. These funds are not available for Council use.
Revenue Grants Reserve	(5,510)	This is a technical reserve created under the accounting requirements of International Financial Reporting Standards. It relates to grants received often in relation to education services which are paid over to the Council in the financial year but with grant conditions giving the flexibility for the expenditure to be incurred by the end of the Academic Year. Previously these grants would have been classed as receipts in advance in the final accounts. The funding must be spent in accordance with the specific grant conditions.