

## **Report to Audit Committee**

# **Reserves Policy for 2022/23 to 2023/24**

**Portfolio Holder:** Cllr A Jabbar MBE, Cabinet Member for Finance and Corporate Services

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### **Reason for Decision**

The purpose of this report is to present to Members the Audit Committee, the proposed Reserves Policy of the Council for the financial years 2022/23 to 2023/24 and incorporate any views into the final policy.

### **Executive Summary**

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

There have been several reports issued on Local Government Financial Resilience over the last few years and as a response the Chartered Institute of Public Finance and Accountancy released its Financial Resilience Index, most recently in December 2022. This Index places an increased focus on the level of reserves held by Local Authorities and therefore its ability to be financially resilient. Members will also be aware that over the past few years a small number of Councils have issued notices under Section 114 of the Local Government Finance Act 1988 meaning they are not able to maintain a balanced financial position without the implementation of significant management action and that Government have appointed Commissioners to a number of Local Authorities over the last three financial years as more Authorities are experiencing financial distress.

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

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

**Recommendations**

That Members of the Audit Committee review the Reserves Policy for 2022/23 to 2023/24 and advise the Council on its suitability from a governance perspective.

**Reserves Policy for 2022/23 to 2023/24****1 Background**

- 1.1 The preparation of a Reserves Policy is the means by which the Council demonstrates it has a strategic approach to the creation and maintenance of Earmarked Reserves. This approach is needed because funds set aside in reserves need to both support the priorities of the Council and prevent unforeseen expenditure/events impacting on year-on-year financial performance.
- 1.2 Members may recall that Government Ministers and Local Government commentators have expressed concerns that the level of reserves maintained by Local Authorities collectively has been too high. More recently there have been general concerns that reserves in some instances are too low. Indeed, the issuing by Authorities of notices under Section 114 of the Local Government Finance Act 1988, the applications to Government for financial assistance and the Government assigning Commissioners to support some Authorities, has highlighted that reserves, in some instances, have been run down below the level required to maintain a financially sustainable position.
- 1.3 An Audit Commission report produced a number of years ago recognised that there is no set formula for deciding the level of reserves that is appropriate but stated that having the right level of reserves was important. It advised that where reserves were low, there could be very little resilience to financial shocks and sustained financial challenges (the COVID-19 pandemic is a good example of an unforeseen event where financial resilience was brought under the spotlight). It also stated that where reserves are high, there is a risk that some Councils may retain certain funding which could otherwise be utilised as a one-off resource to address challenging savings targets and provide the time for transformation and change to deliver permanent financial savings.
- 1.4 It is important to have regard to the information and guidance contained in this Audit Commission publication. Even though it was prepared some years ago, there is nothing that cannot or should not be applied to 2023/24.
- 1.5 The Audit Commission report concluded that Councils needed to consider the following when making decisions about the level of reserves:
- Undertaking an annual review to ensure reserves align with Medium Term Financial Plans;
  - Having clarity about the purpose of Earmarked Reserves;
  - Ensuring Earmarked Reserves held to mitigate financial risk reflect an up-to-date assessment of that risk;
  - Monitoring the level and use of reserves over recent years and comparing the Council's approach to other organisations facing similar circumstances;
  - Budget monitoring and forecasting to give Elected Members greater awareness of likely year-end movements on reserves; and
  - Ensuring significant or unexpected variations to budget are dealt with.
- 1.6 Members can be assured that the Council already meets the criteria detailed above through the regular review of reserves, the Revenue Budget Monitoring reports being presented to Cabinet and Scrutiny Committee in 2022/23 and Scrutiny Board in 2023/24, the Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments Report presented as an integral element of the Revenue Budget Report to Council and the production of an annual Reserves Policy.

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- 1.7 Members of Audit Committee will recall previous reports that advised of the introduction by the Chartered Institute of Public Finance and Accountancy (CIPFA) of the Financial Resilience Index which is aimed at supporting the Local Government sector as it faces continued financial challenges. The most recent Index (the Fourth such publication) was issued in December 2022 using 2021/22 data.
- 1.8 The December 2022 Index (based on 2021/22 Local Authority accounts) highlighted that the indicator for change in Earmarked Reserves moved to high risk on the indicator of financial stress scale when compared to our nearest neighbour Local Authority comparator group, this being for the first time since the release of the Financial Resilience Index based on 2020/21 data. Alongside this, the indicator for Unallocated Reserves moved from lower risk to medium risk. These increases are due to the use of reserves to support the revenue budget which is set to continue over the medium term. However, a number of indicators decreased in risk i.e., the Children's Social Care Ratio which moved to low risk and indicates the percentage of spend for this area against the Council's Net Revenue Expenditure is at an acceptable level. The remaining Oldham indicators were not considered to be extremely high risk or a cause for immediate concern.
- 1.9 The Index has provided some useful information and confirmed the position that, leading into 2022/23 the Council was financially resilient although it did highlight the reliance on Earmarked Reserves to support the budget.
- 1.10 Members will also recall that a report on the Financial Administration in Local Authorities was presented to this Committee on 8 September 2022. As highlighted within the report, a number of Authorities and related organisations had been identified as having sustainability issues at that time. It presented details of four Councils where a Section 114 Notice had been issued, two of which were related to the Councils in question not having adequate reserves/ general resources to cover day to day to expenditure (the London Borough of Croydon and Slough Borough Council) and for which the Government had agreed capitalisation directions (allowing expenditure normally classified as revenue to be treated as capital expenditure and therefore be supported by prudential borrowing).
- 1.11 There have subsequently been two further Section 114 Notices issued by Councils relating to the organisation not having adequate resources to cover day to day expenditure. The first was a further Section 114 Notice at the London Borough of Croydon. This followed a review by the recently appointed Section 151 Officer who identified the financial position was more serious than previously reported. This Section 114 Notice remains in place alongside the Government appointed Commissioners. One flexibility agreed with Croydon to enable it to improve long-term financial resilience was the ability to increase Council Tax by 15% for 2023/24.
- 1.12 The second related to Thurrock Council which is a Unitary Authority located in the Southeast. Its investment strategy which, with the benefit of hindsight, has not been successful has resulted in the Council having a significant budget deficit in both 2022/23 and projected for 2023/24. It was also given additional powers to increase its Council Tax for 2023/24, but by 10%. A neighboring Authority (Essex County Council) has been appointed by the Government as a Best Value Commissioner. This intervention was in response to concerns about levels of financial risk and debt and a clear 'Best Value' failure. The Commissioner has full control of the financial functions of Thurrock Council and powers to assess what action may be needed to limit any risks to service provision. An independent review has been undertaken and a report has been produced highlighting the perceived failings in governance at the Council.
- 1.13 Since the start of the financial year 2023/24 a further Authority, Woking Borough Council (a small District in Surrey) has issued a Section 114 Notice arising from the level of borrowing and its ability to service that debt from its existing revenue budget and reserves.
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1.14 As shown above, the level of Local Authority reserves is a key issue when discussing the funding of Council services and it is therefore considered appropriate to present this Reserves Policy for scrutiny by the Audit Committee.

## **2 Reserves Policy for 2022/23 to 2023/24**

2.1 The 2022/23 to 2023/24 Reserves Policy has been prepared, following the finalisation of the financial position at the end of 2022/23 and after a risk-based review by the Director of Finance having regard to corporate priorities. There are 12 major Earmarked Reserves included in the Policy to align to the presentation of reserves at Note 15 in the Statement of Accounts (see Appendix 1). As can be seen from the Appendix and also in the Statement of Accounts, the accounts were closed with a balance of:

- Earmarked Reserves of £79.130m compared to £99.228m at the end of 2021/22.

It should however be noted that the £99.228m included resources of £8.807m to address Business Rate Reliefs awarded by Central Government and this must be considered a technical accounting reserve. Although there was a reduction in reserves of £20.098m, the correct comparison is to an adjusted figure of £90.432m and a reduction of £11.291m.

- Revenue Grant Reserves of £7.968m (a reduction of £2.763m);
- Schools Reserve of £8.381m (a reduction of £1.811m) (maintained schools only); and
- A newly created Dedicated Schools Grant (DSG) Surplus Reserve of £3.672m (which offsets the rolled forward DSG deficit position which is held in an unusable reserve).

2.2 The level of reserves held at the end of 2022/23, which are detailed within the reserves policy are deemed sufficient to ensure the Council's financial resilience for 2023/24. It should be noted that there was an immediate call on Earmarked Reserves at the start of the current financial year to reflect the use of reserves to balance the budget of £12.786m. There is also a forward commitment of £3.932m to balance the budget in 2023/24. As advised in the Policy, there are plans to use other reserves to support corporate initiatives.

2.3 As presented in the Reserves Policy, it is important to note that 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 Management Board/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance having regard to the overall financial position of the Council and will be reported after the accounts have been closed.

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

## **3 Conclusions**

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

## **4 Options**

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

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

5 **Preferred Option**

5.1 Option 1 is the preferred option.

6 **Consultation**

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

7 **Financial Implications**

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

7.2 As shown in the Statement of Accounts, which can be found elsewhere on the agenda, the outturn for 2022/23 resulted in an overspend of £1.147m. Although reserves have reduced at the end of 2022/23, the Reserves Policy at Appendix 2 shows the Council still maintains a robust financial position to meet the challenges for 2023/24 and future years. In order to manage its medium-term financial position effectively, the Council is using reserves to support the budget process. However, appropriate action will need to be taken to support the future financial sustainability of the Council.

7.3 In view of the accelerated timeline for the closure of the accounts, decisions have to be taken around the use and creation of reserves without the opportunity to formally report these to Management Board/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance (Section 151 Officer) having regard to the overall financial position of the Council and reported after the Council's accounts have been closed. (Anne Ryans)

8. **Legal Services Comments**

8.1 N/A

9. **Cooperative Agenda**

9.1 N/A

10 **Human Resources Comments**

10.1 N/A

11 **Risk Assessments**

11.1 It is important in managing its finances that an Authority achieves a balance of both setting aside Earmarked Reserves which are appropriate supporting Corporate Priorities and Objectives whilst retaining financial resilience to secure its medium and long term financial stability. (Mark Stenson)

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- 12      **IT Implications**
- 12.1    N/A
- 13      **Property Implications**
- 13.1    N/A
- 14      **Procurement Implications**
- 14.1    N/A
- 15      **Environmental and Health & Safety Implications**
- 15.1    N/A
- 16      **Equality, community cohesion and crime implications**
- 16.1    None
- 17      **Equality Impact Assessment Completed?**
- 17.1    No
- 18      **Key Decision**
- 18.1    No
- 19      **Key Decision Reference**
- 19.1    N/A
- 20      **Background Papers**
- 20.1    The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref:                      Background papers are included at Appendices 1 and 2  
Officer Name:                Anne Ryans  
Contact No:                    0161 770 4902
- 21      **Appendices**
- 21.1    Appendix 1 – Summary Earmarked Reserves  
Appendix 2 - Reserves Policy for 2022/23 to 2023/24.

## Earmarked Reserves 2022/23 (extract from Note 15 of the Statement of Accounts)

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Integrated Working Reserve	(17,380)	5,430	(6,433)	(18,383)	6,032	(600)	(12,951)
Transformation Reserve	(5,986)	590	(1,000)	(6,396)	2,643	(1,500)	(5,253)
Adverse Weather Reserve	(1,000)	-	-	(1,000)	-	-	(1,000)
Regeneration Reserve	(3,564)	1,646	(250)	(2,168)	1,061	(1,000)	(2,107)
Emergency and External Events Reserve	(2,000)	-	-	(2,000)	-	-	(2,000)
Levy Reserve	(340)	340	-	-	-	-	-
Council Initiatives Reserve	(2,891)	867	(920)	(2,944)	1,653	(700)	(1,991)
Fiscal Mitigation Reserve	(11,582)	6,933	(16,171)	(20,820)	61,397	(68,648)	(28,071)
Life Cycle Costs Reserve	(1,651)	1,680	(1,672)	(1,643)	125	-	(1,518)
Insurance Reserve	(9,985)	-	(35)	(10,020)	6,880	-	(3,140)
Directorate Reserve	(2,192)	923	(1,405)	(2,674)	1,983	(3,145)	(3,836)
Balancing Budget Reserve	(54,309)	42,012	(18,321)	(30,618)	20,686	(6,786)	(16,718)
District Partnership Reserve	(594)	247	(214)	(561)	207	(191)	(545)
Local Restrictions Support Grant Reserve	(37)	37	-	-	-	-	-
<b>Total Revenue Account Earmarked Reserves</b>	<b>(113,512)</b>	<b>60,705</b>	<b>(46,421)</b>	<b>(99,228)</b>	<b>102,667</b>	<b>(82,570)</b>	<b>(79,130)</b>
<b>Other Earmarked Reserves</b>							
Revenue Grants Reserve	(20,146)	12,208	(2,794)	(10,731)	5,545	(2,783)	(7,968)
Schools Reserve	(9,306)	9,312	(10,197)	(10,192)	10,195	(8,384)	(8,381)
Dedicated Schools Grant Surplus Reserve	-	-	-	-	-	(3,672)	(3,672)
<b>Total Other Earmarked Reserves</b>	<b>(29,452)</b>	<b>21,520</b>	<b>(12,991)</b>	<b>(20,922)</b>	<b>15,740</b>	<b>(14,839)</b>	<b>(20,022)</b>
<b>Total Earmarked Reserves</b>	<b>(142,964)</b>	<b>82,225</b>	<b>(59,412)</b>	<b>(120,150)</b>	<b>118,407</b>	<b>(97,409)</b>	<b>(99,152)</b>





## Appendix 2

# RESERVES POLICY

## FOR

**2022/23 to 2023/24**



## 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 first time for the closure of the accounts for 2014/15 and the financial year 2015/16, this updated policy addresses key issues arising from the 2021/22 accounts closure and 2022/23 financial year.

### 2 Policy

- 2.1 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 This Policy sets out agreed priority areas and enables any identified additional resources to be directed to the priority areas, however, it does allow for some flexibility as and when required.
- 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 changed the financial landscape of Local Government and the Council, and highlighted the importance of financial resilience. It is therefore essential to ensure that reserves are available to support the Council and maintain financial resilience.

### 3 Establishing the Priorities

- 3.1 The closure of the 2022/23 accounts has enabled a detailed review of the Council's reserves and categorisation of these reserves into twelve major areas. There are in most instances, a number of reserves within these major areas including the priority reserves.

For clarity, the **twelve 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 – £12.951m at 2022/23 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 its successor body (Integrated Care Partnership) from 1 July 2022 and other health partners to support health and social care integration;
- Other Greater Manchester Councils; and
- The Greater Manchester Combined Authority.

The priority reserves within this category are:

**a) Oldham Locality Transformation Fund (formerly the Health and Social Care Integration Reserve)**

The balance of the reserve is £8.875m as at 31 March 2023. It is hosted by the Council and held to provide resources to support further integration between health and social care providers in line with Government policy and the local direction of travel. Any use of the fund must evidence clear value for money and demonstrate a return against any investment to maximise the value that can be realised from the fund. For 2023/24 any requests against the Oldham Locality Transformation Fund must be supported by the Oldham Integrated Care Partnership (ICP) the membership of which has representation from all partner organisations. A recommendation on the use of the reserve will be made by the Place Lead for Oldham / Chief Finance Officers of the ICP and Oldham Council with reporting via the Commissioning Partnership Board.

All bids for resources will be via a business case that must support the dual aim of performance recovery and financial sustainability and which will initially be assessed by the Finance and Sustainability Group, which again has representation from all partners before recommendation (or otherwise) to the ICP and then through formal reporting arrangements for approval.

It is important to note that the use of the funds must align to the legislative and local financial frameworks applicable to Oldham Council given that the reserve is held in the accounts of the Council.

**b) Adult Social Care – White Paper Reform**

This reserve of £1.500m was established at the end of the 2021/22 financial year to support the preparation for and the implementation of changes to policy and service delivery to ensure the provision of Adult Social Care services is compliant with Government reforms. With particular emphasis placed on housing, the workforce, charging reform and preventive measures, the reserve will strengthen the ability of the Community Health and Adult Social Care Portfolio to deliver the vision in relation to service user choice, control, quality, fairness and accessibility. The intended reforms were deferred part way through 2022/23 and implementation is therefore delayed. It is however considered prudent to retain the reserve pending future developments and a range of commitments have been identified.

**c) Adult Social Care – Fair Cost of Care Reform**

Established at the end of the 2021/22 financial year and with a current value of £0.742m, this reserve was created to ensure the Council has the necessary resource and infrastructure in place to conduct the requirements of a fair cost of care exercise. As with other Adult Social Care reform, the implementation of the Fair Cost of Care has also been delayed, however the Authority is still required to deliver certain elements of the reforms and whilst there is uncertainty it is again considered prudent to retain the reserve, pending future developments.

**d) Adult Social Care – Thriving Communities**

This reserve was established to fund Oldham's Thriving Communities Programme which was initiated as part of the GM Transformation Programme in

2017/18. At the centre of the programme are three funded elements which are the:

- Social Prescribing Innovation Partnership;
- Social Action Fund VCFSE investments; and
- Fast Grants micro grant funding.

These initiatives are continuing into 2023/24. The balance of the reserve at the end of the financial year was £0.726m.

#### **e) Places for Everyone**

A reserve was established in previous years to cover costs expected to be incurred in relation to specialist advice and support in the continued development of the revised Places for Everyone Strategic Development Framework (formerly the Greater Manchester Strategic Framework) and Local Plan development. The balance of this reserve at 31 March 2023 was £0.258m.

### **2) Transformation Reserve - £5.253m at 2022/23 accounts closure**

This reserve holds resources set aside to provide for any costs of implementing the Council's budget requirements for 2022/23 and later years and also the on-going programme of change as the Council continues the transformation of its services both to support the budget process and improve service provision.

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 items such as dual running of systems and project management. The total held within the reserve at 31 March 2023 was £2.056m.

#### **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, it was agreed that funding of any redundancy costs will be provided by using a reserve. The reserve balance at the end of the 2022/23 financial year was £3.000m. If the reserve is used then it will be replenished the following the year.

#### **c) Special Educational Needs and Disabilities (SEND) Initiatives**

This reserve was established in 2021/22 to provide resources so that the Council is able to maintain SEND statutory compliance. The total reserve held at the end of 2022/23 was £0.197m

### **3) Adverse Weather Reserve - £1.000m at 2022/23 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 2022/23 accounts.

#### **4) Regeneration Reserve - £2.107m at 2022/23 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) 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 2022/23, funds were released to support expenditure incurred in this regard. The balance at the end of the financial year is held at £1.857m.

##### **b) Capital Schemes and Grants Submissions Reserve**

This reserve was established to provide pump priming funding for feasibility and related work to facilitate capital scheme preparation and bids for grants. The balance of the year at 31 March 2023 was £0.250m.

#### **5) Emergency and External Events Reserve - £2.000m at 2022/23 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. These reserves are topped up if required so they are maintained at recommended levels. 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 Private Finance Initiative (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 2022/23 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 2022/23. It will be necessary to ensure that a fund of £0.250m is permanently available in order to comply with the Council's Financial Procedure Rules.

**6) Council Initiatives Reserve - £1.991m at 2022/23 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 2022/23, £0.272m remained in the reserve.

**b) Place Marketing**

This reserve was created to help the Council deliver the corporate priorities to support the delivery of economic and business priorities expected within the refreshed Oldham Plan/ Corporate Plan. The reserve is to be used to enable the Council to attract new investors and visitors to the borough, as well as promoting those businesses who are already located here to new audiences.

**c) Local Welfare Provision**

As a result of Central Government withdrawing direct funding for Local Welfare Provision several years ago, the Council has continued to provide support for those in need, primarily through the provision of white goods, essential furniture, bedding, carpets and household set up packs. This support is funded via a reserve which at the end of 2022/23 was £0.731m.

**d) Corporate Priorities**

This reserve is available to address corporate priorities which are identified during the financial year for which provision has not been included in the Council's budget.

**7) Fiscal Mitigation Reserve - £28.071m at 2022/23 closure**

This reserve has been established to fund future costs expected to arise from reforms to Central Government Funding which might impact on the financial position of the Council and also pressures that result from legislative changes or local initiatives. The main priority reserves within this category are:

#### **a) Fiscal Mitigation**

This reserve is to support the financial resilience of the Council over the medium term and has been enhanced during 2022/23, by the decommissioning of some reserves (after management review) as they were no longer considered a priority.

#### **b) Pay Award**

With the 2022/23 NJC Pay Award not being agreed until late in the financial year and with uncertainty around future pay awards, as advised in the 2023/24 Revenue Budget report, it was deemed appropriate to hold a reserve to support any additional increase over that which has been allowed for within the revenue budget for 2023/24 and the Council's Medium Term Financial Strategy (MTFS). This reserve is held at £3.000m.

#### **c) Treasury Management Income**

This reserve was established at the end of the 2021/22 financial year, in effect a risk reserve to offset any shortfall in Treasury Management income given the volatility that has been experienced in this area over recent years.

#### **d) Energy Costs**

This reserve was established in 2021/22 to provide for any additional costs as a result of the national increase in energy costs. Whilst additional resources have been allocated to the Council's base budget for 2023/24 and future years, the prevailing position at the financial year end indicated that this may not be sufficient to cover the impact of price increases should the volatility in the energy market continue. The balance of this reserve at 31 March 2023 was £2.500m.

#### **e) General Demand Pressures**

This reserve with a value of £2.000m was created in 2022/23 to support the general increase in the demand for services and also in the cost of care in relation to demand within Adults and Children's Social Care. This reserve is also available to support other Council services which experiences an upturn in demand.

### **8) Life Cycle Costs Reserve – £1.518m at 2022/23 accounts closure**

The Council has a number of Private Finance Initiatives (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. The balance held at 31 March 20213 was £1.518m.

### **9) Insurance Reserve - £3.140m at 2023/24 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 2022/23 year-end closedown process.

## **10) Directorate Reserve - £3.836m at 2022/23 accounts closure**

There are a 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.

## **11) Balancing Budget Reserve - £16.718m at 2022/23 accounts closure**

During the budget setting process for 2023/24, it was agreed that reserves would be used to balance the budget for 2023/24 with an indicative use of reserves to support the 2024/25 budget. At the end of 2022/23, the reserve was at a value of £16.718m to balance the 2023/24 and 2024/25 budget. The use of reserves over the MTFS period was approved by Budget Council on 1 March 2023. Resources of £12.786m will be used to balance the 2023/24 budget leaving £3.932m to support budget setting for 2024/25.

## **12) District Partnership Reserve - £0.545m at 2022/23 accounts closure**

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

### **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 creation of reserves will be considered by the Director of Finance at the year-end and action taken as appropriate.
- 4.2 A report to Senior Managers will also present those reserves deemed to be 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 major factor in budget setting and in the general consideration of the financial position of the Council. The level of reserves available to support the budget or specific initiatives plays an important part in determining the financial resilience of the Council. As such, the Director of Finance is able 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 the District Partnership reserve operate under separate arrangements which allows the carry forward of any unspent resources at the year-end.



## **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 about the use and creation of reserves without the opportunity to formally report these to Management Board/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 will be 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 £8.875m Oldham Locality Transformation Fund).

- b) After a review and agreement by the Integrated Care Partnership and the Place Lead for Oldham / Chief Finance Officers of the Integrated Care Partnership and Oldham Council with reporting via the Commissioning Partnership Board:

- Oldham Locality Transformation Fund Reserve (£8.875m)

- c) After review and agreement by the Management Board and the Director of Finance:

- Transformation Reserve (except for the £2.056m Transformation Reserve approved by Change Board)
- Directorate Reserve

- d) After review and agreement of the Director of Finance:

- Emergency and External Events Reserve
- Fiscal Mitigation
- Balancing Budget Reserve
- Life Cycle Costs Reserve
- Insurance Reserve

- e) After review and agreement of respective Ward Members:

- District Partnership Reserve

- 5.2 The decision to use 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 Cabinet Member for Finance and Corporate Services 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 three separate reserves outside the scope of this policy:

- a) **Schools Reserve** – this includes the balances held by mainstream Schools under the scheme of delegation. The use of these reserves is at the discretion of schools and as at the 31 March 2023 £8.381m 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 £7.968m.
- c) **Dedicated Schools Grant (DSG) Surplus Reserve** – this reserve has been created following the issue of a Statutory Instrument with regard to the presentation of DSG resources arising from the increase in DSG deficits. It represents the underspend of DSG resources in 2022/23. The reserve offsets the cumulative DSG deficit which is held in unusable reserves. The balance held in this reserve at the end of the financial year was £3.672m.