

**RESERVES POLICY**

**FOR**

**2025/26 to 2026/27**

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## RESERVES POLICY

### 1 Background

- 1.1 It is important to have a strategic approach to the creation, maintenance and use 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 for the period 2025/26 to 2026/27.

### 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 and the need to maintain the Council's financial resilience.
- 2.2 This Policy sets out agreed priority areas and enables any identified additional resources to be directed to these priority areas, however, it does allow for some flexibility as and when required.
- 2.4 The reduction in reserves over several financial years and the continued pressures on the Council's revenue budget means that there is a need to review the Council's reserves policy to ensure it reflects the organisation's priorities. This policy reflects the reserves position after a full review has been completed.

### 3 Establishing the Priorities

- 3.1 The Council's reserves are categorised into **four major reserves** which support **corporate priorities** and are explained in this policy as follows.

#### a) Corporate Budget Strategy Reserve – £16.080m 2025/26 opening balance

This reserve represents resources that have been set aside to support the corporate budget strategy of the Council.

The 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 includes the budgeted transfer to reserves and any one-off returns received by the Council.

##### b) Risk Reserve

It has been identified that a risk reserve at £4.220m is required to provide financial resource for additional service volatility over and above the base budget provision available. Any use of this reserve can only be approved by the Chief Executive and Director of Finance and if used, should be replenished as a priority.

##### c) 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 start of the 2025/26 financial year was £1.743m.

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## **b) Corporate Other Reserve - £7.544m 2025/26 opening balance**

This reserve holds resources set aside to provide for any costs of other corporate areas that are required to be held for a specific purpose or support the delivery of corporate priorities.

The priority reserves within this category are:

### **a) ASC Reserves**

This reserve was established to support the Adult Social Care service with the delivery of strengths based working and the implementation of sector reforms. This reserve also holds resources to support the service with preparing for future inspection.

### **b) 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 have continued into 2025/26 and this reserve holds the resources to support this.

### **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 and this support is funded via resources held within this reserve.

### **d) 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.

### **e) Reserve for PFI Schemes / PFI Smoothing Reserve**

The Council has a number of Private Finance Initiatives (PFI) and other schemes that operate in a similar manner to PFIs. The resource held within this reserve is to support the cost of surveys prior to the handover of the buildings back to the Council.

### **f) Insurance Reserve**

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 by the Council’s actuary as part of the 2024/25 year-end closedown process.

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**c) General Directorate Reserves - £3.385m 2025/26 opening balance**

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 General Directorate Reserve will ensure that such initiatives can be completed.

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 to support the Creating a Better Place Programme. The balance held within this reserve supports the delivery of this programme.

**b) 0-19 Rightstart Reserve**

0-19 Services are managed within a Section 75 Framework Agreement. The reserve was established to fund the affordability gap upon cessation of the prior contractual arrangements and the transition to the Section 75 agreement and to provide resources whilst services are re-designed to be sustainable within the recurrent funding available.

**d) Joint Fund Reserve - £4.555m 2025/26 opening balance**

This reserve is hosted by the Council and is 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. Recommendations on the use of the reserve will be made by the Executive Director Health and Care (Deputy Chief Executive) with approval made by the Chief Executive alongside the Council's Director of Finance.

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.

**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 the Chief Executive and the Director of Finance 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 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.
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## Flexibility at the Year End

- 4.3 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 To request the release of resources held within reserve, a Business Case must be completed detailing the reason for the use and benefits to the Council from using this source of funding. Each Business Case will be reviewed by the Chief Executive and the Director of Finance with a decision communicated to the requestor.
- 5.2 The use and creation of reserves in year will be incorporated into the revenue budget monitoring report which is discussed with the Deputy Leader and Cabinet Member for Finance, Corporate Services and Sustainability and presented to Cabinet for noting. At the end of the financial year, as advised at 4.3, 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 and included within the Council's outturn report to Cabinet for approval.

## 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 1 April 2025 £7.160m 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. Following the same process as Earmarked Reserves, the use of these reserves will be determined by the Chief Executive and the Director of Finance by way of Business Case. The balance held in this reserve at the start of the financial year was £2.210m.
  - 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 and 2023/24. 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 £3.996m.
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