

Report to Council

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

Portfolio Holder: Cllr Abdul Jabbar, Deputy Leader and Cabinet Member for Finance and HR

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Reason for Decision

To recommend that Council agrees the level of balances necessary to support the 2017/18 budget, the scrutiny of the level of earmarked reserves by the Audit Committee during 2017/18, agrees the actions necessary to secure a properly balanced budget and the prudence of capital investments within the present budget 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 budget calculations and the adequacy of the proposed reserves. This information enables a longer-term view of the overall position 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 appropriate 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.

The Council's external auditors, Grant Thornton, the Audit Commission (prior to their abolition) and the National Audit Office have all issued one or more reports dealing with in essence the very challenging financial future all Councils, including Oldham, are facing and how this is being dealt with. These most recent of these reports are:

- The “2016 tipping point? Challenging the current” Local Government publication which is the 6th annual update by Grant Thornton about the future financial resilience of local authorities.
- “Striking a Balance” about the level of reserves held by Councils produced by the Audit Commission.
- Financial Sustainability of Local Government 2014 produced by the National Audit Office and the publication produced in 2016 on financial sustainability of local authorities: capital expenditure and resourcing.

Members can be assured that Oldham Council continues to be very well placed to meet these difficult financial challenges. The Council is preparing a detailed revenue budget within a four year Medium Term Financial Strategy (MTFS), a four year approved capital programme and an early closure of accounts allowing early focus on the coming challenges and a robust financial transformation programme.

This 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 September 2016 and it is proposed to action the same review again after the closure of the accounts for 2016/17.

Cabinet considered the Statement of the Chief Financial Officer on Reserves, Robustness of the Estimates and Affordability and Prudence of Capital Investments at its meeting on 20 February 2017 and commended the report to Council.

Recommendations

It is recommended that Council:

- Approves the General Balances currently calculated for 2017/18 at **£14,739k**. Any excess funding in general balances at the financial year-end are to be transferred to the financial mitigation reserve to support future budgets.
- Notes that the initial estimate of General Balances to support the 2018/19 and 2019/20 budgets are amounts of **£13,290k** and **£12,832k** reflecting the budgetary challenges for these financial years.
- Notes the intended report to the Audit Committee on Reserves to ensure this area is subject to appropriate scrutiny
- Agrees the actions necessary to secure a properly balanced budget as noted in paragraph 3.5
- Agrees the actions necessary to ensure the prudence of the capital investments as noted in paragraph 4.4

1 Background on Calculating the Recommended Level of General Balances to Support the 2017/18 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 can 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
 - Unforeseen events
- 1.3 The calculation to support the 2017/18 budgets is detailed at Appendix 1. It also calculates an indicative recommended level of balances to support the 2018/19 and 2019/20 budgets. These allow for the current pressured state of the Council's finances which by way of example include, as the latest budget monitoring report highlights, pressures in certain services.
- 1.4 The recommended level of general balances to support the 2017/18 budgets is **£14,739k** which is below the current level. Assuming the Council remains on its present projection to spend within its 2016/17 agreed budget there will be flexibility to transfer some resource to the fiscal mitigation reserve which will assist with the future budgets as recommended.
- 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 2018/19 are **£13,290k** and for 2019/20 **£12,832k**. These are in line with the level of risk included in the 2017/18 calculation and reflect the need to keep an appropriate level of general balances to manage known challenges. These include continued significant reductions in central government support resulting in a demanding savings target for both years on top of significant efficiencies already achieved.

2 Earmarked Reserves

2.1 The Council had 16 Earmarked Reserves as summarised in Appendix 3 and has estimated reserves at the 2016/17 year-end totalling £78,598k, plus individual schools balances of £6,432k and revenue grants reserve of £5,663k. Management of these reserves takes place via the monthly monitoring reports during the financial year and at the year-end as part of the closure of accounts. Some of these reserves will be used to support the 2017/18 budget.

2.2 Further detail of the estimated earmarked reserves held by the Council which are supported by the Reserves Policy are detailed in Appendix 3.

2.3 The Earmarked Reserves to meet known or expected liabilities where it is challenging to be specific about the exact financial amount of liability are:

- Insurance Reserve
- Budget Reserve
- Levy Reserve
- Adverse Weather Reserve
- Demand Changes Reserve
- Transformation Reserve
- Lifecycle Reserve
- Fiscal Mitigation Reserve
- Taxation Reserve
- Emergency and External Events

2.4 The Earmarked Reserves required for other more specific, including invest to save purposes are:

- Individual Schools Balances
- Regeneration Reserve
- Integrated Working Reserve
- Revenue Grants Reserve
- Business Units Reserve
- Directorate Reserve

3 Robustness of the Estimates

3.1 Key factors in ensuring the robustness of estimates include the initial challenge process to establish the budget options, essential project management for 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 are making the management of the Authority's budget much more challenging from April 2017 than it has been in the past. These include:

- Councils face significant continued financial challenges. Unprecedented reductions in government funding as confirmed by the agreed efficiency plan for a sustained period, constrained Council Tax increases to fund Adult Social Care until 2019/20, a decline in other income, rising costs and growing demand for many services are all challenging Councils' financial management and resilience.
- The continued potential changes in council funding with the full retention of local business rates from 2017/18 and potential new arrangements for changes to benefits associated with the expansion of Universal Credit. The impact of these changes, and the level of further funding reductions 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 and funding is assumed to reduce for the foreseeable future

3.3 These current and future financial challenges pose significant, and increasing, risks and require robust financial and budget management along with increased reserves to strengthen resilience against future uncertainty

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

- Pressures and grant fall out - the former have as far as possible been absorbed by Directorates and the latter has likewise as far as possible been matched by corresponding expenditure reductions forecast in the MTFS.
- Interest and inflation assumptions - a prudent view of interest rates and inflation has been taken in constructing estimates for 2017/18. Whilst these estimates are considered to be adequate at this point in time the uncertainty within the economy, especially with regard to Brexit, may lead to further revision.
- Council Tax income assumptions - the estimates for the Council Tax are based on a collection rate of 96.89% including that to be collected under the Council Tax Reduction Scheme. The position will be monitored during the year but the amount could vary for matters outside the control of the Council.
- A best estimate of the amount of income to be collected from Business Rates with the best information available from the Greater Manchester pooling. This could lead to the amount estimated for collection changing from this point in time.

3.5 In order to secure a balanced budget year on year it is essential that the base estimates are built on by:

- All budget changes agreed by the Council being 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 exceptions basis through the Director of Finance to the Executive Management Team (EMT) and Cabinet
- Action 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 budget is an example of enhanced good practise

4 Prudence and Affordability

- 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 revenue support 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 The impact of the Council's current investment plans detailed in the capital programme which is set out elsewhere on this agenda are planned to be financed as far as appropriate utilising capital grant and capital receipts with the balance being funded through Prudential Borrowing and related capital financing charges included in the revenue estimates, with future years being estimated in the MTFs.
- 4.4 Given the scope of the current investment programme and the challenging financial circumstances Council has ensured that there is sufficient revenue budget to meet the capital commitments 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 "Striking a balance" and other reports on Financial Resilience

- 5.1 On 6 December 2012 the Audit Commission produced a report into their research on the level of reserves held by Council's. The report whilst produced a number of years ago set out sound advice and recognised that there is no set formula for deciding what level of reserves is appropriate. It stated that having the right level of reserves was important and where reserves were low there could be very little resilience to financial shocks and sustained financial challenges. It also stated that where reserves are high,

there is a risk that some Council's may retain certain funding which could be utilised as a one-off to support to the challenging savings targets required and giving the time for transformation to deliver savings.

5.2 It was recognised there are significant financial challenges facing Council's going forward with reductions in government funding and the retention of business rates and increased reliance on council tax rather than direct grant to finance services. The effect of these is to increase the financial challenges facing Council's going forward.

5.3 One conclusion from this report was that councils needed to consider their present decision making around reserves in a number of areas:

- Undertaking an annual review to ensure reserves align with medium term financial plans.
- Clarity about what earmarked reserves are for.
- Ensuring earmarked reserves held to mitigate financial risk reflect an up to-date assessment of risk.
- The advice of the Director of Finance to Members on the level of reserves to be held includes a summary of the issues to be considered.
- 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
- Considering how significant or unexpected variations to budget are dealt with.

5.4 To progress this issue in more detail the matter has been reported to the Audit Committee with the presentation of the detailed Reserves Policy. This aligned the Earmarked Reserves with the Corporate Objectives of the Council.

5.5 There have been other reports produced which have reviewed the financial resilience of local authorities. The conclusion has been that the majority of local authorities have coped well with the continual reductions in central support but a minority are experiencing financial stress which has been reported in the press. These reports also highlight that the overall future financial environment is going to be very challenging and they expect an increased number of authorities to experience financial stress. These are expected to get even challenging in 2018/19 and future years for the majority of Councils.

6 Budget Recommendations

6.1 The robustness of the estimates and the adequacy of the reserves are satisfactory. However this is only the case provided that action is taken to ensure that the balances are set at the level of £14,739k 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 in why local authorities have been able to manage significant on-going year on year reductions in budget whilst remaining financially resilient. Cabinet considered this matter at its meeting on 20 February 2017 and commended the report to Council.
- 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 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 2017/18 budget, in line with good practice and the duties of the Director of Finance.

9 Legal Services Comments

- 9.1 N/R

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 N/R

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 N/R

14 Property Implications

14.1 N/R

15 Procurement Implications

15.1 N/R

16 Environmental and Health & Safety Implications

16.1 N/R

17 Equality, community cohesion and crime implications

17.1 N/R

18 Equality Impact Assessment Completed?

18.1 N/R

19 Key Decision

19.1 Yes

20 Forward Plan Reference

20.1 CFHR-15-16.

21 Background Papers

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 contained in Appendices 1 to 3
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22 Appendices

Appendix 1 General Balances Calculation
Appendix 2 Eleven Areas of Risk for Oldham Council
Appendix 3 Earmarked Reserves

General Balances Calculation

Appendix 1

Area of Risk	2017-18	Risk Factor	Value	2018-19	Risk Factor	Value	2019-20	Risk Factor	Value
	Budget			Budget			Budget		
	£000		£000	£000		£000	£000		£000
Inflation									
Salaries including pensions	80,000	0.50%	400	75,000	0.50%	375	70,000	0.50%	350
Premises	8,000	0.50%	40	7,500	0.50%	37	8,610	0.50%	43
Transport	6,000	0.50%	30	5,500	0.50%	28	5,997	0.50%	30
Supplies	40,000	0.50%	200	40,000	0.50%	200	49,128	0.50%	246
PFI	19,000	0.00%	0	19,000	0.25%	48	19,000	0.25%	48
Other	Quantum		100	Quantum		100	Quantum		100
			770			788			817
Interest Rates									
Changes in rates	Quantum		250	Quantum		250	Quantum		250
			250			250			250
Grants									
H. Benefit/ Council Tax Support	1,294	0.00%	0	755	1.00%	8	425	1.00%	4
New Homes Bonus	2,641	0.00%	0	1,672	1.00%	17	1,183	1.00%	12
New Homes Bonus Returned Funding	143	1.00%	1	0	0.00%	0	0	0.00%	0
Business Rates Top Up	54,747	0.50%	274	47,692	0.50%	238	40,610	0.50%	203
Business Rates Retained	50,646	3.66%	1,858	52,171	2.42%	1,265	53,878	2.49%	1,343
Grants in Lieu of Business Rates	5,271	1.00%	52	5,376	1.00%	54	5,484	1.00%	55
Better Care Fund	716	0.00%	0	4,687	1.00%	47	8,150	1.00%	82
Independent Living	2,748	0.00%	0	2,661	1.00%	27	2,580	1.00%	26

Fund Grant									
PFI Credits	32,068	1.00%	321	32,068	1.00%	321	32,068	1.00%	321
			2,506			1,977			2,046
Estimated Budgets									
Academies Loss	Quantum		500	Quantum		500	Quantum		500
Carbon Emissions	Quantum		25	Quantum		25	Quantum		25
			525			525			525
Volume Changes									
Council Tax including Adult Social Care	82,473	0.50%	413	86,368	0.25%	216	89,814	0.25%	224
Unity	Quantum		100	Quantum		100	Quantum		100
			513			316			324
Budget Savings									
2017/18	9,498	25.00%	2,375	9,498	2.00%	190	9,498	1.00%	95
2018/19	0	0.00%	0	14,177	25.00%	3,544	14,117	2.00%	282
2019/20	0	0.00%	0	0	0.00%	0	11,171	25.00%	2,793
			2,375			3,734			3,170
Insurance									
Medical Malpractice	Quantum		200	Quantum		200	Quantum		200
			200			200			200
Emergency Planning									
ICT disaster	Quantum		500	Quantum		500	Quantum		500
Flooding	Quantum		150	Quantum		150	Quantum		150
Offices	Quantum		150	Quantum		150	Quantum		150
Emergency Planning	Quantum		400	Quantum		400	Quantum		400
Environmental Incident	Quantum		2,500	Quantum		400	Quantum		400

Unforeseen disaster	Quantum		400	Quantum		400	Quantum		400
			4,100			2,000			2,000
Changes									
Debt Collection	Quantum		100	Quantum		100	Quantum		100
			100			100			100
Financial Guarantees									
Contractual Disputes	Quantum		1,000	Quantum		1,000	Quantum		1,000
Preceptors re levies	Quantum		400	Quantum		400	Quantum		400
Pensions	Quantum		500	Quantum		500	Quantum		500
Devolution	Quantum		250	Quantum		250	Quantum		250
Grant Claw back	Quantum		250	Quantum		250	Quantum		250
			2,400			2,400			2,400
Other									
General	Quantum		1000	Quantum		1000	Quantum		1000
			1000			1000			1000
TOTAL			14,739			13,290			12,832

Eleven Areas of Risk for Oldham Council

Appendix 2

Number	Area of Risk	Analysis of Risk
1	Inflation is underestimated in the original agreed estimates	<p>There are two issues. Firstly, there may be some items of expenditure-those where price are linked into exchange rate for example-where any estimate of inflation is a “best guess“ and the future market rate is difficult to predict given price volatility. The risk assessment puts a figure to the higher level of inflation that would seem to be unreasonable to include in a budget, but might come to pass. Secondly, information is less accurate for years 2 and 3</p> <p>At the present time the level of inflation for the past financial years has been certain for areas such as salaries with minimal wage increases. Certain other costs have increased at a higher rate than estimated. Going forward given the fluctuations in exchange rates into the next three financial years the inflationary pressures are very difficult to estimate and the dynamics may change with increased pressure on wage costs as against commodities such as fuel. The calculation of a recommended balance reflects this.</p>
2	Interest rates are underestimated	<p>This is similar to 1 above, but for a specific area of risk.</p> <p>Interest rates at the present levels for borrowing money are at a very low level. The general predictions are that increases may take place at a point in 2018-19. Allowing for borrowing profiles, the 2017-18 budgets have been prepared on the present levels of interest paid by the Council. A small change in the interest rates could have a significant impact on the Council’s budget in respect of the amount paid. Predictions of when accurate interest rate rises will occur have proved to be challenging for a number of years and continue to be volatile.</p>

		<p>In respect of the return achieved by the Council on money it has placed on the money market then the return as budgeted for is at a historically low level. There is also an added pressure that safe havens for the Council to invest surplus cash have reduced in past years.</p> <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> <ul style="list-style-type: none"> • The Local Government Finance Settlement has accepted the Council’s efficiency plan which guarantees funding levels to 2019/20. This shows a continued reduction in government grant which needs to be matched by transformation savings which are not guaranteed. • Changes to the present business rates regime linked into the full retention by the Greater Manchester family. • The continuing transformation of functions linked into devolution such as those provided by the health service. • Potential changes to specific grant funding which is being absorbed in the former revenue support grant after a number of financial years. <p>There are also issues for the Council highlighted in its final accounts as contingent liabilities around potential grant claw back on specific projects as detailed in the contingent liabilities section of the audited final accounts.</p>
4	Some budgets are only indicative at the time the budget is agreed	<p>There are some initiatives that are known will happen, but are not sufficiently advanced to accurately cost.</p> <p>The impact of the current trend where a number of schools currently</p>

		administered by the Council who may wish to become an independent Academy is unknown and the impact this has on previously notified grant funding.
5	Volatility in some budget headings between years	<p>There are long standing areas of risk where the Council budget 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.</p> <p>In respect of housing benefit on payments there is a risk that changes to the system such as the introduction of Universal Credit leads to a claim for additional costs.</p>
6	Efficiency gains expected in the agreed budget are not achieved	<p>The budget includes an assumption that the Council will deliver ambitious savings; the risk is that they may be delivered at a slower rate.</p> <p>Based upon 2009-10 to 2016-17 experience the achievement of the budget savings programme in monetary terms has shown significant achievement. In the next four financial years from 2017-18 there are further challenging budget savings required. These savings requirements mean it is prudent to retain some reserves 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 re 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 MMI claims should the Scheme of Arrangement be activated. The assessment of the Council that the scheme would be activated proved to be accurate</p>

		<p>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 £52,500 for liability claims and £100,000 for premises.</p> <p>With the transfer of Public Health functions and the devolution agenda on health a new risk now exists to the Council around whether insurance cover can be obtained from the present insurance arrangements in respect of medical malpractice.</p>
8	Emergencies which can be foreseen which can occur on an ad hoc basis	<p>Were disasters to occur, the Council needs to have a reserve in place to pick up costs that will fall on the Council. 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 in winter.</p> <p>There is an emerging risk to the Council around 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 necessarily means doing things in a way for which we have no evidence. 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>

		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.
10	Financial and Partnership guarantees given by the Council	<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"> • In a complex organisation there are contractual disputes for claims against the Council. • 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. • In respect of staff previously employed by the Council but transferred to other organisations the Council has agreed to underwrite the pension costs. • Grant clawback could occur whereby the Council is the accountable body for a grant.
11	Unforeseen Events	This covers matters not considered in 1-10 but it is considered prudent to hold an amount in the General Balances.

Anticipated Earmarked Reserves as at 31/03/2017

Appendix 3

Earmarked Reserve	Balance £000	Assessment of Current Risk
Business Units Reserve	1,022	This reserve represents the agreed carry forward of underspending relating to those Council Services that operate as Business Units.
Council Initiatives Reserve	4,613	There are a number of projects and programmes of work which the Council considers to be priority initiatives. This includes: <ul style="list-style-type: none"> • There is a Corporate Priority to support the learning and attainment agenda to promote the improvement of results in schools. • Support for the Get Oldham Working employment initiative.
Emergency and External Events	2,500	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.
Integrated Working	1,948	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.
Insurance Reserve	12,968	This includes: <ul style="list-style-type: none"> • 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. • 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.

		<ul style="list-style-type: none"> • 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. • 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. <p>The amount to include in the Insurance Reserve at the year-end is calculated via an Actuarial report which is currently being produced for the end of the financial year 2016/17. The amount could increase or decrease at the year-end as reported dependent upon the output of this Actuarial Review.</p>
Regeneration Reserve	14,212	The Council has an extensive and ambitious regeneration agenda and resources have been set aside to support projects such as the Heritage Centre which span more than one financial year.
Transformation Reserve	11,569	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.
Levy Reserve	1,773	The two levying authorities have for 2017/18 set a budget which requires them to use earmarked reserves to underpin their on-going expenditure. It is therefore envisaged that future levy increases after this date could be in excess of normal inflation as these bodies utilise their reserves to minimise levy increases. This reserve has been set aside to smooth the impact of future levy increases on the Council budget.
Adverse Weather Reserve	1,600	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.
Lifecycle Costs	11,699	This reserve is required to equalise out between years the costs estimated to be incurred by the Council on both Building Schools for the Future (BSF) and the non BSF PFI and LIFT contracts already let. It is anticipated that over the next few years the money set aside in this Reserve will remain at the same level to offset the increases in the Unitary Charge on the project to the revenue account in the later financial years of the PFI contract. The grant to support the PFI remains static throughout the period of the scheme whilst costs increase but are felt to be at risk of potential reduction from future government austerity measures.
Fiscal Mitigation Reserve	7,161	The financial environment in which the Council operates has changed from 1 st April 2013. Instead of having certainty around the amount of income it will receive in relation to Business Rates the risk of underperformance and business rate appeals will be shared with the Department of Communities and Local Government. 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. It is also the case that the cost of change will be considerable given the budget reductions required from the Council in the next three years. This reserve reduces the risk to the council of reducing resources due to external matters outside its control such as a reduction in economic output and will finance some of the future costs of change the Council is likely to face.
Demand Changes	3,152	The Council has set funds aside to allow for the unbudgeted increase in demand, especially costs associated with looked after children which are

		difficult to predict and because of circumstances outside the control of the Council can fluctuate from year to year.
Taxation	603	There is from time to time unforeseen tax liabilities to the Council imposed from the audits undertaken by HMRC. This reserve has been set aside to meet these unforeseen costs.
Directorate	3,778	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.
Individual School Balances	6,432	This earmarked reserve consists of the individual school balances expected as at 31/03/2017 held by schools under their delegated budgets.
Revenue Grants Reserve	5,663	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 money must be spent in accordance with the specific grant conditions.