

Council

27th February 2013

STATEMENT OF THE CHIEF FINANCIAL OFFICER ON RESERVES, ROBUSTNESS OF THE ESTIMATES AND AFFORDABILITY AND PRUDENCE OF CAPITAL INVESTMENTS

Report of the Borough Treasurer

Portfolio Holder: Councillor Abdul Jabbar, Finance, Human Resources and Strategic Partnerships

Officer Contact: Steven Mair
Ext. 4900

1 Purpose of Report

- 1.1 To recommend that Council agrees the level of balances necessary to support the 2013/14 budget, notes the future action planned, agrees the actions necessary to secure a properly balanced budget and the prudence of capital investments.

2 Executive Summary

- 2.1 The report is prepared to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (Borough Treasurer) 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 is also reports on the Borough Treasurer's consideration of the affordability and prudence of capital investment.
- 2.2 In line with good practice it is proposed to report to the Audit Committee following the recent Audit Commission report on the use of reserves to ensure the Council's practices are considered by this Committee.

3 Recommendations

3.1 The recommendations are that Council:

- a) Agrees that the General Balances for 2013-14 be set at £15,917k and notes the planned levels for 2014-15 and 2015-16
- b) Notes the intended report to the Audit Committee to ensure the Council is subject to appropriate scrutiny
- c) Agrees the actions necessary to secure a properly balanced budget as noted in paragraph 6.5
- d) Agrees the actions necessary to ensure the prudence of the capital investments as noted in paragraph 7.4

4 Recommended Level of General Balances for the 2013-14 Budget

4.1 There are two approaches for deciding the optimum level of the general contingency levels for the Council. This is either a percentage of expenditure, which at one stage was recommended by the Audit Commission to be at 5% of net expenditure, or an approach based on risk.

4.2 The agreed Council approach has been to use a risk based approach identifying 11 areas of 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 a ad hoc basis
- Changes to budgets where targets are not met
- Financial guarantees given by the Council
- Unforeseen Events

4.3 The calculation to support the 2013-14 budgets is detailed at Appendix 1. It also calculates an indicative recommended level of balances to support the 2014-15 and 2015-16 budgets, allowing for the current pressured state of all the Councils' finances.

4.4 The recommended level of general balances to support the 2013-14 budgets is £15,917k. This is an increase of £268k to that included in the 2012-13 budget.

4.5 The detailed assumptions behind the detailed general balances calculation are set out in Appendix 1.

5 Earmarked Reserves

5.1 The Council had 14 Earmarked Reserves as summarised in Appendix 2 totalling £39,958k as at the year end for 2011-12.

5.2 A risk assessment has been undertaken of the current earmarked reserves being utilised in the future as detailed in Appendix 3.

5.3 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
- Waste Smoothing Reserve
- Winter Maintenance Reserve
- Children's Reserve
- Partnership Reserve
- Exceptional items reserve.

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

- BSF and PFI Reserve
- Revenue Grants Reserve
- Area Based Grant Reserve
- Special Projects Reserve
- District Partnerships Reserve
- Future Liabilities Reserve

6 Robustness of the Estimates

6.1 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.

6.2 There are a large number of factors which are making the management of the Authority's budget much more challenging from April 2013 than it has been in the past. These include:

- following a sustained period of growth in public spending, Councils face significant financial challenges. A circa 28% per cent reduction in government funding from 2010/11 to 2014/15, constrained and possibly more constrained council tax increases, a decline in other income, rising

costs and growing demand for many services are all challenging Councils' financial management and resilience.

- further changes in council funding will take effect from April 2013, with the introduction of local business rates retention and new arrangements for providing council tax support. The impact of these changes, and the level of further funding reductions in 2015/16 and 2016/17, is not yet known, but the financial climate is more volatile with the Council carrying more risk than has ever been the case and funding is assumed to reduce for the foreseeable future.

6.3 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.

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

- the Comprehensive Spending Review that the Government has announced will be issued in the first half of 2013 and will significantly influence the financial positions for 2015/16 onwards
- there will be reductions in Government grant. This will add to Council budget pressures as the responsibility for related services is not expected to change
- there will continue to be a range of general budget pressures in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care and Children's services and to address new initiatives
- demands from the levying Authorities will continue to increase
- there will be a 1% increase in pay from 2013/14. This is influenced by the national agenda, and so may be subject to change
- annual non pay inflation is anticipated to increase from 2013/14 onwards. The accuracy of this assumption will be influenced by the strength of the national economy
- employer pension contributions will continue to increase with a 0.2% increase for 2013/14 and 2014/15 in line with information received from the Greater Manchester Pension Fund.
- Oldham's Council Tax policy for 2013/14 is to increase the Council Tax by 3.5% and thus increase the Band D headline rate to £1,392.95. The proposed Council Tax policy for 2014/15 and future years is subject to the legislative trigger for a referendum linked to excessive Council Tax increases. This Council Tax policy will however be reviewed on an annual basis to take account of the financial position of the Council in the lead up to each respective budget setting round.
- there will be no change to either the Council Taxbase or the NNDR Taxbase for 2014/15 and future years

- the funding within the Council, along with related expenditure, will increase from 2013/14 as a result of the transfer of services arising from the reform of the NHS
- there will be no support for general expenditure by budgeted use of reserves
- the smoothing reserve created to support the increase in costs of the Greater Manchester Waste Disposal Authority levy, will be applied in the financial years 2013/4 and beyond
- there will be no surplus on the Collection Fund from 2013/14

6.5 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 Borough Treasurer to 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 ongoing preparation of a two year budget is an example of enhanced good practise

7 Prudence and Affordability

7.1 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 Government are affordable both in the immediate and over the longer term.

7.2 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 for 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.

7.3 The impact of the Council's current investment plan at £106m and total capital programme as set out elsewhere on this agenda is financed within capital estimates as far as appropriate ie utilising grant etc with the balance being funded through the revenue estimates, with future years being addressed through the MTFS

7.4 Given the scope of the current investment programme and the challenging financial circumstances Council has previously agreed that this will be restricted to £106m, funded as previously determined, and it is essential that this remains so going forward. Subject to that limit being adhered to the capital

estimates are considered prudent and affordable while supporting the aspirations and ambition of the Council

8 Audit Committee

- 8.1 In line with good practise it is proposed to report to the Audit Committee following the a recent Audit Commission report on the use of reserves to ensure the Council practices are considered by this Committee.

9 Budget Recommendations

- 9.1 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 recommended in paragraph 4.4, that all budget options, or in year alternatives, are delivered as planned and monitored and that steps are taken to prepare for future year budget funding reductions as noted in paragraph 6.5 and that the capital programme is not exceeded as set out in paragraph 7.4

9 Consultation

- 9.1 The professional opinion of the Borough Treasurer on the overall adequacy of the total level of reserves is integral to the sign off of the overall agreed budget.
- 9.2 The earmarked reserves as set aside by the Council at the year-end 2011-12 have been independently verified by the external auditor.
- 9.3 It is proposed to report to the Audit Committee following the a recent Audit Commission report on the use of reserves to ensure the Council practices are considered by this Committee.
- 9.4 The report was presented for consideration and approval at the Cabinet meeting of 18th February 2013.

10 Financial Implications

- 10.1 The review of reserves has identified that the Council will be required to maintain its level of general contingencies to support the 2013/14 balances requirement and identified areas of risk, in line with good practice and the duties of the Borough Treasurer.

11 Legal Services Comments

- 11.1 N/R

12 Human Resources Comments

- 12.1 N/R

13 Risk Assessments

13.1 There is a statutory requirement for the Borough Treasurer to calculate the balances required by the Council to support 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.

14 IT Implications

14.1 N/R

15 Property Implications

15.1 N/R.

16 Procurement Implications

16.1 N/R.

17 Environmental and Health & Safety Implications

17.1 N/R

18 Equality, community cohesion and crime implications

18.1 N/R

19 Equality Impact Assessment Completed?

19.1 N/R

20 Key Decision

20.1 Yes

21 Forward Plan Reference

21.1 CMCL-48-12

22 Background Papers

22.1 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:

Name of File:

Records held in Borough Treasurer's Department

Officer Name: Mark Stenson

Contact No: Extension 4783

23 **Appendices**

- 22.1 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 | 2013-14 | Risk Factor | Value | 2014-15 | Risk Factor | Value | 2015-16 | Risk Factor | Value |
|-----------------------|----------------|--------------------|--------------|----------------|--------------------|--------------|----------------|--------------------|--------------|
| | Budget | | | Budget | | | Budget | | |
| | £000 | | £000 | £000 | | £000 | £000 | | £000 |
| Inflation | | | | | | | | | |
| Premises | 15,000 | 1.00% | 150 | 14,000 | 1.00% | 140 | 14,000 | 1.00% | 140 |
| Transport | 5,000 | 0.50% | 25 | 4,000 | 0.50% | 20 | 4,000 | 0.50% | 20 |
| Supplies | 80,000 | 0.50% | 400 | 79,500 | 0.50% | 397 | 78,500 | 0.50% | 392 |
| Other | 20,000 | 0.50% | 100 | 20,000 | 0.75% | 150 | 20,000 | 1.00% | 200 |
| | 120,000 | | 675 | 117500 | | 707 | 116,500 | | 752 |
| Interest Rates | | | | | | | | | |
| Borrowing | 200,000 | 0.25% | 500 | 225,000 | 0.50% | 1,125 | 250,000 | 0.50% | 1,250 |
| Investment | 40,000 | 0.25% | 100 | 30,000 | 0.25% | 75 | 20,000 | 0.25% | 50 |
| Manchester Airport | Quantum | | 100 | Quantum | | 100 | Quantum | | 100 |
| | | | 700 | | | 1,300 | | | 1,400 |
| Grants | | | | | | | | | |
| H. Benefit subsidy | 75,000 | 0.25% | 187 | 60,000 | 1.00% | 600 | 50,000 | 2.00% | 1,000 |
| Modesole | 661 | 10.00% | 66 | 661 | 10.00% | 66 | 661 | 10.00% | 66 |
| H. Benefit admin | 2,000 | 7.35% | 147 | 1,900 | 4.47% | 85 | 1,900 | 4.47% | 85 |
| Transfer of | 13,500 | 3.55% | 480 | 14,000 | 3.00% | 420 | 14,000 | 3.00% | 420 |

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|---------------------------|---------|--------|--------------|---------|--------|--------------|---------|--------|--------------|
| Health Funding | | | | | | | | | |
| | | | 880 | | | 1,171 | | | 1,571 |
| Estimated Budgets | | | | | | | | | |
| | Quantum | | 750 | Quantum | | 750 | Quantum | | 750 |
| | | | 750 | | | 750 | | | 750 |
| Volume Changes | | | | | | | | | |
| Collection Fund | 100,000 | 0.25% | 250 | 100,000 | 0.25% | 250 | 100,000 | 0.25% | 250 |
| Unity | Quantum | | 100 | Quantum | | 100 | Quantum | | 100 |
| | | | 350 | | | 350 | | | 350 |
| Efficiency Savings | | | | | | | | | |
| 2013-14 | 18,000 | 20.00% | 3,600 | 18,000 | 5.00% | 900 | 18,000 | 1.00% | 180 |
| 2014-15 | 0 | 0.00% | 0 | 20,000 | 20.00% | 4,000 | 20,000 | 5.00% | 1,000 |
| 2015-16 | 0 | 0.00% | 0 | 0 | 0.00% | 0 | Quantum | | 3,000 |
| | | | 3,600 | | | 4,900 | | | 4,180 |
| Insurance | | | | | | | | | |
| General | Quantum | | 300 | Quantum | | 300 | Quantum | | 300 |
| | | | 300 | | | 300 | | | 300 |
| Emergency Planning | | | | | | | | | |
| ICT disaster | Quantum | | 500 | Quantum | | 500 | Quantum | | 500 |
| Winter Weather | Quantum | | 500 | Quantum | | 500 | Quantum | | 500 |
| Bellwin | 750 | 10.00% | 75 | 750 | 10.00% | 75 | 750 | 10.00% | 75 |
| Flooding | Quantum | | 100 | Quantum | | 100 | Quantum | | 100 |
| Offices | Quantum | | 500 | Quantum | | 500 | Quantum | | 500 |
| | | | 1,675 | | | 1,675 | | | 1,675 |
| Changes | | | | | | | | | |

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|----------------------------------|---------|--------|--------------|---------|--------|--------------|---------|--------|--------------|
| Debt Collection | 27,000 | 0.25% | 67 | 27,000 | 0.50% | 135 | 27,000 | 0.50% | 135 |
| NNDR retention | 55,000 | 1.50% | 825 | 55,000 | 1.50% | 825 | 55,000 | 2.00% | 1,100 |
| Localisation of Council Tax | 2,000 | 30.00% | 600 | 2,000 | 20.00% | 400 | 2,000 | 20.00% | 400 |
| Technical Reforms to Council Tax | 1,000 | 10.00% | 100 | 1,000 | 5.00% | 50 | 1,000 | 5.00% | 50 |
| Transfer of Social Fund | 850 | 20.00% | 170 | 850 | 10.00% | 85 | 850 | 10.00% | 85 |
| Introduction of Universal Credit | Quantum | | 275 | Quantum | | 250 | Quantum | | 500 |
| | | | 2,037 | | | 1,745 | | | 2,270 |
| Financial Guarantees | | | | | | | | | |
| PFI 2 | Quantum | | 750 | Quantum | | 250 | Quantum | | 250 |
| PFI 4 | 10,000 | 5.00% | 500 | 10,000 | 2.50% | 250 | 10,000 | 2.50% | 250 |
| Mouchel | Quantum | | 1,000 | Quantum | | 500 | Quantum | | 500 |
| Metrolink | Quantum | | 750 | Quantum | | 250 | Quantum | | 250 |
| Pensions | Quantum | | 500 | Quantum | | 500 | Quantum | | 500 |
| Groundwork | 800 | 10.00% | 80 | 800 | 10.00% | 80 | 800 | 10.00% | 80 |
| Limeside | 6,000 | 1.00% | 60 | 6,000 | 1.00% | 60 | 6,000 | 1.00% | 60 |
| Fitton Hill | 20,000 | 1.00% | 200 | 20,000 | 1.00% | 200 | 20,000 | 1.00% | 200 |
| Coliseum | 100 | 10.00% | 10 | 100 | 10.00% | 10 | 100 | 10.00% | 10 |
| Claw back | Quantum | | 100 | Quantum | | 100 | Quantum | | 100 |
| | | | 3,950 | | | 2,200 | | | 2,200 |
| Other | | | | | | | | | |
| General | Quantum | | 1000 | Quantum | | 1000 | Quantum | | 1000 |
| | | | 1000 | | | 1000 | | | 1000 |

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|--------------|--|--|---------------|--|--|---------------|--|--|---------------|
| TOTAL | | | 15,917 | | | 16,098 | | | 16,448 |
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Eleven Areas of Risk for Oldham Council

Appendix 2

| Number | Area of Risk | Analysis of Risk |
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| 1 | Inflation is underestimated in the original agreed estimates | <p>There are two issues. Firstly, there may be some items of expenditure-fuel costs for example-where any estimate of inflation is a “best guess”. 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 into the next three financial years the inflationary pressures are anticipated to increase and 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 current predictions indicate that they will rise in either late 2013 or early 2014. The 2013-14 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 in the last year.</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.</p> |

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| 3 | Changes to grant funding regimes | <p>While much reduced 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>Changes to the present housing benefit regime include the introduction of the Universal Credit.</p> <p>The risk of claw back during the audit process for the housing benefit subsidy claim.</p> <p>Devolution of Council Tax benefit to Council’s by 2013-14 in conjunction with a 10% overall reduction in the present funding level.</p> <p>The transfer of certain responsibilities to local authorities currently provided for by the health service</p> <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 administered by the Council who may wish to become an independent Academy is not certain.</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 out-turn for a year at the higher end.</p> <p>In respect of the Collection Fund then there is a risk that the collection of cash including arrears falls leading to increased pressure and a deficit position.</p> <p>In respect of housing benefit volume payments to Unity, there is a risk that</p> |

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| | | changes to the system leads to a claim for additional costs. |
| 6 | Efficiency gains expected in the agreed budget are not achieved | <p>The budget includes an assumption that the Council will deliver ambitious efficiency savings; the risk is that they may be delivered at a slower rate.</p> <p>Based upon 2009-10 to 2012-13 experience the achievement of the efficiency programme in monetary terms has shown full delivery. In the next financial years from 2013-14 there are further challenging efficiency and budget savings required. These savings requirement 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 is 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 current assessment of the Council is that this scheme will be activated resulting in cost to the Council.</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 capped at £52,500.</p> <p>One other uncertainty is around the impact of unsuccessful prosecutions led by the Council. Should claims be received it will impact on the overall Insurance costs to be paid by the Council including future premiums.</p> |
| 8 | Emergencies which can be foreseen which | Were disasters to occur, the Council needs to have a reserve in place to |

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| | can occur on an ad hoc basis | <p>pick up costs that will fall on the Council. A disaster such as for example one involving ICT could occur on a one-off basis.</p> <p>The Council area also covers higher grounds including Saddleworth, which if weather conditions are extreme can lead to additional unbudgeted costs such as snow clearance in winter.</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 may be wrong.</p> <p>This is the most difficult area to predict but there will be unforeseen costs which are not foreseen when the budget is prepared.</p> <p>It is also the case that proposed changes to Business Rate distribution, Housing Benefit Administration and Council Tax Benefit Administration from 2013-14 will increase the financial risks of the Council.</p> |
| 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> <p>On PFI 2 there are issues about the non performance of the contractor against the original contract. The Council decision to insist the contract conditions are met includes an element of financial risk.</p> <p>On PFI 4 the Council had to reengineer the scheme to get agreement and underwrite additional financial risk.</p> <p>Mouchel are the majority shareholder in Unity who is the Council's Strategic Service Delivery Partner. Indications in the financial press indicate the company has a number of challenges. Should Mouchel face further challenges extra unbudgeted costs could be incurred.</p> <p>Metrolink has resulted in all the AGMA authorities guaranteeing the</p> |

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| | | <p>additional costs above the DFT grant of £244M. This project is reaching a critical phase.</p> <p>In respect of staff previously employed by the Council but transferred to other organisations the Council has agreed to underwrite the pension costs.</p> <p>The Council guarantees to cash flow the salary costs of Groundwork Oldham and Rochdale. This risk has been up rated for 2012-13.</p> <p>When the housing stock transfer took place on the Limeside estate the Council agreed to underwrite environmental liabilities of £6M.</p> <p>When the housing stock transfer took place on the Fitton Hill estate the Council agreed to underwrite environmental liabilities of £20M.</p> <p>On the Coliseum Theatre the Council has underwritten an overdraft of £100k.</p> |
| 11 | Unforeseen Events | This covers matters not considered in 1-10 but it is considered prudent to hold an amount in the General Balances. |

Earmarked Reserves

Appendix 3

| Earmarked Reserve | Balance | Assessment of Current Risk |
|---------------------------|---------|---|
| | £000 | |
| Schools PFI & BSF Reserve | 1,799 | This reserve is required to equalise out between years the costs estimated to be incurred by the Council on the School PFI contracts already let. The grant to support the PFI remains static throughout the period of the scheme whilst costs increase. |
| Insurance Reserve | 7,274 | <p>This includes:</p> <p>Any claims made dating back 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.</p> <p>Claims relating to asbestos related which are not covered by external insurance premiums. These claims are expected to reach their peak in the next ten years.</p> <p>Derelict buildings classed as heritage buildings were the Council's Insurers will only provide insurance cover on a debris only basis.</p> <p>Should there be a fire then it is possible the Council will have to replace at full cost.</p> <p>Other claims against the Council not covered by Insurance</p> <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 2012-13. The amount could increase or decrease at the year-end dependent upon the output of this report. The risk for 2013-14 is that the level of Insurance claims made against the Council will increase on the previous financial year. This is due to the Legal Aid and Sentencing of Offenders Act which means that claimants will be encouraged to submit new claims which will be invalid after 01/04/2013.</p> |

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| Area Based Grant Reserve | 415 | This represents the amount of grant at the year-end which was under spent as at 31 st March 2012. It is planned that the £415k of the balance will be utilised in 2012-13. |
| <p>Budget Reserve. There are six constituent parts to this reserve as detailed below:</p> <p>a) Carry forward of £250k from the Performance Improvement and District Partnership under spends.</p> <p>b) ICT contingency fund of £549k due to decision to defer future ICT refreshes.</p> <p>c) Web based outplace support £29k</p> <p>d) Royton Town Hall works £59k</p> <p>e) PSC carry forward to support the budget £125k</p> | 2,484 | <p>It was agreed that this Reserve be released in the month 5 budget monitor report to invest in the Community Dividend Fund which is being developed.</p> <p>In light of the decisions taken to achieve a balanced budget for 2012-13 it was considered prudent to set aside an amount at the end of the financial year 2011-12 to meet any unforeseen costs on operating ICT equipment for a longer period which could not be offset from normal operating budgets. In light of the challenging budget settlement for 2013-14 and 2014-15 it is considered sensible and prudent to maintain this reserve.</p> <p>This expenditure has been financed from revenue and is no longer required. The amount can be released to support the need to increase the level of general balances calculated in this report.</p> <p>This expenditure has been financed from revenue and is no longer required. The amount can be released to support the need to increase the level of general balances calculated in this report.</p> <p>The month 4 budget monitoring report has agreed to utilise this reserve.</p> |

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| <p>f) Playing for success 1 year funding of the service £129k</p> <p>g) Alexandra Park Depot move £65k</p> <p>h) Purchase of Street Bins £50k</p> <p>i) Commissioning Support £175k</p> <p>j) Cremulator Lining £160k</p> <p>k) Relieve winter pressures re NWOW £700K</p> <p>l) Metrolink Parking Pressures £191k</p> | | <p>The balance will be fully utilised in 2012/13</p> <p>This is part of the ongoing process to rationalise depots and the balance will be fully utilised in 2012/13.</p> <p>The balance will be fully utilised in 2012/13.</p> <p>The month 4 budget monitoring report has agreed to utilise this reserve.</p> <p>The budget will be fully utilised in 2012/13.</p> <p>The month 4 budget monitoring report has agreed to utilise this reserve.</p> <p>The revenue monitor reports have highlighted a shortfall on estimated income from car parking. This reserve will be required to offset any interim shortfall that cannot be absorbed within the revenue budget whilst construction works in relation to the metro are ongoing.</p> |
| <p>Special Projects Reserve</p> | <p>4,319</p> | <p>Within the month 3 budget monitor the following amounts were released from this reserve:</p> <p>£294k to support feasibility work on the Hotel for the Futures Project.</p> <p>£40k to support the regeneration of the Town Centre</p> <p>£117k to support the Leisure Review</p> <p>£49k to support the development of the Coliseum Heritage Centre.</p> |

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| | | <p>Within the month 4 budget monitor the following amounts were released from this reserve:</p> <p>£500k to support the disabled loans scheme £250k to support mobile social work £163k to support the work around Troubled Families £37k to support members training around delegated budgets.</p> <p>It is anticipated that this reserve will be fully utilised to support ongoing projects within the council in the next three financial years.</p> |
| Waste Smoothing Levy | 2,284 | <p>With the developments on the disposal of Waste in the Greater Manchester Area it is anticipated that the Waste Levy from the Greater Manchester Waste Disposal Authority will increase in future years at a much higher rate of inflation than the retail price index. The agreed strategy was for each Council to create a Waste Smoothing Levy to minimise the charge on the General Fund. The Waste Smoothing Levy Reserve reflects the Council's commitment to do this.</p> |
| Winter Maintenance Reserve | 650 | <p>The annual routine budget for winter maintenance assumes that the weather conditions for the year reflect a normal winter. There are occasions when particularly adverse weather conditions are faced and the financial consequences cannot be avoided. This Winter Maintenance Reserve is thus held to minimise the risk of a potential overspend in those circumstances which would then impact on general Council budget.</p> |
| Children's Reserve | 650 | <p>This reserve was set up so the Council could respond quickly to a serious incident in an appropriate manner within Children Services. The money was set aside in recognition of the risks in reducing the Council's capacity to respond in an extreme case.</p> |
| District Partnerships Reserve | 464 | <p>This money will be utilised in 2012-13 to support projects recommended by District Partnerships.</p> |
| Partnership Reserve | 254 | <p>The Council has the following partnerships requiring to be wound up as</p> |

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| | | <p>companies. The estimated cost of this is £50k per company:</p> <p>OEE OEDA Southlink</p> <p>The Council also has minority stakes in three companies; C1OL, OPP and Meridian which require specialist advice to ensure the Council obtains its value as a minority shareholder not in control of these companies.</p> |
| <p>Future Liabilities Reserve. There are twelve constituent parts to this reserve:</p> <p>a) Oldham Sports Centre/ Phoenix Mill where an amount of £100k was set aside.</p> <p>b) Land Charges were the Council has received income in previous years where a ruling has indicated a number of individuals are entitled to a refund. An amount of £180k was set aside.</p> <p>c) Housing Benefit Subsidy Claw back were the Council was exposed to unforeseen reductions in the grant</p> | <p>3,803</p> | <p>At the time the final accounts were signed off there was a risk that unbudgeted costs could be incurred in this area. The assessment at this point in time is that the reserve is no longer required. The amount can be released to support the need to increase the level of general balances calculated in this report.</p> <p>Originally £250k was set aside in the financial year 2010/11 to meet the full liability in this area. Claims totalling £70k have been received from two legal organisations and paid. The remainder of the earmarked reserve is still required.</p> <p>The Audit Commission have now signed off the grant claim for 2011-12 and there will be no claw back of grant. The risk remains that there will be claw back on the 2012-13 grant.</p> |

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| <p>around changes to the local housing allowance introduced from 01/04/2010. An amount of £300k was set aside</p> <p>d) Legal Fees and possible compensation for an alleged claim against the Council for inadequate care. An amount of £120k was set aside.</p> <p>e) Dilapidations arising out of property rationalisation with the expected transfer of staff from leased properties to those owned by the Council. An amount of £100k was set aside.</p> <p>f) Council Tax Committals. Work to review Council Tax arrears with Unity identified a backlog of cases which were not being subject to further action following bailiff enforcement. An amount of £50k was set aside to meet these costs.</p> <p>g) Treasury Management.</p> | | <p>The case is still outstanding and the legal fees will be incurred.</p> <p>The Council has an agreed asset management strategy to reduce its usage of leased buildings and transfer staff into Council owned buildings. Vacating leased buildings can be contentious leading to claims against the council. The reserve has been set aside to meet unforeseen costs of the council vacating buildings.</p> <p>There is a backlog of cases on Council Tax and NNDR arrears for a number of persistent debtors over a number of years who are classed as having the ability to pay but who have no intention of doing so. There has been money set aside to clear the backlog estimated to be in excess of 200 cases so formal Court Action can continue to be taken in 2012/13. The amount will be fully utilised in 2012/13.</p> <p>The money markets are extremely volatile which results in it being extremely</p> |
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| <p>Given the volatility of interest rates in the current economic climate an amount of £300k was set aside.</p> <p>h) Airport Sinking Fund. This relates to the refinancing of the debt by MAG. An amount of £1,045k was set aside.</p> <p>i) Unforeseen by-elections result in additional unbudgeted expenditure to the Council. An amount of £145k was set aside.</p> <p>j) Culverts and Drainage. There is a backlog of work required around this area to prevent a number of roads collapsing. An amount of £425k was set aside to undertake this work.</p> <p>k) Provision to offset full year cost of agreed 2012-13 budget proposals delayed</p> | | <p>challenging to accurately forecast the expenditure which will be incurred on capital finance and the interest to be earned from short term investments. This money will enable the Borough Treasurer to ensure the impact on the Council's revenue account in a turbulent year from unforeseen shocks is minimised. A number of other local authorities have set up a reserve of this type.</p> <p>The refinancing of the debt to Manchester Airport has led to the situation whereby the Council is receiving a higher rate of interest than it pays on the loan. However Manchester Airport is now an independent commercial entity operating in an area where profits are influenced by the general health of the economy. Should Manchester Airport not be in a position to repay its loans then there would be an unbudgeted cost to the Council. This sinking fund will ensure the Council can minimise the impact on its revenue account from an unforeseen worsening in the Manchester Airport Group position.</p> <p>The Council has no control over when by-elections occur. They result in unbudgeted cost to the Council. This amount of money is set aside to minimise the impact in any one year. It is envisaged a proportion of the earmarked reserve will be utilised in 2012/13.</p> <p>Whenever there is a collapse of the road in this area each individual scheme to carry out repairs can be very expensive. It is envisaged the reserve will be utilised in 2012/13.</p> <p>At the point the Council closed its financial accounts in early May 2012 it was recognised that the level of budget reductions made were challenging. It was therefore considered prudent to set aside an amount within this future</p> |
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| <p>by consultation where an amount of £539k was set aside.</p> <p>I) Academies and possible loss of funding £500k</p> | | <p>liabilities reserve to manage this financial risk rather than reduce general balances which have to be replenished during future budget cycles. The Council also has an agreed balances strategy based on risk which is recommending levels for 2013-14 to 2015-16. The latest budget monitor forecasts an overspend but indicates management action will achieve a balanced budget for the year. It is therefore recommended the Council maintains this reserve to assist with unforeseen items in its 2013/14 and 2014/15 budget.</p> <p>At the point the Council closed its financial accounts in early May 2012 it was recognised there was uncertainty around what adjustments could be made to previously agreed budgets around the financing of Academies. There is still uncertainty around this area and it is recommended the Council maintains this reserve.</p> |
| <p>Exceptional Items Reserve</p> | <p>3,600</p> | <p>This is an amount of money set aside to meet any exceptional costs of the Council. These can arise from a number of sources, and this pressure will increase considerably in future years. It can include the efficiency proposals for 2012-13, the impact of the local government resource review and the increasingly severe financial pressure on the Council's budget. It is undoubtedly the case that there will be a need to increase this reserve in future years because of the financial risk that is being passed to the Council</p> |
| <p>Revenue Grants Reserve</p> | <p>8,474</p> | <p>This is a reserve created under the accounting requirements of International Financial Reporting Standards. It relates to grants received often in relation to education which is 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.</p> |
| <p>PFI Reserve</p> | <p>3,489</p> | <p>This reserve is required to equalise out between years the costs estimated to be incurred by the Council on the non PFI and LIFT contracts already let. It is</p> |

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| | | <p>anticipated that over the next few years the money set aside in this Reserve will increase 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.</p> |
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