

## 5. **SPECIFIC RESERVES (A.13392/JNF)**

### **Purpose of the Report**

For Members to approve the reason for and level of Specific Reserves being held by the Authority.

### 1. **Key Issues**

- The total of the reserves has increased by £422,697 compared to 2013/14.
- The Restructuring Reserve has been increased by £200,000 to accommodate potential transition costs arising from challenges in the next Spending Review period, which is considered to be the minimum viable level for this reserve.
- The ICT reserve has been temporarily increased to help finance one off transition costs planned in 2015/16 for ICT infrastructure.
- The opportunity has been taken to increase the Minerals and Legal Reserve with funds from the Planning and Legal budgets.

### **Recommendation**

2. **1. That the Committee notes the objectives set out for each reserve and endorses the current policy.**

### **How does this contribute to our policies and legal obligations?**

3. The Authority has the following overall policy for the Specific Reserves.

(a) that a specific reserve can be established as a means of ironing out peaks and troughs in a rolling programme of expenditure, linked to a service's need to maintain specific categories of assets or address certain business risks.

(b) that the reserves should not entirely replace use of the general reserve and capital receipts reserve for major issues.

The Chief Finance Officer welcomes the use of these Specific Reserves as a means of helping services manage their expenditure programmes over the longer term period. The specific reserves, together with the capital receipts reserve and general reserve, continue to form an important component of the Authority's financing. The Asset Management Plan, revenue budgets, risk management, and the Capital Strategy all help to inform the future direction and nature of these reserves. The levels of the reserve vary, and help budget holders to supplement their annual revenue or capital budgets without drawing on corporate funds. The reserves also offer an opportunity and incentive for budget holders to plan expenditure programmes over longer time periods than one year – this is helpful where expenditure on the underlying assets can be high but infrequent, making budgetary provision during any one year difficult. In addition, and this is increasingly pertinent, where services have clear financial objectives, the reserves allow short term surpluses and shortfalls arising in any one year to be managed in order to meet the financial objective over a longer business planning cycle.

Budget holders are encouraged to manage their budgets in order to make appropriations to the reserves wherever possible within the remit of their programmes as set out in Appendix 2; they have also been asked by Resource Management Team to take specific account of maintenance issues in proposals for their use.

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## Background

- 4 This report sets out the uses, levels and future resourcing requirements for the Specific Reserves established by the Authority over a number of years; this report is prepared annually. Appendix 1 shows the historical and current level of specific reserves; Appendix 2 sets out their justification.
- 5 The current year's balance will be £1,359,009, assuming that committee endorse the recommendations on appropriations to these reserves following in the outturn paper, and that they are content with the objectives of the specific reserves set out in this report.
- 6 Expenditure from the reserves in the 2014/15 year was as follows:  
  
£10,702 from the Cycle Hire Reserve, to support the outturn overspend position.
- 7 Income to the reserves in the year is as follows:  
  
£7,000 appropriated to the Aldern House Reserve to support the ongoing maintenance of the property.  
  
£7,500 to the Design Reserve reflecting the move to a trading service and the ability to replace equipment and underwrite any trading shortfall in the future.  
  
£16,500 to the Car Parks and Facilities Reserve for improvements to toilets prior to consideration of charging for their use in certain areas  
  
£69,000 to the ICT Reserve for part financing the transition from an owned to a leased ICT infrastructure model.  
  
£70,000 to the Minerals and Legal Reserve, in support of a programme of supporting our land management policies through public inquiry and the court systems.  
  
£244,399 to the Restructuring Reserve; in support of the Authority's Managing Change policies, as it is considered that a number of employee redundancies are probable in the next Spending Review period, and the current level of the reserve (before this appropriation) is inadequate, and there is no support from Defra for these costs.  
  
£19,000 to the Trails Reserve to support Monsal Trail Health & Safety expenditure and is likely to be used to address issues arising from the general inspection currently underway.

## Proposals

- 8 The committee is asked to approve the recommendation in order that the annual accounts can be properly prepared and signed by the Chief Finance Officer before the statutory deadline (30<sup>th</sup> June).

### **Are there any corporate implications members should be concerned about?**

9. **Financial:** The issues are covered in the report.

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10. **Risk Management:** There is a small risk that without clear programmes of work, the specific reserves are not actively managed and the funds are not therefore effectively used for National Park purposes. This report makes clear that the reserves are actively managed and are frequently used. There is conversely a risk that the reserves are insufficient to meet the many liabilities each reserve is set up to address – this is mitigated if services retain the incentive to plan for and make appropriations to the reserves at the year end, where budgetary constraints or trading conditions allow. Without specific reserves the General reserve would need to be set at a much higher level. The Specific Reserves also provide an essential cushion to protect the Authority's financial position in the light of challenges in the next Spending Review period.
  11. **Sustainability:** The extent to which specific reserves can be sustained depends on resource allocation decisions in budgets, overall resource levels, actual performance during the year, and the ability of services to request appropriations to reserves at the year end.
  12. **Consultees:** Budget holders responsible for managing their respective Reserves have been consulted on this report. Resource Management Team have agreed the appropriations on the 12th May 2015, for recommendation to Members in the outturn report.
  14. **Background Papers** (not previously published)

None

#### **Appendices**

Appendix 1: Specific Reserves Totals

Appendix 2: Specific Reserves Strategies

#### **Report Author, Job Title and Publication Date**

Juliet Farmer, Finance Officer, 22 May 2015