

## 12. 2021/22 RESERVE ALLOCATIONS (JW)

### Purpose of the Report

1. This report follows on from the 2020/21 outturn report approved by the Authority on the 21<sup>st</sup> May 2021 (Minute number 35/21), and proposes a reallocation of current cash Reserves that were set aside to finance the impact of the coronavirus pandemic. The reallocations will be as follows:-
  - a) Retain the Covid Reserve at the lower value of £683k;
  - b) Re-allocate £275k from the Covid Reserve to the Restructuring Reserve as was approved by members in the Authority report of 4<sup>th</sup> September 2020 (Minute number 64/20).
  - c) Re-allocate £130k back to the General Reserve to return the balance to £350k.

### Key Issues

- The 2020/21 outturn report dated 21<sup>st</sup> May 2021, showed that the overall underspends in the year were sufficient to cover the lost income caused by lockdown restrictions and therefore there was no need, at that time, to draw down on the Covid Reserve was not used. As the pandemic restrictions continue to lift it is no longer necessary to hold the Covid Reserve at the current level.
- This report therefore makes recommendations to re-allocate part of the Covid Reserve to the General Reserve and to confirm the amount of the re-allocation to the Restructuring Reserve, the principle of which has previously been approved by Authority.

### Recommendations

2.
  1. **That £275k of the Covid Reserve is to be re-allocated to the Restructuring Reserve as approved at Authority meeting on 4<sup>th</sup> September 2020.**
  2. **That £130k of the Covid Reserve be re-allocated to the General Reserve to return the balance to a minimum of £350k.**

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

3. The Local Government Act 2003 sets out the required financial administration standards Local Authorities must comply with, in particular the responsibilities of the Authority's Chief Finance Officer to advise Members on the Authority's financial position, with particular concerns about ongoing budget monitoring, the adequacy of Reserves, and the requirements to achieve a balanced revenue budget. The Chartered Institute of Public Finance and Accountancy (CIPFA) also issue guidance in the form of good practice for Local Authority Reserves. The External Auditors in considering their going concern and value for money opinion also take account of a Local Authority's approach to and level of Reserves. The outturn report in May and the budget report in February, together with budget monitoring with Members during the year, are the main reporting mechanisms.

## Background

4. At the start of the Coronavirus pandemic the advice received in a letter dated May 2020 from the Department for Environment, Farming and Rural Affairs (Defra) was that National Parks should use their earmarked and non-earmarked Reserves to offset Covid related deficits, rather than rely on any additional Defra support outside the National Park Grant.
5. As a result of the Defra letter the outturn report in May 2020 (Minute number 31/20) approved the creation of a Covid Reserve with £482k allocated from 2019/20, and a second report in September 2020 (Minute number 64/20) allocating a further £605k from other earmarked Reserves to support the ongoing uncertainties due to the pandemic.
6. The outturn for 2020/21 showed that the financial impact of the coronavirus pandemic had been mitigated by several factors, including reduced expenditure on cost of sales (items to sell), the receipt of furlough income and general underspends across the whole Authority. This mean that the lost income from lockdown closures could be absorbed by the Authority as a whole and the Covid Reserve was not used.
7. The Covid Reserve remains at the value of £1.09m and was not reduced at outturn as a prudent measure due to continuing uncertainty of the progress of the pandemic. We are now in a different position and can look to reduce the value of the Reserve.
8. The report taken to members in September 2020 approved the reallocation of unspent Covid Reserve to the Restructuring Reserve due to continuing financial uncertainty as a result of one-year spending reviews and other issues. As a prudent measure it is recommended that the Restructuring Reserve (current value £61k) covers the worst-case scenario if the Authorities significant project work comes to an end, therefore it is recommended that £275k be reallocated to the Restructuring Reserve. This will bring the total in the Restructuring Reserve to £336k.
9. There have also been changes to the final outturn for 2020/21 as a result of the External Audit (detailed in a separate report on this agenda). The General Reserve has needed to fund the £79k value of cycle stocks due to a change in the way that the cycles the Authority holds for cycle hire are accounted for in the Statement of Accounts. The external auditors advised that cycles should not be held as inventories (stocks) and should be held as assets held for sale which resulted in a £79k charge to the cycle hire service. This was not planned or budgeted for in 2020/21.
10. The General Reserve was reduced by £52k in 2020/21 to be allocated to the Covid Reserve to bring the minimum level to £300k. The General Reserve (also known as the General Fund) acts as a working balance to cushion cash flows (variances up and down) and as a contingency for unexpected events or emergencies. I recommend that this is taken back up to a minimum level of £350k, which represents 5.2% of the National Park Grant.

## Proposals

12. Members are asked to approve the re-allocation of resources from the Covid Reserve to the Restructuring Reserve (£275k) and General Reserve (£130k).
13. The level of the Covid Reserve will continue to be monitored as we approach the autumn/ winter season and remain in place for now at the lower level of £683k. This remains a prudent approach to ensure the Authority has sufficient Reserves to cover any changes to the current Government policies regarding the corona virus pandemic.

**Are there any corporate considerations Member should be concerned about?**

14. **Financial:** The issues have been covered in the report.

15. **Risk Management:**

The Chief Finance Officer has a statutory responsibility under Sections 25 – 28 of the Local Government Act 2003 to report to Members, the Monitoring Officer and external auditors on the robustness of the budget setting and monitoring process, and has an express duty to monitor the budget and underlying assumptions throughout the year, and to act when significant overspends or shortfalls in income occur.

The External Auditor assesses the financial position of the Authority as part of its annual Value for Money conclusion.

16. **Sustainability:** This report represents continuing to look after the sustainability of our finances and to be able to financially manage unexpected events.

**Equality:** There are no issues relevant to this report.

17. **Climate Change:** There are no issues relevant to this report.

18. **Background Papers** (not previously published)

None

**Appendices**

None

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

Justine Wells, Head of Finance and Chief Finance Officer, 4 November 2021