

9. OUTTURN 2021/22 AND SLIPPAGE REQUEST (JW)

1. Purpose of the report

To inform members of the outturn for 2021/22 and seek approval of the requested appropriations to and from reserves.

Key Issues

- The draft accounts for the financial year 2021/22 need to be signed by the Chief Finance Officer by the 31st July 2021; however, the Head of Finance plans to complete the draft accounts by 31st May 2022 as per the deadline prior to the coronavirus pandemic. This is so as not to extend the completion period unnecessarily, and allow External Auditors (Mazars) to begin work on 13 June 2022, with the audited accounts published by 30 November 2022.
- The final confirmation of the general reserve is subject to possible adjustments that may occur during the completion of the draft statements or during the auditing process. The draft surplus for 2021/22 is to be £149k which will be added to the general reserve giving rise to a general reserve balance of £433k.
- The National Park Grant for 2021/22 was held at the same level as 2019/20, however the £355k specifically allocated as Biodiversity Funding in 2020/21 was no longer separately designated and included back into the main grant funding.

2. Recommendations(s)

- 1. That the outturn be noted, and the slippage requests and specific reserve appropriations shown in Appendix C be approved.**
- 2. The new proposed reserves shown in Appendix C be approved with delegated Authority give to the Chief Executive Officer to agree the principles for expenditure from the new Authority Delivery Plan Reserve .**

How does this contribute to our policies and legal obligations?

3. The Accounts and Audit Regulations 2015 require the Chief Finance Officer to sign the draft annual accounts annually. For the 2021/22 financial year the statutory deadline is the 31st July. This report has been written therefore to allow the Authority to agree recommendations on the movement of funds to and from reserves, which will need to be incorporated into the annual accounts. The deadline for publishing audited local authority accounts for 2021/22 has been moved to 30 November 2022. The consequence of this is that the Chief Finance Officer will need to prepare and certify the accounts by 31st July, however External Audit will begin work on 13th June 2022, therefore the planned completion date is 31st May 2022.

Background Information

4. The 2021/22 budget was approved in February 2021 without having final confirmation of the National Park Grant (NPG) value. The budget contained £609k savings to be made to the baseline budget on the assumption that £335k which had been designated as 'Biodiversity Funding' in the 2020/21 budget would not be included for 2021/22. Defra confirmed the actual level of National Park Grant in March 2021, as a 'flat cash' settlement of £6.699m and that the £335k which had previously been designated as 'Biodiversity Funding' had been added back into the main grant amount. This meant that the forecast outturn for 2021/20 would be an underspend of £335k.

5. The budget monitoring group, consisting of six nominated Members, the CEO and the Head of Finance, meets during the financial year to discuss the significant variances to budgets, outturn forecasts and the level of Authority's reserves.
6. The Authority's income was impacted by the coronavirus pandemic throughout 2020/21 and into the beginning of 2021/22, however, income streams largely recovered through 2021/22.
7. The Resources Management meeting (RMM) discussed the outturn figures and slippage requests on 3 May 2022. These are detailed at Appendix C (i). All slippage requests were scrutinised by RMM to ensure that all slippage requests have sound financial reasonings for the budget to be carried forward (or 'slipped') to the next financial year. These were brought back to Management Team for final scrutiny before being reported to Members.
8. RMM also discussed the creation of new specific reserves and the further re-appropriation of funds from the Covid Reserve. It is recommended that the following reserves be created as part of the year-end process for 2021/22:
 - **New Revenue Grant Reserve:** The Revenue Grant Reserve is an accounting requirement under International Financial Reporting Standards (IFRS). When grant funding or contributions are received in advance (i.e. the expenditure will be incurred in a future financial year) it should be recognised in the financial year that it is received and any unspent monies appropriated into reserves at the year end. This is then used to fund expenditure as per the grant or contribution conditions in future financial years. This also helps to monitor that grant and funding conditions are being met. Most grant funding received by the Authority is claimed in arrears, and therefore the value appropriated to reserves each year is not expected to be material. However, the value to be appropriated to the Revenue Grants Reserve in 2021/22 will be £1.3m, as this contains funds that have been carried forward from several previous financial years under the old method of using 'income in advance'. Income in advance is should only be used when receipt of monies is simply a timing difference, for example rental income received in March which is due for April. The appropriation is funded from monies received but not yet spent which is contributing to the large value of the underspends in 2021/22.
 - **New Local Plan Reserve:** The Local Plan reserve would be to fund the future costs of the Local Plan review which is estimated to cost £148k over the next five years. The Authority is required to appropriately review the Local Plan and costs will include research, a new consultation platform and the examiner's fees (estimated to be between £40k-£60k alone). £38k of the costs is requested as slippage therefore the value of appropriation would be £110k funded from underspends across the Authority.
 - **New Countryside Maintenance Project Team (CMPT) Reserve:** As an income generating service with income targets it is requested that the team have the same ability as other income generating services to appropriate underspends into a specific reserve. This will allow the service to manage and achieve their financial objectives between financial years without impacting on corporate reserves. The value for appropriation in 2021/22 is £17k funded from underspends in the CMPT service.
 - **Covid Reserve Appropriations:** It has not been necessary in 2020/21 nor 2021/22 to use the Covid Reserve, this is because the financial impacts of the pandemic have been mitigated by other measures, therefore it is recommended that £556k is appropriated from the Covid Reserve to other corporate priorities. The remaining £126k to be retained for post-covid working arrangements including health and wellbeing and long term blended working arrangements:

1. £150k to restructuring reserve bringing the value up to £486k. This will fund a worse case scenario if the Authority's project work comes to an end, but also allows for potential costs arising from restructures that may occur throughout the Authority as cost reduction measures take place.
2. £156k to the ICT reserve to fund implementation costs of upgrading various digital technologies across the Authority as part of the draft digital plan currently being developed. This is one of the four key investment areas included in the Medium Term Financial Plan.
3. £250k for a new Authority Delivery Plan Support Reserve to assist the implementation of Authority objectives under the National Park Management Plan. This one-off money is intended for use to help implement the new Authority Delivery plan for example to look at new ways of working or redeploy where the baseline budget is used. It is envisaged that it will be used for working on items above and beyond what would be expected to sit within for Authority's baseline budgets for delivery but will support the new delivery plan.
9. The slippage requests at Appendix C includes £247k for projects approved to be funded from the 'biodiversity funding' underspend. The full list was included in the budget report approved by Members in February 2022. A total of £327k was allocated to projects of which £80k has been spent in 2021/22.
10. The May 2021 Treasury Management Strategy approved prudential borrowing limits of £2.5m for 2021/22. As at 31 March 2021 the Authority has one external debt, with an outstanding balance of £362k. This was £697k borrowed from the Public Works Loans Board in August 2006 in accordance with minute no 41/05 to finance the Aldern House project. Further borrowing approvals have been made since then totalling £1.5m (see Appendix E); these have all been financed internally from cash balances. The annual charge to the budget of £127k is included within service budgets and is included in the outturn.
11. The annual charge to the budget is based on the same principle as external debt. This means that the service is charged annually a fixed amount, with a proportion covering interest (based on the fixed rate from the Public Works Loan Board at the time the internal loan is made) and the remainder repaying the original capital sum, over a term based on the life of the asset. At some point external debt might need to be raised to cover any outstanding amounts but currently it is more cost effective to use internal funds.
12. The coronavirus pandemic had an impact on investment receipts in 2020/21 and this has continued into 2021/22. The Interest Base Rates were reduced to the lowest level ever in March 2020, to 0.10% and remained at this level until December 2021, when they were raised to 0.25%. The rates increased again in February, March and May are currently at 1.0%. The actual average interest rate received on the Authority's investments was 5.005% at the end of March 2022. Therefore, investment receipts remain at their lowest level for some time with interest earned for 2021/22 at £19k (£25k last year) however this was only a small loss of £6k against the budget.
13. Appendix A, Column F, shows the final budget surplus or deficit arising from each service, after appropriations to and from reserves and slippage requests have been considered as well as explanations for variances. The draft underspend after slippage requests and appropriations to and from reserves is £149k.

14. Significant budget variances include:
- £101k underspend in Rural Economy. The implementation of the Farming in Protected Landscapes (FiPL) has given rise to an underspend in other grant giving and additional income against pay costs through the impact of the mid-year start of the FiPL Programme.
 - £164k underspend in the Planning Service. Despite ongoing efforts to fill posts which have seen some positive progress, at this time 7 vacant posts remain across the Service. Some key senior posts are included and these have been paused from recruitment while a review of service and roles is completed. It is hoped this will address key issues of retention, competitiveness and resilience leading to a more sustainable outcome and allow for full restoration of team roles by the end of 2022.
 - £73k underspend in the Engagement Rangers Service. The team have not fully utilised the training budget due to coronavirus restrictions which has not yet been caught up with. There also includes unspent slippage from 2020/21 for dilapidations from lease terminations which were lower than expected as well an underspend in vehicle maintenance and fuel costs.
 - £90k underspend for Visitor Centres and £85k overspend for Cycle hire. Income has largely recovered in both of these services by the year end. Variances have arisen from vacancies in Visitor Centres, offset by pay overspends in cycle hire (some miscoding of pay budgets). Also includes non-pay underspends in visitor centres offset by £12k of unbudgeted write offs in cycle hire. The overall variance also includes £50k expenditure to replenish cycles for hire due to unprecedented cycles sales during the pandemic.
 - £166k underspend across the Trails budgets. This is from car park income being much higher than budgeted as well as reduced non-pay expenditure due to reduced staff resources. This has been added to the Trails Reserve to cover future maintenance commitments.
 - £52k variance from Customer and Business Support. The service has had an average of 3 vacancies at any one time throughout the year, although these were different vacancies at different times.
 - £53k underspend for Committee and Member Services. Slippage from 2020/21 into 2021/22 for external meeting costs was not fully utilised because only Authority meetings continued to be held off site.
 - £192k pay and other contingencies. The amounts for a 1.75% pay increase and the realigning of spinal points was not required due to pay underspends across the Authority. Actual pay award costs of £100k was paid to staff in March 2022 (backdated to 1 April 2021).
15. The circumstances surrounding any overspends have been considered and where they have occurred they are capable of being contained within overall service responsibilities, or dealt with corporately without impact on reserves, therefore no recommendations are put forward for any overspends to be carried forward and retrieved from next years' service budgets.
16. There may be adjustments to the final outturn during the process of completing the statement of accounts or during the external audit review of the statement of accounts and the final position will be reported to Members in the final accounts report expected to be presented to members by November 2022.

Proposals

17. The Authority's overall financial position after slippage requests and appropriations to and from reserves is £149k underspent for 2021/22. The outturn for the 2021/22 is presented at Appendix A, column F shows the budget surplus or deficit by service and contains a variance analysis. Appendix B which shows the outturn by Service.
18. Appendix C (i) shows the proposed slippage requests totalling £939k, C (ii) net appropriations to reserves of £2.5m (of which £1.3m relates to the Revenue Grant Reserve discussed above) to ensure the Authority's financial resilience across future financial years and C (iii) overspends to be carried forward to 2022/23 which is nil for 2021/22.
19. Reserve levels are shown at Appendix D and have been maintained at the levels required to meet statutory requirements, to provide a prudent level of provision for substantial asset liabilities, and to give strong support to our planning policies in the legal process. They represent limited and temporary one-off sources of funds, which allow the Authority to maintain stability of National Park outcomes into the medium term.

Are there any corporate implications members should be concerned about?

Financial:

20. The financial implications are contained in the main body of the report

Risk Management:

21. 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. They have 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 Annual Governance Statement prepared by the Monitoring Officer is reported to and approved by Members. The Management Team consider financial risks in the Risk Register during the year. The External Auditor considers the financial position of the Authority as part of the annual Value for Money conclusion. The outturn and the recommendations within are considered to be part of the evidence to support the effectiveness of the value for money processes as they relate to the 2021/22 financial year.

Sustainability:

22. There are no specific issues relevant to this report.

Equality:

23. There are no specific issues relevant to this report.

24. Climate Change

There are no specific issues relevant to this report.

25. Background papers (not previously published)

None

26. Appendices

- Appendix A - 2021/22 Variance Analysis
- Appendix B - 2021/22 Outturn by services within divisional headings
- Appendix C - Slippage and reserve requests
- Appendix D - Reserve Levels
- Appendix E - Current Approved Borrowing

Report Author, Job Title and Publication Date

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