

7. Reserve Policy, Reserve Purpose and Reserve Allocation update

1. Purpose

- 1.1 An essential part of the financial planning process of the Authority is a robust policy on the level and nature of reserves. The policy document attached updates the Authority's approach to reserves and how they are integral to the Medium Term Financial Forecast
- 1.2 To streamline our reserves by consolidating Service Reserves and having greater transparency on how services are utilising reserves.

2. Context

- 2.1 The recommendation from Internal Audit, following their Audit in 2024/25, stated it is best practice to have a reserve usage policy in place. This will provide greater control around reserve expenditure and ensure the Authority has enough operational reserves to deliver services and contingency to deal with unforeseen events. Due to the reliance on reserves to balance the Medium Term Financial Forecast, expenditure from Earmarked Reserves will need to be approved by the CFO, to ensure it is in the greatest interest of the Authority.
- 2.2 Internal Audit found there was no formal processes in place for the review of the adequacy of reserves. The Authority is not in a position to replenish all reserves, due to its main priority of balancing the MTFF. By ensuring the CFO is made aware and approves all expenditure from earmarked reserves, this will give greater transparency on our true balances and expenditure requirements. The CFO will also be able to reallocate earmarked reserves where there is greater financial pressure and service requirements. This will also apply to budget surpluses at year end. Traditionally departmental surpluses were moved directly to associated earmarked reserves, despite there being no planned expenditure above the baseline budgets. As part of the year end process, the CFO will assess the adequacy of reserves and reallocate surpluses where is deemed most appropriate.

3. Proposals

- 3.1 Members are asked to note the new reserves policy found at Appendix 1.
- 3.2 Members are asked to note the Establishment and disestablishment of the following reserves:

Disestablishment of the Car parks Reserve
Disestablishment of the Trails Reserve
Disestablishment of the North Lees reserve
Establishment of the Trading & Operational Assets Reserve

Balances remaining in these reserves will move across to the **Trading & Operational Assets Reserve.**

Disestablishment of the Minor Properties Reserve
Disestablishment of the Maintenance Reserve
Establishment of the Corporate & Other Assets Reserve

*Balances remaining in the above reserves will move across to the **Corporate & other Assets.**

- *Disestablishment of the Restructuring Reserve
- *Disestablishment of the Slippage Reserve
- *Disestablishment of the Authority Delivery Plan Reserve

Balances remaining in these reserves will move across to the Corporate Operational Reserve, which is already in place.

3.3 Members are asked to note the reserve position, earmarked expenditure and expected closing position found at Appendix 2.

4. Recommendations

4.1 That the new Reserves Policy at Appendix 1 be approved as Authority Policy with immediate effect.

4.2 To consider and note the amalgamation and disestablishment of reserves as discussed in point 3.2.

4.3 To consider and note the latest Reserve Position at Appendix 2.

5. Corporate Implications

a. Legal

The requirement to set a balanced budget as detailed in Sections 32 and 43 of the Local Government Finance Act 1992.

The Chief Finance Officer's (S151 Officer) duty to report on the robustness of estimates and adequacy of reserves when the Council is considering its budget requirement as set out in Sections 25 of the Local Government Act 2003. •

Legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer (S151 Officer) has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972

b. Financial

The financial implications are contained in the main body of the report and within Appendix 2, which outlines our reserve position at the mid-year point.

c. National Park Management Plan and Authority Plan

The Authority Plan includes Objective D (Financial Resilience)-to be financially resilient and provide value for money. Demonstrating we can balance the budget in the medium term, through strategic management of surpluses and replenishing of the MTFF Reserve. This enables the Authority to be financially viable in the medium term.

The Authority Plan includes Objective F (Governance) - to have best practice governance arrangements in place. Good governance arrangements, help mitigate financial risks and associated decisions around reserve usage.

d. Risk Management

The Authority takes risk seriously and ensures there are adequate reserves in place to mitigate any future costs that are yet to arise, within its financial means. These primarily include Legal Costs, HMRC repayments and IT business continuity assessments and costs. As part of the reviews on the adequacy of reserves, services must outline any risks which may result in a requirement to draw down on reserves, for expenditure that cannot be met from baseline budgets. Strategic reviews will take place, taking into account the Corporate Risk Register to ensure we are able to bore the costs of risks, that would not otherwise be covered by insurance.

- e. Net Zero
None

6. Background papers (not previously published)

None.

7. Appendices

Appendix 1: Reserves Policy

Appendix 2: Reserves Position Q2 2025/26

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