



## Cumbria Office of the Police and Crime Commissioner

# Reserves Strategy 2019/20

Public Accountability Conference 20 February 2019

### Report of the Joint Chief Finance Officer

#### 1. Introduction and Background

1.1 This reserves strategy is produced and published as part of the overall budget setting process. The reserves strategy meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. The strategy seeks to achieve a balance between pro-actively utilising reserves to support services for our communities and providing financial resilience to meet unexpected events. It sets out the purpose for which reserves are held and the planned movement in reserves over a period of 4 years (the medium term financial forecast period). Our reserves are held for three main purposes. These are:

- ◆ a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing,
- ◆ a contingency to cushion the impact of unexpected events or emergencies,
- ◆ a means of building up funds, often referred to as earmarked reserves, to meet known or predicted pressures or liabilities.

1.2 Over the past year, the level of reserves nationally have become a focus of attention for the Home Office and it is now considered best practice to publish a **reserves strategy**, which covers the MTF 4 year timeframe plus a further 2 years, 6 years in total.

- 1.3 As part of the budget process a capital strategy is produced which includes capital plans over a longer 10 year timeframe, reflecting the cyclical nature of capital expenditure programmes. In order to facilitate the production of the capital strategy and associated capital financing, reserve balances are projected over this longer 10 year timeframe. For this reason it has been determined that a reserves strategy should be produced covering a 10 year timeframe (exceeding the best practice requirements).
- 1.4 The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out in section 2 below is a description of the reserves held by the Commissioner and the purpose for which they are held. At **Appendix A** a table is provided which sets out the planned movement in reserves over this longer 10 year timeframe to 31 March 2029. **Appendix B** summarises this information graphically.

## 2. Details of Specific Groups of Reserves

- 2.1 **General Reserves:** The general reserve (police fund) is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2019/20. The amount represents approximately 3% of the net recurrent budget (after specific grants & fees and charges). The level of the general reserve takes account of the risks within the budget as set out in the Joint Chief Finance Officer's report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.
- 2.2 **Earmarked Capital Reserves:** Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. Capital schemes are only included within the capital programme on the basis of setting aside funding to meet the expenditure. The policy is that general capital reserves will be maintained at a level to ensure a balanced capital budget for the duration of the medium term financial forecast. The capital reserves currently include a reserve to fund costs associated with the Eden Deployment, centre which is currently being constructed on

the HQ site at Carleton Hall, a reserve to allow consideration of options for the West Cumbria TPA HQ and a balance of general capital reserve. The current capital programme forecasts that these reserves will be almost fully utilised by the end of March 2024.

- 2.3 **Earmarked Revenue Reserves:** Earmarked reserves are held for a number of specific purposes, see paragraphs 2.4 to 2.6 below.
- 2.4 **Budget Stabilisation and Insurance Reserves** are established to smooth the impact of intermittent costs across financial years. This group of reserves includes operational reserves for the Commissioner and Chief Constable, these reserves are to cover any unexpected expenditure that arises during a financial year that cannot be accommodated for existing budgets. The strategy is for these reserves to be replenished if used through the next budget cycle. This group also includes the Chief Constable's contingency, this reserve was established when a more risk based approach to budgeting was adopted thereby removing contingency sums from individual budgets. An Insurance reserve is also maintained to cover the cost of insurance claims below the policy excess.
- 2.5 **Budget Support Reserves** the budget support reserve was established to meet emerging demands and unforeseen items.
- 2.6 **Short-term Project Reserves** primarily fund the one off revenue implications of approved projects and also provide for areas within the budget where there is a liability but the amount or timing is uncertain. This group includes a reserve to cover the future lifecycle costs in relation to the PFI. This group also includes funding in relation to Cumbria road safety initiatives which is ring-fenced to be spent on road safety measures, a reserve to fund the cyclical replacement of body armour and reserves in relation to PCC commissioned services where the approved spend will be drawn down over a number of years.

Roger Marshall, Joint Chief Finance Officer

20 February 2019

Planned Movement in Reserves 2019/20 to 2028/29

Reserves Plan 2019-2029	Note	MTFF Timeframe																							
		Actual	Estimated	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	
		Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)
		31/03/18	2018/19	31/03/19	2019/20	31/03/20	2020/21	31/03/21	2021/22	31/03/22	2022/23	31/03/23	2023/24	31/03/24	2024/25	31/03/25	2025/26	31/03/26	2026/27	31/03/27	2027/28	31/03/28	2028/29	31/03/29	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
General Reserve/Police Fund	1	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	
<b>Total General Reserve/Police Fund</b>		<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	
<b>Capital Reserves</b>	2																								
General Capital Reserve		5,922	(2,824)	3,098	(2,834)	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	
Eden Deployment Centre		3,628	(2,300)	1,328	(1,328)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
West Cumbria Estate		3,304	192	3,496	0	3,496	0	3,496	(1,575)	1,921	(1,699)	222	(222)	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Capital Reserves</b>		<b>12,854</b>	<b>(4,932)</b>	<b>7,922</b>	<b>(4,162)</b>	<b>3,760</b>	<b>0</b>	<b>3,760</b>	<b>(1,575)</b>	<b>2,185</b>	<b>(1,699)</b>	<b>486</b>	<b>(222)</b>	<b>264</b>	<b>0</b>	<b>264</b>	<b>0</b>	<b>264</b>	<b>0</b>	<b>264</b>	<b>0</b>	<b>264</b>	<b>0</b>	<b>264</b>	
<b>Budget Stabilisation/Insurance</b>	3																								
PCC Operational Reserve		250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	
Constabulary Operational Reserves		250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	
Chief Constable's Contingency		500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	
Insurance Reserve		1,162	46	1,208	46	1,254	46	1,300	46	1,346	46	1,392	46	1,438	46	1,484	46	1,530	46	1,576	46	1,622	46	1,668	
<b>Total Budget Stabilisation/Insurance Reserves</b>		<b>2,162</b>	<b>46</b>	<b>2,208</b>	<b>46</b>	<b>2,254</b>	<b>46</b>	<b>2,300</b>	<b>46</b>	<b>2,346</b>	<b>46</b>	<b>2,392</b>	<b>46</b>	<b>2,438</b>	<b>46</b>	<b>2,484</b>	<b>46</b>	<b>2,530</b>	<b>46</b>	<b>2,576</b>	<b>46</b>	<b>2,622</b>	<b>46</b>	<b>2,668</b>	
<b>Budget Support Reserves</b>	4																								
Budget Support Reserve		2,469	(341)	2,128	(769)	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	
<b>Total Budget Support Reserves</b>		<b>2,469</b>	<b>(341)</b>	<b>2,128</b>	<b>(769)</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>1,359</b>	
<b>Short Term Project Reserves</b>	5																								
PFI Lifecycle Replacements		289	0	289	0	289	0	289	0	289	0	289	0	289	0	289	0	289	0	289	0	289	0	289	
Finance System Upgrade		6	(6)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Body Armour (Future Roll Out)		141	50	191	50	241	50	291	50	341	50	391	50	441	50	491	50	541	50	591	50	641	50	691	
Cumbria Road Safety Initiatives		291	8	299	(200)	99	(58)	41	(37)	4	71	75	0	75	0	75	0	75	0	75	0	75	0	75	
Injury Pensions		50	(50)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
HQ Security		50	50	100	(100)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Anti Corruption Audit Tool		34	(34)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
CS Change Manager		0	28	28	(28)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Workforce 2025		45	(45)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Business Intelligence		0	113	113	(113)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Red Sigma		0	371	371	(227)	144	(144)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Commissioned Services		1,504	(50)	1,454	(62)	1,392	(74)	1,318	(87)	1,231	(100)	1,131	(100)	1,031	(100)	931	(100)	831	(100)	731	(100)	631	(100)	531	
<b>Total Short Term Project Reserves</b>		<b>2,410</b>	<b>435</b>	<b>2,845</b>	<b>(680)</b>	<b>2,165</b>	<b>(226)</b>	<b>1,939</b>	<b>(74)</b>	<b>1,865</b>	<b>21</b>	<b>1,886</b>	<b>(50)</b>	<b>1,836</b>	<b>(50)</b>	<b>1,786</b>	<b>(50)</b>	<b>1,736</b>	<b>(50)</b>	<b>1,686</b>	<b>(50)</b>	<b>1,636</b>	<b>(50)</b>	<b>1,586</b>	
<b>Total Earmarked Revenue Reserves</b>		<b>7,041</b>	<b>140</b>	<b>7,181</b>	<b>(1,403)</b>	<b>5,778</b>	<b>(180)</b>	<b>5,598</b>	<b>(28)</b>	<b>5,570</b>	<b>67</b>	<b>5,637</b>	<b>(4)</b>	<b>5,633</b>	<b>(4)</b>	<b>5,629</b>	<b>(4)</b>	<b>5,625</b>	<b>(4)</b>	<b>5,621</b>	<b>(4)</b>	<b>5,617</b>	<b>(4)</b>	<b>5,613</b>	
<b>Total All Reserves</b>	6	<b>22,895</b>	<b>(4,792)</b>	<b>18,103</b>	<b>(5,565)</b>	<b>12,538</b>	<b>(180)</b>	<b>12,358</b>	<b>(1,603)</b>	<b>10,755</b>	<b>(1,632)</b>	<b>9,123</b>	<b>(226)</b>	<b>8,897</b>	<b>(4)</b>	<b>8,893</b>	<b>(4)</b>	<b>8,889</b>	<b>(4)</b>	<b>8,885</b>	<b>(4)</b>	<b>8,881</b>	<b>(4)</b>	<b>8,877</b>	

Overall reserves are forecast to fall to just £9.1m over the life of the MTFF, this represents a fall of 50% compared to their current level of £18.1m

Planned Movement in Reserves 2019/20 to 2028/29

