



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2020/21

Public Accountability Conference 19 February 2020

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 2030. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £3m from 2021/22 onwards. Savings plans are being progressed to address the deficit. In the event that this is not achieved, reserves will be required to bridge the gap and will result in the level of reserves depleting more quickly than indicated in this strategy.

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 2020/21. 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 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 2023.

- 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, 19 February 2020

Corporate Support / Financial Services / MB

Planned Movement in Reserves 2020/21 to 2029/30

Reserves Plan 2020 - 2030	Actual Balance 31/03/19 £000s	Forecast Transfers 2019/20 £000s	Estimated Gain/(Use) 2019/20 £000s	Forecast Balance 31/03/20 £000s	Net Gain/(Use) 2020/21 £000s	Forecast Balance 31/03/21 £000s	Net Gain/(Use) 2021/22 £000s	Forecast Balance 31/03/22 £000s	Net Gain/(Use) 2022/23 £000s	Forecast Balance 31/03/23 £000s	Net Gain/(Use) 2023/24 £000s	Forecast Balance 31/03/24 £000s	Net Gain/(Use) 2024/25 £000s	Forecast Balance 31/03/25 £000s	Net Gain/(Use) 2025/26 £000s	Forecast Balance 31/03/26 £000s	Net Gain/(Use) 2026/27 £000s	Forecast Balance 31/03/27 £000s	Net Gain/(Use) 2027/28 £000s	Forecast Balance 31/03/28 £000s	Net Gain/(Use) 2028/29 £000s	Forecast Balance 31/03/29 £000s	Net Gain/(Use) 2029/30 £000s	Forecast Balance 31/03/30 £000s
General Reserve/Police Fund	3,000	0	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
Total General Reserve/Police Fund	3,000	0	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
Capital Reserves																								
General Capital Reserve	3,215	(1,457)	(1,758)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HQ Refurbishments	294	0	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294
Eden Deployment Centre	3,628	(3,628)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
West Cumbria Estate	3,497	0	503	4,000	0	4,000	(1,575)	2,425	(2,425)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Reserves	10,634	(5,085)	(1,255)	4,294	0	4,294	(1,575)	2,719	(2,425)	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294
Budget Stabilisation/Insurance																								
PCC Operational Reserve	250	0	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	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	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500
Insurance Reserve	1,223	0	46	1,269	46	1,315	46	1,361	46	1,407	46	1,453	46	1,499	46	1,545	46	1,591	46	1,637	46	1,683	46	1,729
Total Budget Stabilisation/Insurance Reserves	2,223	0	46	2,269	46	2,315	46	2,361	46	2,407	46	2,453	46	2,499	46	2,545	46	2,591	46	2,637	46	2,683	46	2,729
Budget Support Reserves																								
Budget Support Reserve	2,839	5,085	(668)	7,256	(717)	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539
Total Budget Support Reserves	2,839	5,085	(668)	7,256	(717)	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539
Short Term Project Reserves																								
PFI Lifecycle Replacements	274	0	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274
Finance System Upgrade	6	0	(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)	191	0	50	241	50	291	50	341	50	391	0	391	50	441	50	491	50	541	50	591	50	641	50	691
Cumbria Road Safety Initiatives	269	0	(221)	48	(23)	25	71	96	71	167	73	240	0	240	0	240	0	240	0	240	0	240	0	240
HQ Security	80	0	(80)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CS Change Manager	28	0	3	31	(31)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Business Intelligence	143	0	(113)	30	(30)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Red Sigma	407	0	(169)	238	(144)	94	(94)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commissioned Services	1,816	0	(100)	1,716	(74)	1,642	(87)	1,555	(100)	1,455	(113)	1,342	(120)	1,222	(120)	1,102	(120)	982	(120)	862	(120)	742	(120)	622
Total Short Term Project Reserves	3,214	0	(636)	2,578	(252)	2,326	(60)	2,266	21	2,287	(40)	2,247	(70)	2,177	(70)	2,107	(70)	2,037	(70)	1,967	(70)	1,897	(70)	1,827
Total Earmarked Revenue Reserves	8,276	5,085	(1,258)	12,103	(923)	11,180	(14)	11,166	67	11,233	6	11,239	(24)	11,215	(24)	11,191	(24)	11,167	(24)	11,143	(24)	11,119	(24)	11,095
Total All Reserves	21,910	0	(2,513)	19,397	(923)	18,474	(1,589)	16,885	(2,358)	14,527	6	14,533	(24)	14,509	(24)	14,485	(24)	14,461	(24)	14,437	(24)	14,413	(24)	14,389

Overall reserves are forecast to fall to just £14.5m over the life of the MTFF, this represents a fall of 34% compared to their current level of £21.9m

Planned Movement in Reserves 2020/21 to 2029/30

