



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2023/24

Public Accountability Conference 16 February 2023

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 5 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 recent years, 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 5 year timeframe plus a further year, 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 2033. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £5m in 2024/25 rising to £16m by 2027/28. A productivity and efficiency plan is 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 £4m in 2023/24 (see #). 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.

As part of approving this reserves strategy, the Commissioner is asked to formally approve the increasing of the General Reserve/Police fund from its current level of £3.6m to £4.0m for 2023/24. The increase in the reserve will be funded by a corresponding reduction in the Budget Support Reserve

- 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 estate 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 2029.
- 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. This section includes the addition of a reserve to provide support for reduced council tax precept income as a result of a reduction in the tax base, due principally to increased local council tax support for low income households and increases in collection fund deficits. The reserve was established from Government grants received in 2020/21 and 2021/22 and has now been fully used to meet council tax deficits arising in 2023/24 and to help balance the budget.

- 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 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

16 February 2023

Planned Movement in Reserves 2023/24 to 2032/33

Reserves Forecast	MTFF																							
	Actual	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	
	Balance 31/03/22 £000's	Gain/(Use) 2022/23 £000's	Balance 01/04/23 £000's	Gain/(Use) 2023/24 £000's	Balance 31/03/24 £000's	Gain/(Use) 2024/25 £000's	Balance 01/04/25 £000's	Gain/(Use) 2025/26 £000's	Balance 01/04/26 £000's	Gain/(Use) 2026/27 £000's	Balance 01/04/27 £000's	Gain/(Use) 2027/28 £000's	Balance 31/03/28 £000's	Gain/(Use) 2028/29 £000's	Balance 01/04/29 £000's	Gain/(Use) 2029/30 £000's	Balance 01/04/30 £000's	Gain/(Use) 2030/31 £000's	Balance 01/04/31 £000's	Gain/(Use) 2031/32 £000's	Balance 31/03/32 £000's	Gain/(Use) 2032/33 £000's	Balance 31/03/33 £000's	
General Reserve/Police Fund	3,600	400	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Total General Reserve/Police Fund	3,600	400	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Earmarked Capital Reserves																								
Capital Reserves																								
West Cumbria Estate	4,000	(778)	3,223	(1,962)	1,261	(286)	975	0	975	(975)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Financing Smoothing	0	0	0	0	0	369	369	1,101	1,470	(260)	1,209	(723)	486	(486)	0	0	0	0	0	0	0	0	0	0
HQ Adaptions	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0
CCTV Capital Reserve	0	36	36	(36)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Reserves	4,294	(742)	3,552	(1,998)	1,555	83	1,638	1,101	2,738	(1,235)	1,503	(723)	780	(486)	294	0	294	0	294	0	294	0	294	0
Budget Stabilisation / Insurance Reserves																								
Constabulary 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	0
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	0
Insurance Reserve	909	46	955	46	1,001	46	1,047	46	1,092	46	1,138	46	1,184	46	1,230	46	1,276	46	1,322	46	1,368	46	1,414	0
75% Tax Income Guarantee Scheme	920	(750)	170	(170)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	0
Total Budget Stabilisation / Insurance Reserves	2,829	(704)	2,125	(124)	2,001	46	2,047	46	2,092	46	2,138	46	2,184	46	2,230	46	2,276	46	2,322	46	2,368	46	2,414	0
Budget Support Reserves																								
Budget Support Reserve	7,366	(1,357)	6,009	(1,516)	4,493	(3,000)	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0
Total Budget Support Reserves	7,366	(1,357)	6,009	(1,516)	4,493	(3,000)	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0
Short-term Project Reserves																								
PFI Lifecycle Reserves	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0
Body Armour (Future Roll Out)	337	50	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0
Records Management System	2	3,469	3,471	(1,338)	2,133	(2,099)	35	0	35	0	35	0	35	0	35	0	35	0	35	0	35	0	35	0
Business Intelligence	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0
HQ Security	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0
Business Transformation	218	(17)	201	(79)	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0
Covid 19 Recovery	694	(694)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CO - Demand Risk Resourcing	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0
Firearms Digitisation	0	125	125	(42)	83	(42)	42	(42)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCTV Revenue Reserve	0	666	666	(544)	122	(34)	87	(31)	56	(28)	28	(28)	0	0	0	0	0	0	0	0	0	0	0	0
PCC - Commissioned Services	3,175	(175)	3,000	(100)	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0
Total Short-term Project Reserves	4,983	3,423	8,406	(2,102)	6,304	(2,175)	4,129	(73)	4,057	(28)	4,029	(28)	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Total Earmarked Revenue Reserves	15,178	1,362	16,540	(3,742)	12,797	(5,129)	7,669	(27)	7,642	18	7,660	18	7,677	46	7,723	46	7,769	46	7,815	46	7,861	46	7,907	46
Total Reserves	23,072	1,021	24,092	(5,740)	18,352	(5,046)	13,306	1,074	14,380	(1,217)	13,163	(705)	12,458	(440)	12,017	46	12,063	46	12,109	46	12,155	46	12,201	46

Overall reserves are forecast to fall to just £12.2m over the life of the MTFF, this represents a fall of 50% compared to their current level of £24.9m

Planned Movement in Reserves 2023/24 to 2033/33

