



## Cumbria Office of the Police, Fire and Crime Commissioner

# Reserves Strategy 2024/25

Public Accountability Conference 15 February 2024

### Report of the OPFCC Chief Finance Officer and the Constabulary 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 2034. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £2m in 2025/26 rising to £16m by 2028/29. A savings 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 2024/25. 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 OPFCC 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 capital reserves currently include a reserve to allow estate modernisation at Hunter Lane, Penrith and in the West Cumbria estate following the end of the current PFI arrangement at Workington, the balance of a scheme to update CCTV provision across the county and a scheme to make improvements to the HQ site. 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 Chief Constable, this reserve is to cover any unexpected expenditure that arises during a financial year that cannot be accommodated from existing budgets. The strategy is for this 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. The budget support reserve is being fully utilised between 2024/25 and 2026/27 to reduce the impact in the budget deficit while the savings and efficiencies plan is being developed and implemented.
- 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.

## 2.7 **Commissioner's Reserves**

This group of reserves includes operational reserves for the Commissioner and reserves in relation to PFCC commissioned services where the approved spend will be drawn down over a number of years.

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OPFCC Chief Finance Officer

Constabulary Chief Finance Officer

15 February 2024

Planned Movement in Reserves 2024/25 to 2033/34

Reserves Forecast	Report Ref	Actual Balance 01/04/23 £000's	Planned Gain/(Use) 2023/24 £000's	Forecast Balance 01/04/24 £000's	Planned Gain/(Use) 2024/25 £000's	Forecast Balance 01/04/25 £000's	Planned Gain/(Use) 2025/26 £000's	Forecast Balance 01/04/26 £000's	Planned Gain/(Use) 2026/27 £000's	Forecast Balance 01/04/27 £000's	Planned Gain/(Use) 2027/28 £000's	Forecast Balance 01/04/28 £000's	Planned Gain/(Use) 2028/29 £000's	Forecast Balance 01/04/29 £000's	Planned Gain/(Use) 2029/30 £000's	Forecast Balance 01/04/30 £000's	Planned Gain/(Use) 2030/31 £000's	Forecast Balance 01/04/31 £000's	Planned Gain/(Use) 2031/32 £000's	Forecast Balance 01/04/32 £000's	Planned Gain/(Use) 2032/33 £000's	Forecast Balance 31/03/33 £000's	Planned Gain/(Use) 2033/34 £000's	Forecast Balance 31/03/34 £000's
General Reserve/Police Fund	2.1	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	4,000
<b>Total General Reserve/Police Fund</b>		<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>
<b>Earmarked Capital Reserves</b>	2.2																							
<b>Capital Reserves</b>																								
Estate Modernisation (Hunter Lane, West Cumbria)		3,302	(1,791)	1,511	(536)	975	0	975	(975)	0	0	0	0	0	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
CCTV Capital		36	(36)	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
<b>Total Capital Reserves</b>		<b>3,632</b>	<b>(1,827)</b>	<b>1,805</b>	<b>(536)</b>	<b>1,269</b>	<b>0</b>	<b>1,269</b>	<b>(975)</b>	<b>294</b>	<b>0</b>	<b>294</b>												
<b>Constabulary Earmarked Revenue Reserves</b>																								
<b>Budget Stabilisation / Insurance Reserves</b>	2.4																							
Constabulary Operational Reserve		250	(250)	0	250	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250
Insurance Reserve		867	46	913	46	959	46	1,005	46	1,051	46	1,097	46	1,143	45	1,188	46	1,234	46	1,280	46	1,326	46	1,372
75% Tax Income Guarantee Scheme		170	(170)	0	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
Management of Change Reserve		300	300	600	0	600	0	600	0	600	0	600	0	600	0	600	0	600	0	600	0	600	0	600
Ill Health Retirements Reserve		225	160	385	0	385	0	385	0	385	0	385	0	385	0	385	0	385	0	385	0	385	0	385
<b>Total Budget Stabilisation / Insurance Reserves</b>		<b>2,312</b>	<b>86</b>	<b>2,398</b>	<b>296</b>	<b>2,694</b>	<b>46</b>	<b>2,740</b>	<b>46</b>	<b>2,786</b>	<b>46</b>	<b>2,832</b>	<b>46</b>	<b>2,878</b>	<b>45</b>	<b>2,923</b>	<b>46</b>	<b>2,969</b>	<b>46</b>	<b>3,015</b>	<b>46</b>	<b>3,061</b>	<b>46</b>	<b>3,107</b>
<b>Budget Support Reserves</b>	2.5																							
Budget Support Reserve		8,048	(81)	7,967	(2,156)	5,811	(3,660)	2,151	(2,151)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Budget Support Reserves</b>		<b>8,048</b>	<b>(81)</b>	<b>7,967</b>	<b>(2,156)</b>	<b>5,811</b>	<b>(3,660)</b>	<b>2,151</b>	<b>(2,151)</b>	<b>0</b>	<b>0</b>	<b>0</b>												
<b>Short-term Project Reserves</b>	2.6																							
PFI Lifecycle Reserves		136	0	136	0	136	0	136	0	136	0	136	0	136	0	136	0	136	0	136	0	136	0	136
Body Armour (Future Roll Out)		387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387
Records Management System		3,691	(884)	2,807	(2,807)	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(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
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
Business Transformation		206	(29)	177	(25)	152	(25)	127	(4)	123	0	123	0	123	0	123	0	123	0	123	0	123	0	123
Specialist Services Accomodation Dilapidation Reserve		40	0	40	0	40	0	40	0	40	0	40	0	40	0	40	0	40	0	40	0	40	0	40
ESN Grant Funding		238	0	238	0	238	0	238	0	238	0	238	0	238	0	238	0	238	0	238	0	238	0	238
Change Management / S&E Facilitation		100	29	129	0	129	0	129	0	129	0	129	0	129	0	129	0	129	0	129	0	129	0	129
Firearms Digitisation		155	(69)	86	(43)	43	(43)	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
CCTV - Revenue		701	(535)	166	(45)	121	(42)	79	(40)	39	(39)	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Order Training PartaKabib		0	76	76	(31)	45	(31)	14	(14)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Short-term Project Reserves</b>		<b>5,862</b>	<b>(1,413)</b>	<b>4,449</b>	<b>(2,951)</b>	<b>1,498</b>	<b>(141)</b>	<b>1,357</b>	<b>(58)</b>	<b>1,299</b>	<b>(39)</b>	<b>1,260</b>	<b>0</b>	<b>1,260</b>										
<b>Total Constabulary Reserves</b>		<b>23,855</b>	<b>(3,235)</b>	<b>20,621</b>	<b>(5,347)</b>	<b>15,274</b>	<b>(3,755)</b>	<b>11,519</b>	<b>(3,138)</b>	<b>8,381</b>	<b>7</b>	<b>8,388</b>	<b>46</b>	<b>8,434</b>	<b>45</b>	<b>8,479</b>	<b>46</b>	<b>8,525</b>	<b>46</b>	<b>8,571</b>	<b>46</b>	<b>8,617</b>	<b>46</b>	<b>8,663</b>
<b>Commissioner's Reserves</b>	2.7																							
PFCC 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
PFCC - Commissioned Services		3,181	(106)	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075	0	3,075
PFCC - Rebranding Reserve		27	0	27	(27)	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
<b>Total Commissioner's Reserves</b>		<b>3,458</b>	<b>(106)</b>	<b>3,352</b>	<b>(27)</b>	<b>3,325</b>	<b>0</b>	<b>3,325</b>																
<b>Total Reserves</b>		<b>27,313</b>	<b>(3,341)</b>	<b>23,972</b>	<b>(5,374)</b>	<b>18,598</b>	<b>(3,755)</b>	<b>14,843</b>	<b>(3,138)</b>	<b>11,705</b>	<b>7</b>	<b>11,712</b>	<b>46</b>	<b>11,758</b>	<b>45</b>	<b>11,803</b>	<b>46</b>	<b>11,849</b>	<b>46</b>	<b>11,895</b>	<b>46</b>	<b>11,941</b>	<b>46</b>	<b>11,987</b>

Overall reserves are forecast to fall to just £12m over the life of the MTFF, this represents a fall of 57% compared to their current level of £27m

Planned Movement in Reserves 2024/25 to 2033/34

