

Reserves Strategy 2025/26

Public Accountability Conference 13 February 2025

Agenda Item: 09c

Report of the Constabulary Chief Finance Officer and the OPFCC 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 Constabulary and the purpose for which they are held. **Appendix A** presents the level of reserves over this longer 10 year timeframe to 31 March 2035 graphically. At **Appendix B** a table is provided which sets out the planned movement in reserves over this longer 10 year timeframe to 31 March 2035.
- 1.5 The medium term financial forecast shows a budget deficit of £2.3m in 2026/27 rising to £11m by 2029/30. A savings and efficiency plan is being progressed as part of the Constabulary 'Futures Programme' 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 planned to be increased from £4.0m to £4.8m in 2025/26. 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 Chief Finance Officers 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 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 2025.

2.3 **Budget Stabilisation and Insurance Reserves** are established to smooth the impact of intermittent costs across financial years. This group of reserves includes:

- ◆ Constabulary Operational Reserve 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 reserve to be replenished if used through the next budget cycle.
- ◆ Insurance reserve to cover the cost of insurance claims below the policy excess.
- ◆ 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.
- ◆ Management of Change to cover costs arising as a result of the 'Futures Programme'.
- ◆ Ill Health Retirements Reserve to smooth the impact of ill health retirements in the year, the revenue budget includes provision for an average of four such retirements per year. This reserve is drawn down in years where there are more than four arising in the year and contributed to in years where there are less than four.

2.4 **Budget Support Reserve** the budget support reserve was established to meet emerging demands and unforeseen items. The budget support reserve will largely be utilised between 2025/26 and 2027/28 to reduce the impact in the budget deficit while the 'Futures Programme' is developed and implemented. Plans for the remainder of this reserve will be developed during 2025/26 once the Government funding position is made clearer in the forthcoming Comprehensive Spending Review (CSR) expected in summer 2025.

2.5 **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.

2.6 **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.

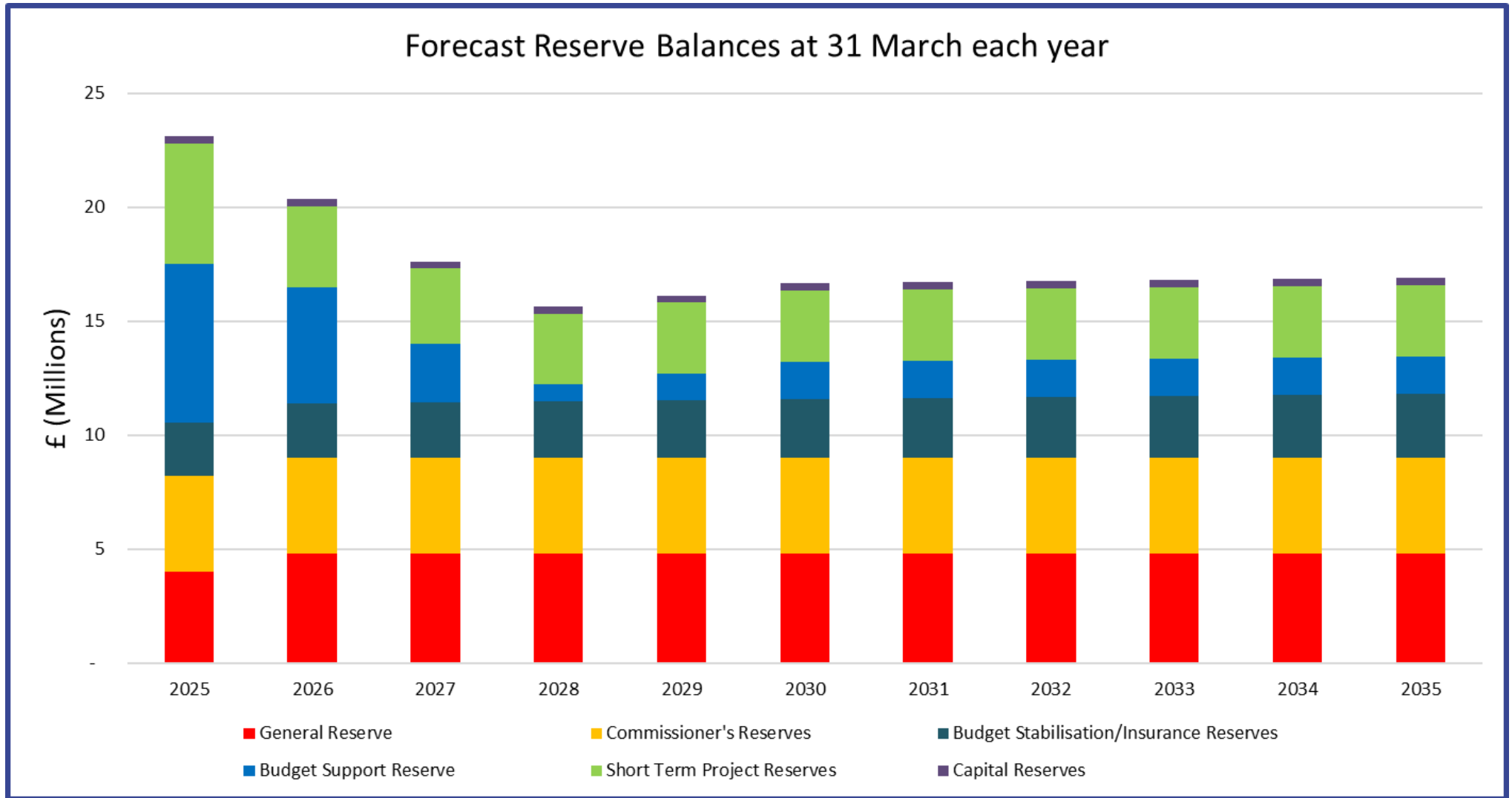
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Constabulary Chief Finance Officer

OPFCC Chief Finance Officer

Planned Movement in Reserves 2025/26 to 2034/35



Planned Movement in Reserves 2025/26 to 2034/35

Reserves Forecast	See Note	MTFF																							
		Actual Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	Planned (Gain)/Use	Forecast Balance	
		01/04/24 £m	2024/25 £m	01/04/25 £m	2025/26 £m	01/04/26 £m	2026/27 £m	01/04/27 £m	2027/28 £m	01/04/28 £m	2028/29 £m	01/04/29 £m	2029/30 £m	01/04/30 £m	2030/31 £m	01/04/31 £m	2031/32 £m	01/04/32 £m	2032/33 £m	31/03/33 £m	2033/34 £m	31/03/34 £m	2034/35 £m	31/03/35 £m	
General Reserve/Police Fund	2.1	(4.000)	0.000	(4.000)	(0.800)	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	
Total General Reserve/Police Fund		(4.000)	0.000	(4.000)	(0.800)	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	
Earmarked Capital Reserves	2.2																								
Capital Reserves																									
Estate Modernisation (Hunter Lane, West Cumbria)		(1.719)	1.712	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	
HQ Adaptions		(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	
Total Capital Reserves		(2.013)	1.712	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	0.000	(0.301)	
Constabulary Earmarked Revenue Reserves																									
Budget Stabilisation / Insurance Reserves	2.3																								
Constabulary Operational Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	
Insurance Reserve		0.012	(0.225)	(0.213)	(0.046)	(0.259)	(0.046)	(0.305)	(0.046)	(0.350)	(0.046)	(0.396)	(0.046)	(0.442)	(0.046)	(0.488)	(0.046)	(0.534)	(0.046)	(0.580)	(0.046)	(0.626)	(0.046)	(0.672)	
Chief Constable's Contingency		(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	
Management of Change Reserve		(0.300)	(0.700)	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	
Ill Health Retirements Reserve		(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	
Total Budget Stabilisation / Insurance Reserves		(1.161)	(1.175)	(2.336)	(0.046)	(2.382)	(0.046)	(2.428)	(0.046)	(2.474)	(0.046)	(2.520)	(0.046)	(2.566)	(0.046)	(2.612)	(0.046)	(2.657)	(0.046)	(2.703)	(0.046)	(2.749)	(0.046)	(2.795)	
Budget Support Reserves	2.4																								
Budget Support Reserve		(7.927)	0.961	(6.966)	1.871	(5.095)	2.518	(2.576)	1.837	(0.739)	(0.435)	(1.174)	(0.490)	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	
Total Budget Support Reserves		(7.927)	0.961	(6.966)	1.871	(5.095)	2.518	(2.576)	1.837	(0.739)	(0.435)	(1.174)	(0.490)	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	
Short-term Project Reserves	2.5																								
PFI Lifecycle Reserves		(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	
Body Armour (Future Roll Out)		(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	
Records Management System		(2.960)	1.287	(1.673)	1.573	(0.100)	0.100	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	
Business Intelligence		(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	
HQ Security		(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	
Business Transformation		(0.196)	0.025	(0.171)	0.010	(0.161)	0.025	(0.136)	0.000	(0.136)	0.025	(0.111)	0.000	(0.111)	0.004	(0.107)	0.000	(0.107)	0.000	(0.107)	0.000	(0.107)	0.000	(0.107)	
Specialist Services Accomodation Dilapidation Reserve		(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	
ESN Grant Funding		(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	
Change Management / S&E Facilitation		(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	
Firearms Digitisation		(0.092)	0.044	(0.048)	0.043	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	
CCTV - Revenue		(0.285)	0.045	(0.239)	0.048	(0.192)	0.045	(0.147)	0.041	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	
Public Order Training PortaKabin		(0.080)	0.034	(0.046)	0.031	(0.015)	0.015	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	
Annumition Smoothing		0.000	(0.030)	(0.030)	(0.030)	(0.060)	(0.030)	(0.090)	0.060	(0.030)	(0.030)	(0.060)	(0.030)	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)	
POCA / ARIS Funding		(1.326)	0.000	(1.326)	0.012	(1.313)	0.012	(1.301)	0.012	(1.289)	0.012	(1.277)	0.012	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)	
Hunter Lane Refurbishment		0.000	(0.200)	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	
National DDAT - Finance Support		(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	
National DDaT - Investment Income		0.000	(0.120)	(0.120)	(0.037)	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	
Op Olympos - National Post Office Investigation		0.000	(0.200)	(0.200)	0.066	(0.134)	0.070	(0.064)	0.064	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Cambridge Masters Programme		0.000	(0.060)	(0.060)	0.030	(0.030)	0.030	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Total Short-term Project Reserves		(6.140)	0.825	(5.315)	1.746	(3.569)	0.267	(3.302)	0.177	(3.125)	0.007	(3.117)	(0.018)	(3.135)	0.004	(3.131)	0.000	(3.131)	0.000	(3.131)	0.000	(3.131)	0.000	(3.131)	
Total Constabulary Reserves		(21.241)	2.323	(18.918)	2.771	(16.147)	2.740	(13.408)	1.969	(11.439)	(0.474)	(11.913)	(0.554)	(12.466)	(0.042)	(12.508)	(0.046)	(12.554)	(0.046)	(12.600)	(0.046)	(12.646)	(0.046)	(12.692)	

Planned Movement in Reserves 2025/26 to 2034/35

Reserves Forecast	See Note	Actual Balance 01/04/2025 £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	Planned (Gain)/Use 2034/35 £000's	Forecast Balance 31/03/35 £000's
Total Constabulary Reserves (From Above)		(21.241)	2.323	(18.918)	2.771	(16.147)	2.740	(13.408)	1.969	(11.439)	(0.474)	(11.913)	(0.554)	(12.466)	(0.042)	(12.508)	(0.046)	(12.554)	(0.046)	(12.600)	(0.046)	(12.646)	(0.046)	(12.692)
Commissioner's Reserves	2.6																							
PFCC - Operational Reserve		(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - Commissioned Services		(3.501)	0.050	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)
PFCC - Management of Change Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - Estates Feasibility Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - New Website		(0.020)	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Commissioner's Reserves		(3.772)	(0.430)	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)	0.000	(4.202)
Total Reserves		(25.013)	1.893	(23.120)	2.771	(20.349)	2.740	(17.609)	1.969	(15.640)	(0.474)	(16.114)	(0.554)	(16.668)	(0.042)	(16.710)	(0.046)	(16.756)	(0.046)	(16.802)	(0.046)	(16.847)	(0.046)	(16.893)

Overall reserves are forecast to fall to just £17m over the life of the MTFF, this represents a fall of 32% compared to their current level of £25m