



Report for Decision to the Level 1 Public Meeting on 23rd January 2018

Title: Reserves, Balances and Provisions

Executive Summary:

The report provides information on the level of reserves, balances and provisions currently held and explains how some of these will be applied over the next three years to help support the revenue budget and capital programme.

Recommendation:

The Police and Crime Commissioner (PCC) is asked to:

1. NOTE the levels of reserves and balances currently held.
2. APPROVE the creation of the Optimisation Bias reserve
3. APPROVE the transfer of £12.001m from the Improvement & Performance reserve to the Optimisation Bias reserve
4. APPROVE, in principle, the planned application of reserves over the next three years to help support the revenue budget and capital programme, in particular:
 - a) the proposed drawdown from the Improvement & Performance Reserve as shown in Table 4 in Annex 1.

Police and Crime Commissioner

I hereby approve the recommendation above.

Signature

Date

PART 1 – NON-CONFIDENTIAL

1 Introduction and background

- 1.1 The Local Government Finance Act 1992 requires the Police and Crime Commissioner (PCC) to have regard to the level of cash reserves needed for meeting estimated future expenditure when calculating the council tax requirement.
- 1.2 Under Section 25 of the Local Government Act 2003, chief finance officers have a duty to report on the robustness of budget estimates and the adequacy of reserves when the PCC is considering his/her council tax requirement.
- 1.3 More recently, the Minister for Police, Fire and Rescue Services now requires all PCCs to be completely transparent in their use of cash reserves over coming years.
- 1.4 Attached at Annex 1 is a detailed report which provides information on the level of reserves, balances and provisions currently held, and explains how these will be applied in coming years to help support the revenue budget and capital programme.

2 Issues for consideration

- 2.1 The PCC needs to ensure that sufficient cash reserves are maintained over the medium to long term to ensure that future planned and unplanned (e.g. one-off emergency) operations and/or events can be funded without having a detrimental impact on normal day to day operational activities.

3 Financial comments

- 3.1 The PCC's policy is to maintain general balances around a guideline level of 3% of the annual net revenue expenditure budget with an absolute minimum of 2.5%. As Table 2 in the Annex shows, general balances are expected to stay above the 3% level throughout the 3 year planning period. The main budget risks that might impact on the level of general balances during 2018/19 are set out in Appendix 1.
- 3.2 The PCC also maintains earmarked reserves and an insurance provision to fund specific initiatives or meet areas of anticipated future spending. Earmarked revenue reserves are planned to reduce from £34.7m on 31st March 2017 to around £14.3m by the end of 2020/21, including £2.1m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing. Further information is provided in paragraphs 13 to 22 in Annex 1 and in Appendix 2.
- 3.3 The insurance provision is currently fully funded and the adequacy of the reserve is assessed annually by a firm of qualified actuaries.
- 3.4 Capital reserves will be largely utilised by the end of the current financial year which means that alternative funding resources will be required to fund future capital investment. Further information is provided in the separate reports on the Revenue Estimates and the Medium Term Capital Plan.

4 Legal comments

- 4.1 The Local Government Finance Act 1992 requires the Police and Crime Commissioner (PCC) to have regard to the level of cash reserves needed for meeting estimated future expenditure when calculating the council tax requirement.

5 Equality comments

- 5.1 No specific equality or diversity issues to report.

6 Background papers

- 6.1 Local Government Finance Act 1992
6.2 LAAP Bulletin 99 – July 2014 – Local authority reserves & balances

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Is the publication of this form to be deferred? No
Is there a Part 2 form? No

Name & Role	Officer
Head of Unit This report has been produced in consultation with the Director of Finance. It is fully consistent with and should be read alongside the Revenue Estimates report and the Medium Term Capital Plan.	PCC Chief Finance Officer
Legal Advice This report meets the requirement of the Local Government Finance Act	Chief Executive
Financial Advice This report meets the requirement of the Local Government Finance Act	PCC Chief Finance Officer
Equalities and Diversity No specific implications arising from this report	Chief Executive

STATUTORY OFFICERS' APPROVAL

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Director of Finance

Date: 12 January 2018

Chief Finance Officer

Date: 12 January 2018

