



POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE

Reserves Strategy 2021/22

1 INTRODUCTION

- 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 The Minister for Police, Fire and Rescue Services requires all PCCs to publish a Reserves Strategy setting out the intended usage of reserves.
- 1.4 This report 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 GENERAL REVENUE BALANCES

- 2.1 In order to assess the adequacy of unallocated general reserves (otherwise known as general balances) when setting the budget the PCC, on the advice of the two chief finance officers, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, such as flooding, as well as internal risks, for example the ability to deliver planned efficiency savings.
- 2.2 The current policy is to maintain general balances around a guideline level of 3% of annual net revenue expenditure budget, with an absolute minimum level of 2.5%.
- 2.3 The current and forecast level of general balances is set out in Table 2 below.

Table 2: Predicted level of general balances

	£m	% of 2021/22 Budget
Forecast balance as at 31 March 2021	13.73	2.74%
Forecast balance as at 31 March 2022	13.73	2.74%
Forecast balance as at 31 March 2023	12.73	2.54%
Forecast balance as at 31 March 2024	12.73	2.54%

Commentary on the Table

1. The current forecast level of general balances at 31 March 2021 is £13.73m which equates to 2.74% of the net revenue budget requirement in 2021/22. There are no plans to use any of this funding within 2021/22 while the funding position for future years is so uncertain. There is planned usage of £1m in 2022/23 for partnership activity only if the funding position stabilises. By March 2023 the general fund is forecast to fall to 2.54% of net revenue budget and therefore will be close to the 2.5% minimum level and below the minimum level if the net revenue budget increases which is currently forecast.

EARMARKED REVENUE RESERVES

2. The predicted position at 31 March 2021 for each earmarked revenue and capital reserves - which have a specific purpose and particular timescale for its expenditure - is shown in Table 3 below.

Table 3: Earmarked reserves – West Yorkshire	Balance at 1 April 2020 £m	Predicted Movement in £m	Predicted Movement out £m	Forecast Balance 31.3.21 £m	Purpose of Reserve
Reserve					
Revenue					
Devolution Reserve	0	0	0	0.00	To carry forward early savings on devolved budgets for use in the following financial year, in accordance with Financial Regulations.
PFI Reserve	12.4	0.84	0	13.24	To support the delivery of the PFI scheme for police operational and training accommodation. To smooth the impact of PFI costs on the revenue budget.
Dilapidations Reserve	0.53	0	0	0.53	To fund the repair, redecoration and return of lease properties to their original condition.
Wellbeing Reserve	0.26	0	0.26	0	To enable targeted wellbeing activity to respond to the staff survey.
Organisation Change Fund	12.98	0	3.4	9.55	To meet the costs associated with Programme of Change, predominantly employee and other revenue based costs.
Community Safety	2.4	0	0	2.4	To provide time limited additional resources to the PCC's Community Safety Funding to partners, through either grants or commissioning, in support of the outcomes in the Police and Crime Plan.
Partnership Executive Group	0.364	0	0.364	0	To encourage innovation in partnership delivery in support of the outcomes in the Police and Crime Plan.
Operational Reserve	2.07	0	0.97	1.1	To mitigate the impact of partner reductions in funding operational resource.
Sub-total	30.52	0.84	4.99	26.82	
Capital					

Capital Financing Reserve	0	0	0	0	To provide additional flexibility in the financing of the capital programme, i.e. to meet the costs of any new borrowing taken in year, pending the recurring impact being built into the base budget.
Capital Receipts Reserve	6.2	5.13	5.66	5.67	To provide funding for the approved capital programme Monies will be held from Capital Receipts or transferred from the accumulation of the Capital Financing Reserve set aside to aid funding of the Capital Programme at a time when grant funding is so low.
Capital Grants Unapplied	2.42	0	0.88	1.54	Each year we receive an allocation of capital grant from the Home Office to help finance our capital investment plans. Unlike some other grants, which can only be used for a specific purpose or have to be spent within a particular timeframe and are therefore held in a reserve until applied.
Sub-total	8.62	5.13	6.54	7.21	
Total	39.14	5.97	11.53	34.03	

3. The predicted annual movement in each reserve over the medium term is shown in Appendix Eii. This shows that by the end of 2024/5 the overall level of earmarked reserves will be £14.15m including £12.62m held in the PFI Reserve.

Table 4: Planned Usage – West Yorkshire

Reserve	Forecast Balance at 1 April 2021 £m	Forecast Balance at 1 April 2022 £m	Forecast Balance at 1 April 2023 £m	Forecast Balance at 1 April 2024 £m	Commentary
Revenue					
Devolution Reserve	0	0	0	0	There are no current plans to use the devolution reserve beyond 2020/21 unless early savings are achieved.
PFI Reserve	13.24	12.62	12.62	12.62	The PFI reserve is reviewed annually.
Dilapidations Reserve	0.53	0.53	0.53	0.53	The dilapidation reserve is reviewed every year. The estates rationalisation programme has resulted in only one leased building that is likely to have dilapidation charges.

Organisational Change Reserve	9.55	4.64	1.38	0	As can be seen in Appendix Eii there are a number of large movements within the Organisational Change Reserve over the medium term to fund transformation.
Community Safety	2.4	1.4	1	1	There are in year movements in the Community Safety Reserve which are funded through the general reserve.
Partnership Executive Group	0	0	0	0	No further additions into this reserve due to the financial pressures.
Operational Reserve	1.1	0.13	0	0	The operational reserve is planned to fund identified gaps in partner funding for operational resource.
Sub-total	26.82	19.32	15.53	14.15	
Capital					
Capital Receipts Reserve	5.67	2.98	0	0	The Capital Receipts reserve will be used to fund the capital programme shown at Appendix D. The movements on the reserve can be seen as appendix Eii.
Capital Grants Unapplied	1.54	0.89	0.68	0.12	This funding will be allocated over the life of the Capital Programme.
Sub-total	7.21	3.87	0.68	0.12	
Total	34.03	23.19	16.21	14.27	

4. A number of Regional and National reserves are held which are detailed at Appendix Eii. The Video Identification Parade Electronic Recording (VIPER) reserve is held for future developments of the service. VIPER currently provides services to 22 polices forces.

Background Papers

CIPFA LAAP Bulletin 99 – July 2014 “Local authority reserves and balances”