



## **POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE**

### **Reserves Strategy 2018/19**

## INTRODUCTION

1. This report provides information on the estimated level of reserves, balances and provisions currently held and explains how some of these will be applied over the medium term to help support the revenue budget and capital programme.

## NATIONAL GUIDANCE

2. In July 2014, CIPFA issued updated guidance on the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken in account locally in making an assessment of the appropriate level of reserves and balances to be held.

## GENERAL REVENUE BALANCES

### Background

3. 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.
4. 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%.
5. The current and forecast level of general balances is set out in Table 2 below.

**Table 2: Predicted level of general balances**

	£m	% of 2018/19 Budget
<b>Forecast balance as at 31 March 2018</b>		
<b>In addition to this balance there will also be any early savings from 2017/18 – this is currently projected to be £3.8m. Whilst this is already planned to be used to balance the 2018/19 budget, it is included for completeness.</b>	<b>17.86</b> <b>21.66</b>	<b>4.96%</b>
<b>Forecast balance as at 31 March 2019</b>	<b>15.86</b>	<b>3.64%</b>
<b>Forecast balance as at 31 March 2020</b>	<b>13.86</b>	<b>3.18%</b>
<b>Forecast balance as at 31 March 2021</b>	<b>10.70</b>	<b>2.45%</b>

### Commentary on the Table

6. The current forecast level of general balances at 31 March 2018 is £21.66 which equates to 4.96% of the net revenue budget requirement in 2018/19. There are plans to use £3.8m of this money in 2018/19 to help to balance the budget for 2018/19 and for partnership initiatives, but the overall level of £17.86 remains about the agreed 3%. This leaves scope to

continue the partnership initiative work in future years as planned and to ensure there is sufficient reserve funding should unforeseen circumstances arise. By March 2021 the general fund is forecast to fall to 2.45% of net revenue budget and therefore a contribution will need to be made prior to that point in order to return to the 2.5% minimum level.

## EARMARKED REVENUE RESERVES

7. The predicted position at 31 March 2018 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**

Reserve	Balance at 1 April 2017 £m	Predicted Movement in £m	Predicted Movement out £m	Forecast Balance 31.3.18 £m	Purpose of Reserve
<b>Revenue</b>					
Devolvment Reserve	4.10	0	4.10	0.00	To carry forward early savings on devolved budgets for use in the following financial year, in accordance with Financial Regulations.
PFI Reserve	13.04	0.36	0	13.4	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	2.65	0	0.02	2.63	To fund the repair, redecoration and return of lease properties to their original condition.
Wellbeing Reserve	0.00	0.50	0.13	0.38	To enable targeted wellbeing activity to respond to the staff survey.
Insurance	2.40	0	0.40	2.00	To provide additional funding to the Insurance Provision should the annual budgeted contribution be inadequate to meet assessed liabilities at the balance sheet date.
Organisation Change Fund	5.90	0	3.10	2.80	To meet the costs associated with Programme of Change, predominantly employee and other revenue based costs.
Community Safety	0.00	1.00	1.00	0	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	0.27	1.00	1.00	0	To encourage innovation in partnership delivery in support of the outcomes in the Police and Crime Plan.
Income Innovation and Investment	0.25	0	0.25	0	To pump prime income generation activity. This reserve will be closed following 2017/18.
Force Transformation	7.02	0.02	3.57	3.47	To reinvest in the Force for time limited or non-recurring initiatives which reduce costs, increase efficiency or reduce demand, in support of the outcomes in the Police and Crime Plan.
Operational Reserve	5.00	0	0	5.00	To mitigate the impact of partner reductions in funding operational resource.
<b>Sub-total</b>	<b>40.63</b>	<b>2.88</b>	<b>13.57</b>	<b>29.94</b>	
<b>Capital</b>					
Capital Financing Reserve	16.59	0	0.80	15.79	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	6.61	13.78	14.53	5.86	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	1.97	0	0	1.97	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.
<b>Sub-total</b>	<b>25.17</b>	<b>13.78</b>	<b>15.33</b>	<b>23.62</b>	
<b>Total</b>	<b>65.80</b>	<b>16.66</b>	<b>28.90</b>	<b>53.56</b>	

8. The predicted annual movement in each reserve over the medium term is shown in Appendix Eii. This shows that by the end of 2020/21 the overall level of earmarked reserves will be £20.11m, including £2m held in the Insurance Reserve and £12.97m held in the PFI Reserve.

**Table 4: Planned Usage – West Yorkshire**

Reserve	Forecast Balance at 1 April 2018 £m	Forecast Balance at 1 April 2019 £m	Forecast Balance at 1 April 2020 £m	Forecast Balance at 1 April 2021 £m	Commentary
<b>Revenue</b>					
Devolution Reserve	0	0	0	0	There are no current plans to use the devolution reserve beyond 2017/18.
PFI Reserve	13.40	11.17	12.07	12.97	The PFI reserve is reviewed annually at a high level. A more in depth review has taken place for this year and identified an opportunity to release an element of the reserve in 2018/19 with a slightly higher contribution in future years.
Dilapidations Reserve	2.63	1.63	0.53	0	The dilapidation reserve is reviewed every year. The estates rationalisation programme will lead to a reduction in leased buildings and a reduction in future dilapidation costs.
Wellbeing Reserve	0.38	0.25	0.13	0	In 2017/18 £0.5m was transferred into a new reserve dedicated to well-being in response to the West Yorkshire Police staff survey. This allocation is being invested over the course of the Medium Term Financial Plan.
Insurance	2.0	2.0	2.0	2.0	The insurance reserve is forecast to remain static over this period as there is no current information available to suggest otherwise so we use the current level of assessed risk.
Organisational Change Reserve	2.8	8.65	2.61	2.67	As can be seen in Appendix Eii there are a number of large movements within the Organisational Change Reserve over the medium term as capital reserves are transferred to fund the “Fusion programme” which will transform the support functions provided to operational staff/officers. As you can see in the main budget report £11.37m will be used in 2018/19 to fund the Fusion Programme.

Community Safety	0	0	0	0	There are in year movements in the Community Safety Reserve which are funded through the general reserve.
Partnership Executive Group	0.27	0.27	0.27	0.27	There are in year movements in the Partnership Executive Group reserve which are funded through the general reserve.
Force Transformation	3.47	0	0	0	Following the hand held devices refresh, the transformation reserve will close.
Operational Reserve	5.0	3.536	1.23	2.21	The operational reserve is planned to fund identified gaps in partner funding for operational resource.
<b>Sub-total</b>	<b>29.95</b>	<b>27.51</b>	<b>18.84</b>	<b>20.12</b>	
<b>Capital</b>					
Capital Financing Reserve	15.79	0	0	0	The capital financing reserve will be transferred to the Organisation Change Reserve in order to fund the "Fusion Programme".
Capital Receipts Reserve	5.87	0.06	0.56	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	1.97	1.97	1.97	1.97	This funding will be allocated over the life of the Capital Programme.
<b>Sub-total</b>	<b>23.63</b>	<b>2.03</b>	<b>2.53</b>	<b>1.97</b>	
<b>Total</b>	<b>53.58</b>	<b>29.54</b>	<b>21.37</b>	<b>22.09</b>	

9. 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 police forces. The reserve will be subject to a detailed review in 2018/19 which will be shared with stakeholders.

### **Background Papers**

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