



Making Suffolk a safer place to live, work, travel and invest

ORIGINATOR: CC CFO and PCC CFO

DECISION NUMBER: 1-2014

REASON FOR SUBMISSION: FOR DECISION

SUBMITTED TO: POLICE AND CRIME COMMISSIONER

SUBJECT: RESERVES STRATEGY

SUMMARY:

1. This paper sets out a proposal to rationalise the number of reserves and provide greater clarity in respect of their purpose.

RECOMMENDATION:

1. The proposed changes to the reserves outlined in the report are implemented immediately and be effective until 31 March 2014. Thereafter, the reserves will be reviewed annually by the Chief Constable's Chief Finance Officer and the Police and Crime Commissioner's Chief Finance Officer as part of the Medium Term Financial Plan.

APPROVAL BY: PCC

The recommendation set out is agreed.

Signature

Tim Parnmore

Date 22/1/2014

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION:

Introduction

- 1.1 The Medium Term Financial Plan (MTFP) 2013-14 to 2016-17 approved by the Police and Crime Commissioner (PCC) on 17 January 2013 (Decision number 1-2013) includes a 'Reserves Strategy' which sets out the proposed use of each reserve for the period of the plan. In line with the strategy, both the Chief Constable's (CC) Chief Finance Officer (CFO) and PCC's CFO have jointly reviewed the current purpose of each reserve, resulting in a proposal to reduce the number of reserves and clarify their purpose.
- 1.2 This paper summarises the proposals and concludes with a table which shows the impact of the recommended changes.

Reserves

- 1.3 Reserves are currently made up of three distinct types;
 - Earmarked Reserves
 - General Reserves
 - Accounting Reserves
- 1.4 The first two are usable at the discretion of the PCC and CC, the third represents accounting balances rather than distributable reserves; examples of this would be the Pension Reserve and the Capital Financing Reserve.

Usable Reserves

- 1.5 Earmarked reserves are set aside to support future revenue or capital spends of a specific nature, e.g. the Major Crime Reserve. General Reserves are freely available for any purpose. The balance increases or decreases at the end of each year depending on whether revenue surplus or deficit occurs. A surplus will increase the balance on the General Reserve, a deficit will reduce it.

2. CURRENT SUFFOLK EARMARKED RESERVES

Balances on Usable Reserves at 31 March 2013:

- 2.1 The following table highlights the opening balances at the 1 April 2012, the net transfers to and from reserves made during or at the end of the year and the closing balance at the 31 March 2013.

Suffolk PCC				
	Balance			Balance
	1 April			31 March
	2012	Received	Applied	2013
	£000	£000	£000	£000
Revenue reserves:				
Earmarked reserves:				
Constabulary carry forward reserve	337	-	(226)	111
Ill health/injury benefits reserve	834	71	-	905
Insurance reserve	250	-	-	250
Major crime reserve	1,192	-	-	1,192
Budget reserve	1,973	-	-	1,973
Partnership reserve	247	-	(69)	178
Corporate reserve	275	-	(225)	50
Safety Camera Reserve	722	-	(189)	533
Change Reserve	2,855	-	(80)	2,775
Council Tax Reform	-	27	-	27
PCC Police & Crime Plan reserve	-	75	-	75
Total earmarked reserves	8,685	173	(789)	8,069
General reserve:	5,784	2,419	-	8,203
Total Usable Revenue Reserves (exc' capital grants unapplied)	14,469	2,592	(789)	16,272

Constabulary Carry Forward Reserve

- 2.2 The current budget management policy provides for planned net under/over spending on the operational revenue budget to be carried forward to the new financial year.

- It is proposed that once this reserve of £111k is fully utilised on the approved projects, no further bids for additional monies will be made for minor carry forwards.

Ill Health/injury Benefits Reserve

- 2.3 This reserve exists to meet unexpected liabilities arising from injury and ill-health retirements.

- It is proposed that this reserve of £905k is utilised for the purpose designated at the discretion of the Chief Constable. It is further proposed that once fully utilised it will cease to exist and any future payments will be made from the proposed new Budget Reserve.

Insurance Reserve

- 2.4 The purpose of the reserve is to meet uninsured losses in excess of the amount set aside in the Insurance Provision e.g. employer and public liability claims.
- It is recommended that this reserve is closed and the balance of £250k is transferred to the General Reserve.

Major Crime Reserve

- 2.5 A reserve equivalent to 1% of net revenue expenditure was set in 2008-09 to provide capacity to meet the costs of major incidents/crime up to the level when Government financial support would be available.
- It is recommended that this reserve is closed and the balance of £1,192k is transferred to the General Reserve.

Budget Reserve

- 2.6 This reserve is used to pump-prime those initiatives which will produce cost reductions over the next three or four years and is referred to as Invest to Save.
- It is recommended that this reserve is closed and the balance of £1,973k is transferred to the General Reserve.

Partnership Reserve

- 2.7 The balance on this reserve represents funds received from partners for specific initiatives. The CC has to legally account for the monies and ensure they are utilised for the purposes stipulated when donated.
- It is proposed that this fund of £178k is renamed the Specified Purposes Fund. It is also recommended that the CC continues to have authority to spend these donations for the purpose for which they were given.

Corporate Reserve

- 2.8 The uncommitted reserve is made up of prior years' underspends against the approved annual budget.
- This reserve of £50k is utilised at the PCC's discretion and it is recommended that it is renamed the PCC Reserve.

Safety Camera Reserve

- 2.9 This reserve has been established to underwrite costs that may be incurred by the PCC as a result of taking over operational management of the Safety Camera Partnership from Suffolk County Council.

- It is recommended that this reserve is closed and the balance of £532k is transferred to the General Reserve.

Change Reserve

- 2.10 This reserve of £2,775k was established to meet the one-off costs of change to the Constabulary necessary to deliver the permanent savings required as a result of government funding reductions.
- It is recommended that expenditure incurred in relation to identified one-off costs of change and the resultant movement on this reserve would be reported monthly as part of the finance reports and formally at the year-end. Annually a 4 year review will be undertaken as part of the MTFP by the CC CFO and the PCC CFO to make recommendations to the PCC on the usage of this reserve.

Council Tax Reform

- 2.11 This reserve was established to meet the administration costs associated with the localisation of council tax benefit.
- It is recommended that this reserve is closed and the balance of £27k is transferred to the General Reserve.

PCC Police & Crime Plan Reserve

- 2.12 This reserve was created by a transfer of £75k from the underspend on the PCC's Corporate Budget in 2012-13 in order to fund the cost of one-off initiatives which will contribute to delivering the PCC's Police and Crime Plan objectives in 2013-14. It is proposed to increase this reserve in 2013-14 by £25k by a transfer from the PCC's Corporate Budget.
- This reserve is utilised at the PCC's discretion.

General Reserve

- 2.13 The balance on the General Reserve increases and decreases at the end of each year depending on whether there is a revenue surplus or deficit.
- It is recommended that this reserve is split into two parts.
 - (i) General Reserve – This reserve reflects the need to hold a level of funds which will be used to manage unplanned and unforeseen events. It is reviewed annually by the CC CFO and the PCC CFO to ensure its adequacy and its use will be at the discretion of the PCC.
 - (ii) Budget Reserve – This reserve will be used primarily to; pump prime invest to save initiatives, fund the cost of major incidents/ crime; and costs associated with injury and ill-health retirements. Use of this reserve will be at the discretion of the PCC.

- 2.14 It is proposed that the above changes are implemented with immediate effect until 31 March 2014 and reviewed in terms of adequacy by the PCC CFO, as required in formulating the MTFP for 2014-15 to 2017-18. If the above recommendations are implemented, the forecast reserve position at the end of the 2013-14 would be as follows:

Suffolk PCC	Balance £000
<u>Revenue Reserves:</u>	
Earmarked Reserves:	
PCC Reserve	50
Change Reserve	2,775
PCC Police & Crime Plan Reserve	100
Total Earmarked Reserves:	2,925
General Reserve	5,000
Budget Reserve	7,177
Specified Purposes Fund	178
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Total Usable Reserves (excluding capital grants unapplied)	<u>15,280</u>

- 2.15 The above table assumes that the Constabulary carry forward reserve of £111k and the Ill health/ injury benefits reserve of £905k once fully utilised will reduce to zero.

3. FINANCIAL IMPLICATIONS:

- 3.1 The financial implications associated with the recommendations are laid out in the above report.

4. OTHER IMPLICATIONS AND RISKS:

- 4.1 There are no other implications and risks associated with the recommendations contained within the report.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	N/A
Has the PCC's Chief Finance Officer been consulted?	The PCC CFO is a co-author of the report
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	N/A
Have human resource implications been considered?	N/A
Is the recommendation consistent with the objectives in the Police and Crime Plan?	N/A
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	N/A
Has communications advice been sought on areas of likely media interest and how they might be managed?	N/A
In relation to the above, have all relevant issues been highlighted in the 'other implications and risks' section of the submission?	N/A

APPROVAL TO SUBMIT TO THE DECISION-MAKER (this approval is required only for submissions to the PCC).

Chief Executive

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

Signature:



Date 21 January 2014

