



**To:** Joint Audit Committee  
**From:** Chief Finance Officer, OPCC  
**Date:** 24 September 2015

## USE OF RESERVES

### 1. Purpose

1.1 This report updates the Joint Audit Committee (“the Committee”) on the purpose and use of reserves for 2014/15 and future plans for those reserves.

### 2. Recommendation

2.1 The Committee is invited to note the report.

### 3. Introduction

3.1 Several reserves brought forward from 2013/14 had been in place for a number of years and no longer reflected the financial and collaboration situation of the Police and Crime Commissioner (“PCC”) / Constabulary. With the current nature and level of funding cuts and the fact that collaboration is now a fundamental part of the Cambridgeshire delivery model, all elements of reserves should be viewed together in terms of funding gaps and investment in collaboration initiatives to achieve savings. As a result, the existence of several smaller reserves was no longer considered to be particularly appropriate or helpful and these have been rationalised in the 2014/15 financial statements.

3.2 The remainder of the paper explains the reserve movements within 2014/15 and reserve balances at the end of the financial year.

#### **4. Rationalisation of reserves**

4.1 To achieve rationalisation of reserves, four reserves that were no longer required to be separately ring-fenced were merged into the Budget Assistance Reserve and £2m from General Reserves was also moved to the Budget Assistance Reserve, as follows:

- Balance of Innovation Reserve (£0.592m), Collaboration Initiatives Reserve (£2.106m), Operational Contingency Reserve (£0.5m), and Metis Programme Year 3 and 4 Reserve (£2.0m) moved into the Budget Assistance Reserve.
- With the £2m from General Reserves this results in a balance on the Budget Assistance Reserve of £9.797m.

4.2 For information the descriptions of these reserves in the 2013/14 accounts were as follows:

- Innovation Reserve – maintained to pump prime schemes which may achieve savings in the medium term;
- Collaboration Initiatives Reserve – can provide funding for any new systems required to enable effective collaboration with partners;
- Operational Contingency Reserve – established to fund emerging operational pressures and priorities, at the request of the Chief Constable;
- Metis Programme Year 3 and 4 Reserve – established to fund years 3 and 4 of Programme Metis, designed to transform and modernise the way that policing in Cambridgeshire is delivered;
- Budget Assistance Reserve – established to meet budget pressures in future years, particularly where change/transformation work does not coincide with required savings.

4.3 These amendments were agreed at Finance Sub Group on 25 June 2015.

#### **5. Reserve movements 2014/15**

5.1 A summary of the reserve movements within 2014/15 and reserve balances at the end of the financial year is shown below:

	Note	Balance	2014/15			Balance
		31 March 2014	Added to Reserve	Transfer	Applied	31 March 2015
		£000	£000	£000	£000	£000
Innovation Reserve	1	592	-	(592)	-	-
Carry Forward Project Reserve	2	985	846	-	(985)	846
Insurance Reserve	3	908	139	-	0	1,047
Ill-Health Retirement Reserve		627	-	-	-	627
Capital Reserve	4	5,525	-	(339)	(503)	4,683
Collaboration Initiatives Reserve	1	2,106	-	(2,106)	-	-
Drug Forfeiture (Operational) Reserve	5	97	7	26	(3)	127
Operational Contingency Reserve	1	500	-	(500)	-	-
Metis Programme Year 3 and 4 Reserve	1	2,000	-	(2,000)	-	-
Budget Assistance Reserve	6	2,625	-	7,172	-	9,797
Capital Carry Forward Reserve	7	537	1,573	339	- 537	1,912
Casualty Reduction & Support Reserve	8	-	515	-	-	515
Collaboration & Commissioning Reserve	9	-	241	-	-	241
<b>Total Earmarked Reserves</b>		<b>16,502</b>	<b>3,321</b>	<b>2,000</b>	<b>(2,028)</b>	<b>19,795</b>
General Reserve		9,205	-	(2,000)	(8)	7,197
Capital Receipts Reserve		554	163	-	(12)	705
<b>Total Usable Reserves</b>		<b>26,261</b>	<b>3,484</b>	<b>-</b>	<b>(2,048)</b>	<b>27,697</b>

5.2 Key features of the reserves, corresponding to the note numbers above, are as follows:

1. As explained above, four reserves no longer required to be separately ring-fenced (comprising Innovation Reserve, Collaboration Initiatives Reserve, Operational Contingency Reserve, and Metis Programme Year 3 and 4 Reserve) have been merged into the Budget Assistance Reserve and £2m from General Reserves is also moved to the Budget Assistance Reserve.
2. Revenue carry forwards must meet strict criteria: either expenditure is funded by third parties for which the Constabulary/PCC have a stewardship responsibility, or expenditure must have been committed or arise from plans meeting Police and Crime Plan priorities which are at an advanced stage, must be non-recurrent in nature and the reason for slippage must be the result of positive management action or action beyond the control of management. All carry forwards were approved at Force Executive Board and Finance Sub Group.
3. The insurance reserve agreed to the Insurance Annual Report; the surplus has been included in the year's underspend.
4. These amounts are utilised to fund capital projects. All amounts have been reported and approved in 2014/15 Capital Monitoring Reports.
5. This reserve continues to fund a drug expert role.
6. The Budget Assistance Reserve is to be used to smooth the impact of future funding reductions whilst collaboration savings are realised.
7. Reserve for funding capital carry forwards, as capital is no longer funded by borrowing. This was approved in the Capital Outturn Report reported to the Force Executive Board.

8. New reserve for road safety and casualty support, funded from Cameras, Tickets and Collisions (CTC) underspend. Ring-fencing the funds ensures that the underspend is only used for funding a range of activities such as Speedwatch, Road Victims Trust and initiatives to improve driver behaviour and the prevention of collisions.
9. New reserve for collaboration and commissioning, funded from the PCC underspend in 2014/15

5.3 The General Fund balance, held as a working balance and general contingency, at £7.2m is about 5.6 per cent of the Net Budget Requirement for 2015/16. This is the reserve that would be used in the event of a major police operation in Cambridgeshire.

## 6. Recommendations

6.1 The Committee is invited to note the report.

## BIBLIOGRAPHY

Documents	Contacts	Location
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