

RESERVE STRATEGY 2018/19

1. In addition to the requirements covering the robustness of estimates, Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. A Reserves Strategy sets out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level. Reserves are held for three main purposes:
 - a. To cover unforeseen risks and expenditure that may be incurred outside of planned budgets – known as a general reserve
 - b. To set-aside funds for specific purposes; known or predicted pressures or future liabilities – known as earmarked reserves
 - c. To hold capital receipts from sale of assets. The use of which is restricted under legislation to the purchase of new assets or the repayment of debt.
3. In addition to the above reserves, Cheshire Constabulary act as lead force for a number of regional collaborations for which it holds reserves. These reserves are owned by all regional partners on an agreed share basis in line with each collaboration agreement.
4. Over the past year, the level of reserves held by all forces have been under scrutiny by the Home Office and it is now considered best practice to produce a reserve strategy covering the medium term financial strategy (MTFS) period.
5. Based on the audited Statement of Accounts published in July 2018, £16.4m was held in reserves of which £1.6m belongs to the regional collaborations. Appendix 1 sets out the proposed usage of the reserves over the next four years in line with MTFS plans together with other known commitments and liabilities. Reserves are forecast to fall to £
6. As part of the Home Office scrutiny process; it classifies reserves in three main categories:
 - a. Funding for planned expenditure on MTFS projects and programmes
 - b. Funding for specific projects and programmes beyond the current MTFS timeline

- c. Those held as a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

Appendix 2 provided analysis of the reserves in line with the above.

- 7. The purpose of each reserve is set out below:

General Reserves

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget but also in recognition of unforeseen risks and expenditure that may arise in year. Given the current levels of threats and demands facing the organisation the amount held in this reserve is deemed both prudent and adequate.

Earmarked Reserves:

Medium Term Financial Strategy (MTFS) Reserve

The origins of this reserve dates back to the start of the austerity programme and has been successfully used to support transition, implementation costs of transformational changes together with 'invest to save' projects. While the current 2018-20 Settlement has maintained the 2017/18 grant amount and allowed some further flexibility on the level of precept, there continues to be pressures and demands for which savings are required. Post 2020, there are no guarantees of Government funding and therefore there remains a need in the medium term to seek efficiencies and this reserve will enable such changes to be achieved.

Redundancy Reserve

It is recognised that the cost of reforms, efficiencies and restructuring can require changes to staffing levels. This reserve is held to meet any associated costs. It is anticipated that a small number of redundancies may occur in 2018 and estimated costs are included above subject to full consultation and only after any redeployment opportunities are fully explored.

Local Government Pension Scheme (LGPS) Reserves

Every three years the Actuary for the LGPS reviews the level of contributions made to the scheme against the forecast liabilities with any shortfall in funding resulting in increased employer's contributions. The LGPS was reviewed on 31 March 2016 and increased contributions are required over the next three years. To smooth the transition to the higher contribution rates, funds have been set aside within this reserve.

Carry Forward Reserve

This is a temporary reserve for any underspend from the previous financial year that has been approved to be spent in the following financial year. For example, should a project be delayed funding can be carried forward into the following financial year to meet the delayed spend.

Capital Reserves:

Revenue Reserve for Capital

In recognition of the decreasing level of Government Capital Grant and in order to meet the minimum asset replacement cycles, a revenue contribution is made into this reserve each year and used to finance that year's capital programme.

HQ IT Reserve

This reserve was created as part of the private finance initiative (PFI) scheme to support the replacement of computer equipment. It is supplemented each year in line with the scheme's requirement and applied to finance relevant capital.

Unapplied Capital Grants Reserve

This reserve contains the capital grant received by the Commissioner but not yet used to finance capital investment. Funding is now generally applied in full in the year it is received, with the exception of specific grants which are applied when expenditure is made – for example on the new Emergency Services Network.

Capital Receipts

Capital Receipts represents the net proceeds from the sale of assets. The use of this funding is limited by regulation to re-investment in the purchase of new assets or the repayment of debt.

Collaboration Reserves:

Armed Police Alliance

This reserve has arisen from underspends in previous financial years due to high turnover of officers. It is being utilised to support training, ammunition and other expenditure to support the training of new trainees to replace these officers.

Underwater Search Unit

Funding held on behalf of all partners for asset replacement – e.g. replacement of the boat, vehicles and equipment.

Local Resilience Forum

Cheshire Resilience Forum partners work together to prepare for emergencies, including Cheshire Constabulary, Cheshire Fire and Rescue Services and local authorities. The reserve is held to support strategic training and as a contingency for unforeseen pressures.

National Blue Light Procurement Reserve

This is a national collaboration with the reserve being held for development of the system. Work is currently being scoped in conjunction with the Home Office and spend is likely within the next year, but has yet to be approved.

Dog Alliance

The alliance with North Wales Police for the provision of dogs has been a pilot over the last year or so and this reserve is being held to support the transition to a permanent alliance. It is expected that this funding will be utilised in the short-term subject to approval.

RESERVES HELD

	2018/19			2019/20			2020/21			2021/22			2022/23			
	01-Apr-18 £000	Revenue £000	Capital £000	31-Mar-19 £000	Revenue £000	Capital £000	31-Mar-20 £000	Revenue £000	Capital £000	31-Mar-21 £000	Revenue £000	Capital £000	31-Mar-22 £000	Revenue £000	Capital £000	31-Mar-23 £000
Police Fund - General Reserve	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810
<u>Earmarked Reserves: Revenue</u>																
MTFS Reserve	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136
Redundancy Reserve	£882	-£250	£0	£632	£0	£0	£632	£0	£0	£632	£0	£0	£632	£0	£0	£632
Local Govt Pension Scheme Reserve	£600	-£600	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Carry Forwards Reserve	£545	-£545	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£3,163	-£1,395	£0	£1,768	£0	£0	£1,768	£0	£0	£1,768	£0	£0	£1,768	£0	£0	£1,768
<u>Earmarked Reserves: Capital</u>																
Revenue Reserve for Capital	£741	£0	-£700	£41	£0	£0	£41	£0	£0	£41	£0	£0	£41	£0	£0	£41
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Receipts	£5,080	£0	-£3,981	£1,099	£0	-£1,063	£36	£0	£0	£36	£0	£0	£36	£0	£0	£36
	£5,821	£0	-£4,681	£1,140	£0	-£1,063	£77	£0	£0	£77	£0	£0	£77	£0	£0	£77
<u>Collaboration Reserves:</u>																
Armed Police Alliance Reserve	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511
UWSU Reserve	£744	£0	-£505	£239	£0	£0	£239	£0	£0	£239	£0	£0	£239	£0	£0	£239
Local Resilience Forum Reserve	£68	-£13	£0	£56	£0	£0	£56	£0	£0	£56	£0	£0	£56	£0	£0	£56
National Blue Light Procurement	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219
Dog Alliance Reserve	£79	£0	-£79	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£1,621	-£13	-£584	£1,025	£0	£0	£1,025	£0	£0	£1,025	£0	£0	£1,025	£0	£0	£1,025
TOTAL RESERVES	£16,415	-£1,408	-£5,265	£9,743	£0	-£1,063	£8,680	£0	£0	£8,680	£0	£0	£8,680	£0	£0	£8,680

RESERVES HELD - Home Office classification

	2018/19				2019/20				2020/21				2021/22				2022/23			
	01-Apr-18 £000	Revenue £000	Capital £000	31-Mar-19 £000	Revenue £000	Capital £000	31-Mar-20 £000	Revenue £000	Capital £000	31-Mar-21 £000	Revenue £000	Capital £000	31-Mar-22 £000	Revenue £000	Capital £000	31-Mar-23 £000				
General Reserve / Contingency:																				
Police Fund - General Reserve	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810	£0	£0	£5,810				
MTFS Reserve	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136	£0	£0	£1,136				
	£6,946	£0	£0	£6,946	£0	£0	£6,946	£0	£0	£6,946	£0	£0	£6,946	£0	£0	£6,946				
Funding for Projects/Programmes - current MTFS																				
Local Govt Pension Scheme Reserve	£600	-£600	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0				
Carry Forwards Reserve	£545	-£545	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0				
Redundancy Reserve	£882	-£250	£0	£632	£0	£0	£632	£0	£0	£632	£0	£0	£632	£0	£0	£632				
Revenue Reserve for Capital	£741	£0	-£700	£41	£0	£0	£41	£0	£0	£41	£0	£0	£41	£0	£0	£41				
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0				
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0				
Capital Receipts	£5,080	£0	-£3,981	£1,099	£0	-£1,063	£36	£0	£0	£36	£0	£0	£36	£0	£0	£36				
Armed Police Alliance Reserve	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511	£0	£0	£511				
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National Blue Light Procurement	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219	£0	£0	£219				
Dog Alliance Reserve	£79	£0	-£79	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0				
	£9,469	-£1,408	-£5,265	£2,797	£0	-£1,063	£1,734	£0	£0	£1,734	£0	£0	£1,734	£0	£0	£1,734				
TOTAL RESERVES	£16,415	-£1,408	-£5,265	£9,743	£0	-£1,063	£8,680	£0	£0	£8,680	£0	£0	£8,680	£0	£0	£8,680				

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