

West Midlands Police and Crime Commissioner Reserves Strategy to March 2021

Purpose

- 1 This document sets out the Police and Crime Commissioner for the West Midlands reserves strategy up until March 2021. This includes details of reserves currently held, the purpose of the reserves and the predicted balances by 31 March 2021. The strategy also includes the historical balances of reserves since March 2016.
- 2 An updated PCC Medium Term Financial Plan is currently being compiled and will be approved later in 2018. This will lead to this reserves strategy being updated.

Reasons for Holding Reserves

- 3 Reserves are maintained by the Police and Crime Commissioner based on the following principles:-
 - Maintaining a working balance or general reserve to cover the effects of uneven cash flows and to avoid temporary borrowing.
 - Reserves in place to provide flexibility in managing future year's budget reductions.
 - Funding investment in the transformation programme of the organisation. This includes investing in property to deliver cashable savings to reduce running costs and enabling the Innovation and Integration Partnership (IIP) with Accenture to deliver a new sustainable and affordable operating model for 2020.
 - Earmarking specific funds to meet known or predicted requirements in the future (e.g. the Self-Funded Insurance Reserve).
 - Creating contingencies to cushion the impact of unexpected events or emergencies (e.g. the Major Incident Reserve).

Reserves – Balance as at 31 March 2016 and Forecasted 31 March 2021

- 4 The table overleaf details the level of reserves held and the forecasted levels over future financial years to March 2021.
- 5 The reserves are classified based on the Home Office guidance note issued as part of the police funding settlement for 2018/19. This includes classifying reserves into the following categories:-
 - i. Funding for planned expenditure on projects and programmes over the current medium term financial plan.
 - ii. Funding for specific projects and programmes beyond the current planning period.
 - iii. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.
- 6 The West Midlands does not have any reserves that can be classified under (ii) above therefore the table overleaf only includes reserves that are in categories (i) and (iii).

West Midlands Police and Crime Commissioner Reserves to 2020/21

	31 Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
	£m	£m	£m	£m	£m	£m
<i>Funding for Planned Expenditure on Projects & Programmes Over the Current Medium Term Financial Plan</i>						
Capital Reserve	21.0	6.7	1.2	0.0	0.0	0.0
Budget Reserve (Including Devolved Budget)	42.4	35.2	47.0	21.2	0.0	0.0
Budget Resilience	25.5	25.5	0.0	0.0	0.0	0.0
Risk Reserve	1.0	1.0	1.0	1.0	0.0	0.0
POCA Income Reserve	1.1	0.8	1.6	0.4	0.0	0.0
Sub Total	91	69.2	50.8	22.6	0	0
<i>Reserves Held in Accordance with Sound Principles of Good Financial Management</i>						
National Contingencies Reserve	10.1	8.1	2	2	2	2
Self-funded Insurance Reserve	9.7	10.3	9.4	9.4	9.4	9.4
Uniform and Protective Equipment Reserve	3.0	4.1	8.9	4.1	4.1	4.1
Major Incident Reserve	2.2	2.2	2.2	2.2	2.2	2.2
General Reserve	12.0	12.0	12.0	12.0	12.0	12.0
Sub Total	37	36.7	34.5	29.7	29.7	29.7
Total Reserves	128.0	106.0	85.3	52.3	29.7	29.7

Reserves Strategy

- 7 The Commissioner's overall reserves strategy is to use reserves up until 2020 to support the medium term financial strategy including the WMP2020 change programme. After this date only the reserves held as a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management will remain. This means all non-essential reserves will be spent by March 2020. This will result total reserves detailed in the table reducing by £98.3m over the 6 financial years.
- 8 The following paragraphs provides an explanation of each reserve split by Home Office Category.

Category (i) - Funding for planned expenditure on projects and programmes over the current medium term financial plan

Capital Reserve

- 9 This reserve supported capital expenditure including investment in the PCC's estates strategy, vehicles and ICT. The use of the reserve and other capital resources reduced the need to borrow to finance capital expenditure.

Budget Reserve

- 10 This reserve is being applied as part of the Commissioner's Medium Term Financial Plan (MTFP) to reduce the impact on the organisation of central government funding reductions. The use of this reserves enables initiatives through the WMP2020 programme which is the change programme to deliver the planned cashable benefits in the medium to long term. The remaining balance of this reserves will be utilised in 2018/19 to support the revenue budget. This reserve also includes balances from the devolved budget reserve which enabled the carry forward of balances held for specific projects including regional projects. This includes the Regional Organised Crime Unit (ROCU), funding to support work with Innovation Partner and other specifically funded items

Budget Resilience Reserve

- 11 Similar to the Budget Reserve the Budget Resilience Reserve is to be used as part of the Commissioner's medium term financial strategy reducing the impact of funding reductions and giving time for transformational programmes to take effect. In addition, the reserve will be used for investing in change projects themselves that require significant investment to implement.

Risk Reserve

12 This reserve was created to manage the delivery and commercial risks arising from the WMP2020 programme. It allows the Commissioner to retain or allocate resources to particular projects if required to secure value for money. For example, the change programme involves complex projects including the Emergency Services Mobile Communications Programme which is a nationally driven project with a number of risks.

Proceeds of Crime Act (POCA) Income Reserve

13 The POCA reserve allows recovered assets of criminality to be used to fund community based activity. POCA funding is secured in a number of ways including cash seizures and the confiscation of assets through the courts following convictions. The Home Office collect the assets and these are shared between the Treasury, Courts, Crown Prosecution Service and Police using a prescribed formula. The POCA reserve is being used to fund the Commissioner's Active Citizen Fund which supports projects at Neighbourhood Policing Units.

Category (iii) - Funding for planned expenditure on projects and programmes over the current medium term financial plan

National Contingencies Reserve

14 This reserve is to fund projects and national policing initiatives the West Midlands may be required to contribute funding towards.

Self-Funded Insurance Reserve

15 This reserve is used to fund liabilities relating to staff, the public, the PCC's buildings and equipment over and above the excess amounts on the PCC's insurance policies. In addition, the reserve provides funding to meet the cost of motor claims which are self-funded. The required level of the insurance reserve is regularly assessed against the potential liabilities of the PCC. Based on a recent assessment the current balance of this reserve is at a prudent level.

Uniform & Protective Equipment Reserve

16 The Uniform & Protective Equipment Reserve was created to mitigate the effects of legislative changes in uniform and equipment and to provide some flexibility if and when policies in relation to uniform and equipment issues change.

Major Incident Reserve

17 The major incident reserve was established to address the financial implications of a major incident or incidents that could be above normal expected levels of activity for the Force. Given the nature of this reserve there is a need to maintain its level as detailed in the table on page 3.

General Fund Reserve

18 The Commissioner needs to maintain an adequate general fund reserve to cushion the impact of any unexpected events or emergencies. This is because the PCC for the West Midlands has turnover of £0.5 billion and there are no other reserves to call on. In addition an adequate reserve is needed because there is no contingency budget for very major incidents which may require significant resource levels for a long period. The level of general reserve was set after considering the size and nature of the organisation. It is important to note the level of general reserve is approximately 2.2% of the 2018/19 net budget.

Mark Kenyon, Chief Finance Officer, March 2018 (amended for Home Office classification and actual March 2018 balances Sept 2018)