

Updated Reserves section of MTFP following closure of 2017-18 accounts.

- 8.1 The Commissioner has a duty to ensure that he holds adequate financial reserves to manage risks. In addition to the funding and forecasting risks detailed above, the Commissioner needs to cater for expenditure risk (spending over budget), and costly major incidents, natural disasters or other unforeseen events. An element of this risk has been managed through the in-year budgets through the contingency budgets. These have been reduced and a greater proportion of that risk being transferred to Reserves.
- 8.2 The Reserves are reviewed as part of the budget setting process and again as part of producing the Statement of Accounts. Reserves were re allocated as part of the 2016-17 MTFP and no re allocation has been made as part of this MTFP. The reserves will be reviewed again at the end of the financial year.
- 8.3 There is a planned reduction in reserves from £38.1m to £18.5m over the next 5 years. The majority of this reduction has happened in 2017-18 as the Capital Reserve is used to fund the Wrexham and Llandudno estates investments. Further investments from the Management of Change reserve is planned to enable the changes required over the next two years. A description of each reserve is given at the end of the section.
- 8.4 As part of the budget settlement the Policing Minister stated that new guidelines on transparency of reserves will be announced. It is expected that the details contained below, which has always been included in the MTFP and the Statement of Accounts, will meet these requirements. The Joint Audit Committee has also reviewed the reserves and the associated plan.
- 8.5 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue settlements, therefore the table below shows the current estimate on how the earmarked reserves may be best used to support service provision and reduce the pressure on the revenue budget. Where the use of the Reserve is not known (such as the Major Incident Reserve) no changes are shown. Details of the projected Reserve position at the end of each year are given below the table.

<u>Reserve Position</u>						
	31.3.17	31.3.18	31.3.19	31.3.20	31.3.21	31.3.22
<i>Usable Reserves at</i>	£m	£m	£m	£m	£m	£m
Capital Receipts Reserve	3.663	1.487	1.379	1.127	850	850
General Fund Balance	5.189	5.189	5.189	5.189	5.189	5.189
Earmarked General Fund Reserves (Details below)	29.256	19.206	13.393	12.637	12.602	12.484
Total Usable Reserves	38.108	25.882	19.961	18.953	18.641	18.523

<u>Earmarked General Fund Reserves</u>						
Description	31.3.17	31.3.18	31.3.19	31.3.20	31.3.21	31.3.22
	Actual	Actual	Est	Est	Est	Est
	£m	£m	£m	£m	£m	£m
Capital Investment	12.09	2.341	0.448	0	0	0
Major Incident	2.435	2.435	2.197	2.197	2.197	2.197
Pension Ill Health Reserve	0.915	0.915	0.915	0.915	0.915	0.915
Insurance Reserve	1.173	1.173	1.173	1.173	1.173	1.173
PFI Reserve	3.987	4.212	4.333	4.377	4.342	4.224
Estates Security and Maintenance	1.659	1.237	0.834	0.834	0.834	0.834
Management of Change	5.921	5.882	2.482	2.130	2.130	2.130
Partnerships Reserve	0.500	0.553	0.553	0.553	0.553	0.553
Commissioner Community Safety Fund	0.276	0.226	0.226	0.226	0.226	0.226
OPCC Legal Reserve	0.041	0.051	0.051	0.051	0.051	0.051
OPCC Participatory Budget	0.002	0	0	0	0	0
OPCC Reserve	0.257	0.181	0.181	0.181	0.181	0.181
Total	29.256	19.206	13.393	12.637	12.602	12.484

The Reserves can be categorised as follows

<u>Earmarked General Fund Reserves</u>						
<u>Earmarked General Fund Reserves</u>	31.3.18	31.3.19	31.3.20	31.3.21	31.3.22	
of which	Actual	Est	Est	Est	Est	
	£m	£m	£m	£m	£m	
Held to meet budgetary risks	4.755	4.517	4.517	4.517	4.517	
Held to support medium term budget	0.226	0.226	0.226	0.226	0.226	
Held to facilitate change programme	7.119	3.316	2.964	2.964	2.964	
Held pending future deficit on PFI contracts	4.212	4.333	4.377	4.342	4.224	
Committed to future capital programme	2.341	0.448	0	0	0	
Held on behalf of Partners	0.553	0.553	0.553	0.553	0.553	
Total	19.206	13.393	12.637	12.602	12.484	

which can be summarised as

<u>General Fund Reserves</u>						
		31.3.18	31.3.19	31.3.20	31.3.21	31.3.22
		Actual	Est	Est	Est	Est
		£m	£m	£m	£m	£m
Funding for projects and programmes currents MTFP		10.239	4.543	3.743	3.743	3.743
Funding for projects and programmes beyond MTFP		8.967	8.850	8.894	8.859	8.741
General Reserves		5.189	5.189	5.189	5.189	5.189
Total revenue Reserves		24.395	18.582	17.826	17.719	17.637

8.6 Capital Investment Fund (Capital) – To be used to invest in the assets and infrastructure of the Force to improve service provision and reduce revenue expenditure.

Major Incident Reserve (Risk)– To be used in the event of a Major Incident requiring additional resources beyond those available within the annual budget. This reserve has enabled the Major Incident Contingency budget to be reduced.

Pension Ill Health Reserve (Risk) – The Force has to pay a one off sum equivalent to twice an officer’s pay for each Ill Health Retirement. Holding the Reserve has reduced the need for the budget in revenue.

Insurance (Risk)- This relates to the Municipal Mutual Insurance Limited scheme of Arrangement, which could result in a final payment of an estimated £0.432m; for unknown emerging claims, and unknown future claims highlighted by the Insurance Broker.

PFI Reserve (Earmarked Revenue) – This is required as the funding for PFI from the Government reduces annually, the fund will eventually reduce over the life of the PFI contract.

Estates Security and Maintenance (Earmarked Revenue) - To fund backlog maintenance and additional security not covered in the revenue or capital budgets.

Management of Change (Earmarked Revenue) - Investment required facilitating change and reducing cost in the longer term.

Partnerships Reserve (Earmarked Revenue) – Balances held for specific Partnerships which will either be used or are held in the event of funding being withdrawn resulting in additional costs.

Community Safety Fund (Earmarked Revenue) - To provide additional resources to the Community Safety Fund

Office of the PCC Reserves (Earmarked Revenue) – OPCC reserve; legal reserve and participatory budget.