

# **Police and Crime Commissioner for Gloucestershire**

## **Reserves Strategy to March 2026**

### **1. Purpose**

**1.1.** This document sets out the reserves strategy for the Police and Crime Commissioner for Gloucestershire for the period to 31<sup>st</sup> March 2026. This includes details of the reserves currently held, the purpose of the reserves and the projected balances by 31<sup>st</sup> March 2026.

**1.2.** This report is based on the reserves included in the PCC's Accounts for the year ended 31<sup>st</sup> March 2021, and the estimated level of reserves as at 31<sup>st</sup> March 2022.

### **2. Reasons for Holding Reserves**

Reserves are maintained by the PCC based upon the following principles:

**2.1.** A general reserve is held to cover uncertainty regarding future funding and pay rises, and to provide a contingency for major incidents. Up to 1% of net budget requirement must be spent on three incidents before central government are obliged to step in with additional support and so the target for the general reserve is 4% of net budget requirement.

**2.2.** Reserves are also used to fund investment in the organisation for:

2.2.1. Capital investment in estates and ICT

2.2.2. Invest to save projects, which will reduce annual revenue costs and deliver an affordable operating model.

2.2.3. Earmarking specific funds to meet known or predicted requirements in the future, and to fund expenditure which is required over more than one financial year.

### 3. Schedule of Reserves

3.1. The table below details the level of reserves held and the forecast levels of reserves over future financial years to 31<sup>st</sup> March 2026.

3.2. The reserves are classified based on the Home Office guidance note issued as part of the police funding settlement for 2018/19. This classifies reserves into the following categories:

3.2.1. Funding for planned expenditure on projects and programmes over the current Medium Term Financial Plan (MTFP).

3.2.2. Funding for specific projects and programmes beyond the current planning period.

3.2.3. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

3.3. No reserves are classified under the second heading – 3.2.2

	Actual 31/03/21 £m	Estimated 31/03/22 £m		Projected 31/03/23 £m	Projected 31/03/24 £m	Projected 31/03/25 £m	Projected 31/03/26 £m
<b>Reserves held in accordance with sound principles of good financial management</b>							
General Reserve	4,592	5,296		5,596	5,756	5,938	6,128
Insurance Reserve	689	689		689	689	689	689
National Projects / Initiatives	3,641	2,924		1,784	0	0	0
Vehicle Reserve	992	826		826	826	826	826
<b>Total</b>	<b>9,914</b>	<b>9,735</b>		<b>8,895</b>	<b>7,271</b>	<b>7,453</b>	<b>7,643</b>
<b>Funding for planned expenditure on projects and programmes over the current MTFP</b>							
Estates Reserve	244	313		253	193	193	193
ICT Reserve	3,451	1,102		0	500	500	500
Covid Reserve	1,559	1,037		324	162	0	0
Smoothing Fund	1,354	2,002		1,200	0	0	0
Specific Funds	3,930	2,264		2,264	2,264	2,264	2,264
<b>Total</b>	<b>10,538</b>	<b>6,719</b>		<b>4,042</b>	<b>3,120</b>	<b>2,958</b>	<b>2,958</b>
<b>Total Projected Reserves</b>	<b>20,452</b>	<b>16,454</b>		<b>12,937</b>	<b>10,391</b>	<b>10,411</b>	<b>10,601</b>
<b>Allocated as follows:</b>							
<b>General Reserves</b>	<b>4,592</b>	<b>5,296</b>		<b>5,596</b>	<b>5,756</b>	<b>5,938</b>	<b>6,128</b>
<b>Earmarked Reserves</b>	<b>15,860</b>	<b>11,158</b>		<b>7,341</b>	<b>4,635</b>	<b>4,473</b>	<b>4,473</b>

Reserves Strategy – April 2022

## **4. Reserves Strategy**

- 4.1.** The level of earmarked reserves (excluding the “General Reserve”) held at 31<sup>st</sup> March 2021 represented 12.6%<sup>1</sup> of the budget for 2020/21. Down from 18% of the budget in 2017/18.
- 4.2.** The PCC has a strategy to maintain a minimum level of General Reserve at 4% of net revenue expenditure. This is considered prudent to cover the risks the organisation faces and to provide a contingency for unexpected events and emergencies.
- 4.3.** Reserves are set aside to support the Commissioners Fund, to ensure that funding is provided to meet commitments entered into for more than one year.
- 4.4.** Reserves are set aside to fund capital projects, mainly for estates and ICT. Receipts from the sale of land and buildings are used to fund investment in the estate. Grant funding and contributions from the revenue account are used to fund the replacement programmes for ICT and vehicles. Borrowing can be used to finance capital expenditure.
- 4.5.** Reserves are set aside to fund expenditure on national projects, where there is a shortfall in the funding provided nationally, and forces are expected to contribute to the costs.
- 4.6.** The PCC considers that reserves should not be used to fund budget deficits and the Medium Term Financial Plan does not assume the use of reserves for this purpose.

## **5. Description of Reserves**

The following sections provide an explanation of each reserve:

### **5.1. General Reserve**

The PCC needs to maintain a reserve as a contingency against unexpected events or emergencies and to fund major incidents, which may require significant resource levels for a long period of time. Due to the savings identified for the MTFP period and the level of uncertainty regarding future grant settlements and pay rises, the strategy of the PCC is to maintain the general reserve at 4% of net revenue expenditure. The balance at 31<sup>st</sup> March 2021 due to the impact of Covid was £4.592m which represents 3.6% of the budget for 2021/22.

The reserve will increase to at least £5.296m at 31<sup>st</sup> March 2022, to reflect 4% of the budget for 2021/22 of £132.411m.

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<sup>1</sup> Calculated as £15.860m of earmarked reserves as at 31 March 2021 divided by £126.098m net budget requirement for 2020/21.

## **5.2. Insurance Reserve**

This reserve was set up to meet the cost of any exceptionally large claims paid in one year, should the excesses on the insurance policies be increased significantly. This reserve is subject to a review of the organisation's insurance arrangements, and the level of deductibles on the insurance policies.

## **5.3. National Projects and Initiatives Reserve**

This reserve has been set up to fund nationally mandated policing priorities and projects where Gloucestershire may be required to contribute funding, or may need to fund additional costs arising from the project.

The reserve was set up to cover the costs of the Emergency Services Network (ESN), which replaces the Airwave radio system. This was to fund the costs for devices and system changes, project costs and the costs of dual running of the two systems.

The introduction of ESN has been significantly delayed. The balance on the reserve will be reviewed when the Business Case is presented, and the reserve may then be moved to "funding for planned expenditure over the current MTFP."

## **5.4. Vehicle Reserve**

This is a smoothing reserve to allow for timing differences in expenditure. Due to the different replacement cycles for vehicles the planned spend on the vehicles varies significantly year on year. This reserve evens out these variations. Fixed annual contributions are made into the fund and the actual spend is taken out of the reserve. This will be revisited over the course of the MTFP as we utilise every possible method to spread the cost of capital items over their useful life rather than charge them in the period in which they are purchased.

### **Estates Reserve**

This reserve was set up to fund the estates strategy. Since April 2013 over £20m has been spent on developing the estate, funded from reserves and capital receipts.

Future estates development will be funded from capital receipts and from new borrowing.

## **5.5. ICT Reserve**

This reserve was set up to fund the ICT Strategy. This reserve is overcommitted and action will be taken during 2022/23 to reduce the expenditure from this reserve or top it up from other available resources.

It is assumed that the balance on this reserve at the end of the Medium Term Financial Plan will be £nil.

## **5.6. Covid Reserves**

During the pandemic the government gave a number of individual grants and funding to Forces to cover immediate costs and loss of other income. The pandemic is an ongoing issue and will continue to be for perhaps two more financial years: the impact on demand and on the workforce is still uncertain.

One grant was given to specifically cover the cost of the reduced taxbase and larger than expected collection fund deficits created by the economic conditions of the pandemic. This will unwind until 2024/25 and we would expect the whole of this reserve to be used up at that point.

The Police and Crime Commissioner and the Chief Constable will work together to develop a clear plan to apply these funds to reduce demand, cover the loss of income from council tax and ensure recovery from the pandemic.

## **5.7. Smoothing Fund**

In May 2021 the incoming PCC identified a need to deliver his manifesto and find the funding to do so. One opportunity to do that was to review the funding of the capital programme in 2020/21 and by so doing release revenue funding which had been intended to fund the cost of the capital items all in one year.

A significant amount of money was released in 2020/21 and in 2021/22 by refreshing the Treasury Management strategy and moving to funding capital over the period of its usable life and not in the year of purchase (through the use of minimum revenue provision). This is held in the PCC Smoothing Reserve and will be drawn down until the council tax rises can permanently replace the ambitious investment programme of the Chief Constable and PCC in improved service delivery.

## 5.8. Other Specific Funds

A number of specific funds are held, when the expected spend for the project is likely to be over a number of years.

Following a review of the risks present in the environment and the corporate strategy the reserves will be redistributed as per the schematic below. The previous headings are the ones referred to in the 2020/21 statement of accounts.

	2021/22				
	Opening Balance £000	Drawdown in Year £000	Topped up in Year £000	Reallocated £000	Closing Balance £000
Specific ICT Initiatives	517	(354)	0	211	374
Asset Replacement	482	(482)	0	0	0
Previous PCC Priorities	477	(237)	0	(239)	0
↳ New PCC Priorities				304	304
Commissioning Fund	470	(193)	0	0	276
Staff restructure	160	(5)		(155)	
↳ Pensions Schemes			216	180	396
Lightening the Load	125	0	0	(125)	0
↳ Innovation Fund				433	433
Basecamps	0	0	0	113	113
Other Specific Carryforwards					
2021/22 only	450	(450)	0	0	0
Other					
Reallocated	749	(10)	0	(739)	0
Cameras	85	(8)	0	0	77
ARIS	53	0	0	0	53
Specific carryforward	363	(51)	78	(22)	368
	3,930	(1,791)	294	(39)	2,394

\* see note

\*difference has been moved to the Estates Reserve

## 5.9. Specific ICT Initiatives

This small reserve is carrying the balances of initiatives from previous years and may provide the funding to resolve the situation in the ICT reserve.

## 5.10. New PCC Priorities

The uncommitted element of the funding remaining from the previous PCC's manifesto initiatives has been ringfenced to meet his new priorities.

## 5.11. The Commissioning Fund

This reserve is used to fund projects funded or commissioned by the PCC. Most of these funds are committed to long term projects.

- 5.12. Pensions Schemes**  
The introduction of changes to the pensions scheme as a result of McCloud and Sergeant cases is expected to be significant and this reserve has been established to cover that risk.
- 5.13. Innovation Fund**  
The PCC has indicated that he wishes to be able to reward good ideas for cost saving and time saving measures across the Force, and to invest where needed to be able to drive those out. This reserve establishes a small seed fund to deliver on those opportunities.
- 5.14. Basecamps**  
The Corporate Strategy of the Force is based around three basecamps – Supportive Leadership, Wellbeing and Standards Matter. This small reserve will support those key areas of development.
- 5.15. Cameras - SPECS Income**  
This is income received from the enforcement of temporary speed restriction on the M5 and has been set aside to make the county's roads safer.
- 5.16. Asset Recovery Incentivisation Scheme (ARIS) Income**  
This fund was established following the receipt of a large additional payment from the Home Office under the proceeds of crime legislation. This fund is being allocated to specific projects.
- 5.17. Specific Carry Forward**  
Occasional requests are made to carry forward unspent monies between years where circumstances have meant that the money could not be spent in one year. Individual projects carry forward their monies in this reserve

## **6. Balance of Reserves at 31<sup>st</sup> March 2026**

- 6.1.** The projected balance on reserves at 31<sup>st</sup> March 2026 is £10.601m. This assumes that the capital reserves for estates and ICT will be minimal and that the majority of the specific funds have been allocated.
- 6.2.** The projected balance represents funds set aside as a general contingency and for resources to meet other expenditure needs held in accordance with sound principles of good financial management.

## **7. Comments by the Chief Finance Officer for the PCC in respect of Reserves**

**7.1.** Under the Local Government Act 2003 the PCC has a responsibility to ensure that Reserves are adequate and in doing so should take advice from his Chief Finance Officer.

**7.2.** The Chief Finance Officer should take account of the strategic, operational and financial risks facing the PCC, including external and internal risks. CIPFA guidance on reserves recommends that the following factors are taken into account in assessing the level of reserves:

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings and productivity gains.
- The financial risks inherent in significant new funding partnerships, major outsourcing arrangements or major capital developments.
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
- The general financial climate.

**7.3.** The Chief Finance Officer's advice is that:

- The current level of reserves is adequate.
- General reserves should be maintained, over the medium term, at 4% of the revenue budget for the year.
- The overall level of reserves should be reviewed annually and adjusted in accordance with known risks facing the PCC and the Chief Constable.
- The financial standing of the PCC is sound.

**John Jones, Chief Finance Officer to the Police and Crime Commissioner, 25<sup>th</sup> April 2022**