



HUMBERSIDE
POLICE & CRIME
COMMISSIONER



RESERVES STRATEGY

2021/22 – 2025/26

Police and Crime Commissioner for Humberside

Reserves Strategy 2021/22 – 2025/26

Reserves Strategy

Background information on Reserves

- 1.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.
- 1.2 In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
- 1.3 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Reserves and Balances (LAAP Bulletin No 77 November 2008) and the requirements of the Code suggests twice yearly reviews of reserves. By doing this, the visibility of reserves are increased and consideration of their use is placed at the forefront of the decision making process. Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.
- 1.4 In addition, CIPFA along with the Home Office recommended as good practice that Police and Crime Commissioners publish an Annual Reserve Strategy Statement. Humberside has published an Annual Reserves Strategy Statement since 2019/20. The statement provides an explanation for each reserve along with its value. It also includes a narrative explaining whether the current and projected level of reserves is appropriate, and if governance arrangements for reserves are adequate and appropriate.
- 1.5 The Commissioner's balance sheet reserves are summarised as follows:
 - **General Reserves** - a contingency for unexpected events or emergencies;
 - **Earmarked Reserves** - to meet known or predicted liabilities.
- 1.6 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer.

Reserves Strategy

- 1.7 The Commissioner must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council tax payers. The Commissioner's policy for reserves and balances is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.

General Reserve

- 1.8 The expected General Reserve at 1 April 2021 will be increased to £6.1m equating to 3.0% of the revenue budget. This meets one of the key Medium Term Resource Strategy principles to seek to maintain the General Reserve at 3% of the net revenue budget. The closing General Reserves at 31 March 2026 are estimated to be £7.3m equating to 3% of the net revenue budget.

Earmarked Reserves

1.9 Earmarked Reserves represent funds which have been set aside by the Commissioner for specific purposes. The table below shows the overall strategy for use of reserves over the Medium Term Resourcing Strategy period.

MTRS Reserves Forecast	At 1 April 2021 £m	At 1 April 2022 £m	At 1 April 2023 £m	At 1 April 2024 £m	At 1 April 2025 £m	At 1 April 2026 £m
Earmarked Reserves						
Performance Improvement Reserve	7.7	5.9	7.2	6.4	3.4	0.5
Risk Management Reserve	1.9	1.0	0.4	0.3	0.3	0.3
Partnership Reserve	1.2	0.3	0.3	-	-	-
Total Earmarked Reserves	10.8	7.1	7.9	6.7	3.6	0.8
General Reserves	6.1	6.4	6.7	6.9	7.1	7.3
Total Reserves	16.9	13.5	14.6	13.6	10.7	8.1

1.10 The Commissioner retains three Earmarked reserves for the following purposes:

- Performance Improvement Reserve – used to support the revenue budget, to help to facilitate business change and pump-prime initiatives, including those that are spend to save;
- Risk Management Reserve – used to provide cover for potential liabilities that have been identified but have not yet crystalized and any shortfall in self-insurance provisions;
- Partnership Reserve – used to support community safety partners and to supplement monies from the Ministry of Justice for victims’ services provision;

1.11 **Adequacy of Reserves** – the S.151 Officer confirms that the current reserves held by the Commissioner are adequate. The position on reserves will be kept under continuous review and will be reviewed again, during 2021/22 as part of the Government’s Comprehensive Spending Review announcements during the late part of 2021 and early into 2022. Any material changes will be reported to the Commissioner.