

Finance, Administration & Resources Committee

Tuesday 8th December 2009

**Joint Report of the Chief Constable and the
Treasurer to the Police Authority.**

Review of reserves & reserves strategy 2010/13

1. Purpose of Report

1.1 To ask members to consider the review of reserves and reserves strategy for 2010/13.

2. Information and Analysis

2.1 The review of reserves and proposed reserves strategy for 2010/13 set out at **Annex A**, links directly to the Budget Strategy.

2.2 The review of reserves was first considered by this committee in September 2008 and has now been updated to take account of current circumstances. In particular;

- The impact of the dramatic decline in public finances and the substantial national budget deficit.
- The impact of changes to account reporting requirements could have a direct impact on the revenue budget and/or reserves (please see report elsewhere on this agenda).

2.3 It is important to consider this strategy in the light of other reports on this agenda i.e.

- Financial Projections 2010/13
- Review of Budget Strategy
- Impact of IFRS

2.4 Members are already well aware that the next few years will be challenging ones in terms of both finance and service delivery. Previously the Authority has followed a policy to maintain reserves at a sufficient level to meet projected budget deficits for at least two years. This is no longer possible in view of the substantial deficits that are projected in 2011 and beyond.

2.5 Nevertheless, during this uncertain time, it is essential to maintain and build reserves to provide a cushion against the significant financial challenges that the Force faces. For example they will be needed to:-

- Meet some of the costs of change (e.g. redundancy costs, equipment & IT investment) – a new invest to save reserve is proposed for this.
- Relieve pressure on front line services if grant reductions are even greater than projected.

2.6 The review of reserves and reserves strategy is set out at **Annex A**. It should be noted that it may be necessary to review this strategy in the light of Government decisions around the implementation of IFRS.

3. Crime and Disorder Implications – Raising Confidence

3.1 The strategy considers the key policing risks faced by the Authority. Reserves play an important role in helping the force to meet the unforeseen impact on costs of the risks that it carries.

4. Financial Considerations

4.1 These are inherent within this report.

OFFICER RECOMMENDATION

1. That the Police Authority considers the Review of Reserves attached at Annex A.
2. That the movements in reserves detailed at Para 3.49 of the Review of Reserves be approved.
3. That the Reserves Strategy 2010/13 be approved, being
 - a. Maintain a prudent level of general balances in line with best practice.
 - b. Maintain the Operational Priorities Reserve at £1.3m.
 - c. Ensure that the Authority retains an operational funding reserve to assist in offsetting any shortfall in funding in 2010/11 to 2011/12.
 - d. Use any under-spending to contribute to the operational funding reserve.
 - e. Establish an Invest to Save Reserve.
 - f. To review the Reserves Strategy in the light of the potential impact of the final requirements of the implementation of International Financial Reporting Standards on the revenue budget.