



COMMUNITY JUSTICE SECURITY

EXECUTIVE ORDER 0049

Review of the Commission's Reserves and Provisions Policy for 2015-16

By the authority of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011, and, by democratic mandate invested in me by the electorate of Northamptonshire, I have taken the following decisions:

To approve the revised Reserves and Provisions policy for 2015-16

All publicly funded organisations should have a reserves policy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.

The Commission maintains reserves to provide a measure of protection against risk.

Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).

Provisions are required for any liabilities where the timing of the payment of the amount is uncertain.

In accordance with best practice the Commission reviews its Reserves and Provisions policy annually.

ADAM SIMMONDS
NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER
20th February 2015

Equality, Diversity and Human Rights

Individual aspects of the budget plans will be subject to their own equality and diversity assessments.

Advice Taken

Advice was taken from the Director for Resources, Governance and Transformation set out in the attached report to the Commissioner dated 20th February 2015

**RESERVES OF THE POLICE AND CRIME COMMISSIONER
2015-16**

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
GENERAL RESERVE	<p>To maintain a degree of in-year financial flexibility;</p> <p>To enable the Commission to deal with unforeseen circumstances and incidents;</p> <p>To set aside sums for known and potential liabilities;</p> <p>To provide an operational contingency at service level.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of tax revenue over a medium term financial period</p> <p>To allow higher spending without raising council tax on a one-off basis</p>	Typically between 2% and 3% of net budget requirement	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	<p>May be inadequate for major catastrophe, which could jeopardise financial status and reputation of the Commission.</p> <p>The Commissioner would have recourse to Home Office discretionary special grant if costs exceed 1% of budget or CLG Bellwin scheme for natural disasters</p>	Annual
CAPITAL	Sums set aside for major capital investment schemes e.g. buildings, vehicles and ICT to smooth payments and reduce future borrowing requirements	<p>Annual decision alongside alternatives including capital grant, capital receipts, external funds and transfer from revenue</p>	Estimated nil at 31.3.15	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	Capital schemes slip or are undelivered resulting in unduly high reserves	Annual
PENSIONS	<p>To meet the costs of any ill-health or injury retirements which are unbudgeted and fall directly on the Commission..</p> <p>Also to cover any significant overspend on the employer contributions to the Pension Account</p>	Annually as required.	Estimated £1.196m at 31.3.15	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	<p>Significant ill health or injury awards beyond normal profile create pressure on reserve or leave excess funds unused.</p> <p>Significant change in officer numbers or grades lead to unbudgeted employer pension contributions in-year.</p>	Annual

Appendix

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
EXPENDITURE b/f	To hold year-end under spending by the Force as agreed by the Commissioner to be carried forward to the next financial year. Promotes best use of limited resources.	To be used or returned to General Reserve. Any excess unspent from reserve would require further justification for c/f	Should not exceed 1% of budget as a benchmark	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above.	The Force have unrealistic expectations of c/f requirements. Actual delivery and expenditure is above or below reserve level. Reserve is used as a buffer without realistic assessment of need.	Annual
TRANSFORMATION	To provide funding for a strategic change programme to deliver radical solutions to deliver the Police and Crime Plan and address the implications of reduced government funding.	As required – typically informed by approved business cases for bids on the Fund via the Transformation Board.	Estimated £0.230m at 31.3.15	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above.	Change programme not agreed or delivered hence poor VFM from this resource.	Annual
RESTRUCTURING	To fund any costs arising as a result of reduced staffing requirements following implementation of major change projects.	As required – typically informed by approved business cases of projects	Estimated £4.299m at 31.3.15	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above.	Reserve is maintained as a buffer without realistic assessment of level	Annual

Appendix

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
PCC INITIATIVES FUND	To deliver funding to for specific initiatives of the Commission arising from the Police and Crime Plan	As required – typically informed by approved business cases for bids on the Fund.	Estimated £1.352m at 31.3.15	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above.	Initiatives not adequately defined or delivered hence poor VFM	Annual
INSURANCE	To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.	Balance will increase or reduce annually dependent on the Commission's outstanding claims record	Will vary according to annual risk assessment	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above.	If no reserve is held the Commission is potentially open to significant excess and claims payments in year beyond available revenue budgets. Assessment by insurers needs to be realistic not unduly pessimistic.	Annual
OPCC	To meet the cost of exceptional items including ACPO recruitment, premises capital works avoiding recourse to revenue budget	As approved on a case by case basis by the Commissioner.	£25,000 at 31.3.15	Minimal investment opportunity for sum	Position reported annually within Statement of Accounts	Reserve is maintained as a buffer without realistic assessment of level required	Annual
Copy Bureau	To act as a contingency for possible losses on Force Design and Reprographics Centre which aims to break even on in-house trading, or to finance capital spend	.When any future year on year deficits or surpluses cannot be met through revenue budget	£49,000 at 31.3.15	Minimal investment opportunity for sum	Position reported annually within Statement of Accounts	Reserve is maintained as a buffer without realistic assessment of level	Annual

Appendix

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
Safety Camera	For surpluses of fines and speed awareness course income over expenditure that is reinvested in replacement equipment and road safety initiatives.	As required – typically informed by approved business cases for bids on the Fund.	£0.729m at 31.3.15	This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant This sum is invested which earns income to be used for revenue spending.	Set out in Financial Regulations, and summarised in text above	If Fund was not maintained then safety initiatives would have to be funded from the revenue budget or not implemented.	Annual
Employee Benefit	To cover fluctuations in the liability for accrued leave outstanding at the end of the year	As required to fund leave being paid for rather than taken	£45,000 at 31.3.15	Minimal investment opportunity for sum	Position reported annually within Statement of Accounts	Reserve is maintained as a buffer without realistic assessment of level	Annual