

APPENDIX 3

PURPOSE AND UTILISATION OF THE EARMARKED RESERVES AND PROVISIONS

1.0 Earmarked Reserves Held for Capital Purposes

1.1 Purpose:

These reserves are earmarked to support capital investment projects by setting aside resources to contribute towards the capital element of the Capital and Revenue Development Programme (CRDP) over the period of the Medium Term Financial Plan (MTFP).

1.2 Management and Control:

The adequacy and utilisation of the reserves is reviewed during the annual budget preparation process and as part of the annual closedown of the accounts. The proposed utilisation of these reserves is reported quarterly, and approved as part of the MTFP.

1.3 Usage:

Amounts are applied from the reserves at the end of each financial year to fund capital expenditure in year.

1.4 Detail of individual reserves:

Capital Reserve (RCCO)

The reserve is added to each year by way of a contribution from the Revenue Budget.

Major Capital Developments

This reserve was originally created from the balance in the pension reserve following changes to the funding arrangements for police pensions from 2006/07, and has been added to in subsequent years from underspends on the Revenue Budget, and by transfer from other earmarked reserves no longer required.

Reserve to Fund Estates Strategy

This reserve was created during 2011/12 to earmark the projected underspend on the revenue budget to fund the Estates Strategy.

2.0 Earmarked Reserves Held for Revenue CRDP Purposes:

2.1 Purpose:

These reserves are earmarked to support the revenue element of the Capital and Revenue Development Programme (CRDP) over the period of the Medium Term Financial Plan (MTFP).

2.2 Management and Control:

The adequacy and utilisation of the reserves is reviewed during the annual budget preparation process and as part of the annual closedown of the accounts. The proposed utilisation of these reserves is reported quarterly, and approved as part of the MTFP.

2.3 Usage:

Amounts are transferred from the reserves to revenue at the end of each financial year to fund revenue CRDP expenditure in year.

2.4 Detail of individual reserves:

Revenue CRDP Reserve

The majority of this reserve is now expended. The reserve consists of balances previously provided from the Revenue Budget, plus amounts approved to be transferred from the Major Capital Reserve where some or all of a capital project has been reclassified as revenue.

3.0 Earmarked Long Term Reserves: The Insurance Reserve

3.1 Purpose:

The Commissioner operates on a self insurance basis determined by the level of excess provided by external policies. The reserve is available should the Commissioner face exceptional costs or suffer a major catastrophic incident or face premium increases which cannot be met by budget in year.

3.2 Management and Control:

The reserve is calculated based on an historic assessment of claims history and is subjected to an actuarial audit to validate the find on a three yearly basis.

3.3 Usage:

Amounts are transferred from the reserves to revenue if required to fund relevant revenue expenditure in year.

4.0 Earmarked Short Term Reserves:

4.1 Purpose:

These Reserves are created from time to time to earmark funds for a particular purpose, predominately to fund projects which span more than one financial year. These reserves have been funded (as appropriate) from the Major Capital Reserve and the Capital Reserve (RCCO) or by specific transfers from revenue.

4.2 Management and Control:

The adequacy and utilisation of the reserves is reviewed during the annual budget preparation process and as part of the annual closedown of the accounts. The proposed utilisation of these reserves is reported quarterly, and approved as part of the MTFP.

4.3 Usage:

Amounts are transferred from the reserves to revenue during each financial year to fund relevant revenue expenditure in year.

4.4 Detail of individual reserves:

Major Incident Reserve:

This reserve was established by transfer from revenue, and is held to contribute to the funding of any one off major incident revenue costs over and above the annual budget set aside for major incidents.

Misuse of Drugs Act 1971 Reserve and Incentivisation Reserve

These reserves hold monies raised from confiscated assets generated through the proceeds of crime, either directly or via grant from Central Government. The reserve is utilised to support crime fighting work, subject to statutory restrictions on usage.

Governance Reserve and PCC Technical Reserve:

These reserves have been funded by transfer from revenue in previous years and are held to support the PCC's own revenue budget and to fund governance development costs.

PCC Community Fund:

This reserve was funded for the first time in 2013/14 by a transfer directly from revenue. The reserve is be under the direct control of the PCC, and will be utilised to support Community Projects.

Accounting Treatment Reserve and Priority Spending Reserve:

These reserves are funded by transfer from revenue to manage known commitments that extend over a number of financial years and/or to carry forward funding for commitments known at the financial year end but not materialising until the following year.

Transformation Reserve:

This reserve was funded by transfer from revenue in previous years and is held to manage costs of transformation, including restructuring costs and provision of resources to facilitate transformation.

PROVISIONS

5.0 Insurance

This fund makes provision for the extent of our theoretical exposure in respect of our insurance claims in so far as they are not covered by the Commissioner's insurers.

The Commissioner has made arrangements with its insurers to provide cover for:

- individual liability claims in excess of £75,000 for any one occurrence;
- liability and motor cross class aggregating over £1.2 million;
- third party motor claims subject to an excess of £75,000 for any one occurrence;
- material damage to property, together with consequential business interruption, subject to a policy excess of £1,000 for any one occurrence in respect of all risks cover, £250 for any one occurrence in respect of cover for money and £75,000 for any one occurrence for all other incidents;
- computer, motor uninsured loss recovery, engineering, airside liability, fidelity guarantee, personal accident, travel and contract works subject to policy terms and conditions.