

Balances, Reserves and Provisions

Balances

The Police Authority maintains general balances to provide a contingency to cushion the impact of unexpected events or emergencies. It is particularly important for Police Authorities to maintain a reasonable level of balances given that policing services need to provide an immediate response to unforeseen events. In addition, general balances help the Authority manage the impact of uneven cash flows and avoid the need for temporary borrowing. Finally they supplement the earmarked reserves and provide the Authority with some level of flexibility to deal with budgetary uncertainty.

Earmarked Reserves

The Police Authority's earmarked reserves may be grouped as follows

- (i) Reserves set aside to provide capital financing – the Authority has a number of reserves that have been set aside specifically to fund future capital expenditure. These reserves will reduce rapidly over the period of the Three Year Financial Strategy
- (ii) Revenue reserves for specific purposes – the Authority has a number of reserves that have been established to meet future predicted requirements. The largest is the workforce modernisation reserve that is intended to mitigate/phase the impact of implementing the job and grading review. Reserves also exist to meet the cost of major operations, fund the future cost of developing the property estate and to help fund Force development and projects
- (iii) A revenue smoothing reserve has been established by gathering together a number of reserves that had been established to manage uneven calls on the revenue budget. This reserve will be used to support the revenue budget and smooth out the impact on the council tax of implementing the Force's business transformation programme.

Specific Capital Reserves

These reserves hold capital grants and capital receipts that have not yet been used to finance the capital programme. They can only be used to fund future capital expenditure. These reserves reduce significantly over the three-year planning period of the Financial Strategy.

Provisions

The Police Authority has a provision to meet the future cost of self-insured claims. The level of this provision is maintained according to an assessment of the cost of meeting future claims.