



Reserve Policy

Report of the National Police Chiefs' Council



Purpose

This document sets out the National Police Chiefs' Council Reserve Policy and It should be read in conjunction with the National Police Chiefs' Council Reserve's Strategy.

Reserves Policy

The National Police Chiefs' Council Reserves Policy will be updated annually as part of the Budget Setting Process. The principles that underpin this area are as follows.

Reserves will only be established in accordance with defined purposes and only with the approval of the Chair of the National Police Chiefs' Council, and Chiefs' Council. When reviewing the medium-term financial plan and preparing the annual budget, the NPCC shall consider the establishment and maintenance of reserves.

Reserves can be held for the following purposes:

- A contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves.
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The general reserve will act as a safety net against the risks of unforeseen circumstances such as:

- Expenditure on major incidents that significantly exceed the budgeted provision for such incidents.
- Levels of inflation that significantly exceed the budgeted provision.
- Expenditure on "demand-led" lines that significantly exceed the budgeted provision.

The appropriate level of the general reserve will be assessed each year when the budget is set. The assessment will have regard to the circumstances and budget for that year, to prospects for future years' budgets, and to any Home Office policy on special grant.

The general reserve shall be no more than 5% of the total funding available to the National Police Chiefs' Council.

CIPFA take is reserves are not just spare cash that can be used for any spending need or plugging gaps in funding settlements. Earmarked reserves often have very clear objectives and can be contractually needed for commitments. Reserves are an integral part of sound financial management and should be seen as such by all of those involved in police funding over the coming years.

The application of the general reserve will require the specific approval of the chair of the National Police Chiefs' Council and the NPCC Finance Coordination Committee as advised by the NPCC Strategic Finance Lead. In the normal course of events decisions will be made



on the principle that a one-off contribution from the general reserve should be made to support one-off and not continuing expenditure and not in normal course of events, reserves should not support continuing expenditure.

The position on the general reserve will be monitored in-year by the NPCC Strategic Finance Lead as part of the budgetary control process, and proposals brought to deal with any significant adverse movements compared with the budgeted position.

The NPCC Strategic Finance Lead will need to have received sufficient assurance that all reasonable efforts have been made to recover any overspend before additional funding can be approved through the approval process.

The presumption will be that any net underspending on the revenue budget shall flow to the general reserve unless there is an in-year decision to utilise this to address matters of concern. The balance held will be no more than of 5%. As per the Home Office if general reserve is over 5% the Home Office requires a PCC to justify a general reserve of over 5% of overall budget.

If the reserve exceeds this percentage in the year, consideration will be given to return funds pro rata to funding partners. The application of general reserves and earmarked reserves will be reported to Audit and Assurance Board and Chiefs' Council as part of the regular finance updates in year.

