

THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

REQUEST: For Approval		
Title: Robustness of Estimates and Adequacy of Financial Reserves		
<p>Executive Summary: The Local Government Act 2003 requires the Chief Financial Officer (CFO) of the Police and Crime Commissioner (PCC) to report formally on the robustness of the budget for consideration immediately prior to setting the Budget. This report aims to ensure that the PCC is aware of the opinion of the CFO of the PCC regarding the robustness of the budget as proposed, including the longer term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The PCC is required to take account of this report when determining its budget.</p>		
Decision: The PCC is asked to note the contents of the attached report and approve the recommendations contained within it.		
Implications:		
Has consideration been taken of the following:	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(If yes please provide further details on the next page)		

Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC's CFO where the decision has financial implications)

See report

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

Equality and Diversity Implications

Human Rights Implications

Sustainability Implications

Risk Management Implications

OFFICER APPROVAL

Chief Executive

I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

nb note to MP reference halt to borrowing.

Signature:

Exelwell

Date: 4.3.13

Police and Crime Commissioner:

The above request HAS / ~~DOES NOT HAVE~~ my approval.

Signature:

BCopm

Date:

28/2/13



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Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner

28th February 2013

Executive Officer: Michael Porter, CFO
Status: For Approval

Robustness of Estimates and Adequacy of Financial Reserves

1. Purpose of the Report

- 1.1 The Local Government Act 2003 requires the Chief Financial Officer (CFO) of the Police and Crime Commissioner (PCC) to report formally on the robustness of the budget for consideration immediately prior to setting the Budget. This report aims to ensure that the PCC is aware of the opinion of the CFO of the PCC regarding the robustness of the budget as proposed, including the longer term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The PCC is required to take account of this report when determining its budget.

2. Recommendations

The PCC is asked to:

- 2.1 Note the contents of this report and take them into account when setting the 2013/14 Revenue and Capital Budgets, and when considered the Long Term Financial Plan and Capital Plan.
- 2.2 Approve the policy on reserves as set out in Appendix A.
- 2.3 Approve the changes to earmarked reserves as detailed in 5.2.10 and 5.2.11

3. Background

- 3.1 There is a requirement for the PCC's CFO to report formally and specifically on the robustness of estimates and the adequacy of the level of reserves contained within any budget proposals being considered by the PCC.

4. Robustness of Estimates

4.1 Financial Strategy

- 4.1.1 The PCC has established a framework, whereby the Long Term Financial Plan (LTFP) regime seeks to provide stability and confidence in supporting the achievement of the PCC's priorities and objectives. These are set out in the Police and Crime Plan. The LTFP looks in detail at the forthcoming year and projects forward over the following three years. The forthcoming year is the third year of the present Comprehensive Spending Review (CSR) round (2011-12 to 2014-15).

4.1.2 Available Funding

The £137,458k of funding forecast to be available to the PCC in 2013-14 to support expenditure is expected from the following sources:

	2013/14
Funding	£000s
Government Grant	(94,247)
Precept (Assumed 2.0% increase p.a.)	(27,608)
Council Tax Freeze Grant	(800)
Council Tax Support Grant	(6,847)
Specific Grants	(5,594)
Partnership Income/Fees and Charges	(2,362)
Total Funding	(137,458)
%age Change in Funding	0.7%

- 4.1.3 Both the Government Grant and Specific Grants are based on national settlement figures which were consistent with the numbers announced at the outset of the 2011-15 CSR. The only risk to this source of funding would be if an in year funding cut was announced by the Government

- 4.1.4 In addition to this both the Council Tax Freeze Grant and the Council Tax Support Grant are government grants which have been agreed nationally and as such there is no risk attached to the receipt of this funding.

- 4.1.5 As a precepting Authority the PCC receives a proportion of the Council Tax paid within Cleveland based on the Band levels that were proposed and agreed with the Police and Crime Panel. These receipts have generally been a very secure source of income and this shouldn't change for 2013/14. Any shortfall due to lower than expected collection rates or from reductions in the number of properties within Cleveland would not impact on the finances for 2013-14 but would have to be taken into account in 2014-15. Over the last 9 years there have been no instances of Council Tax receipts being less than forecast however 2013-14 will be the first year when the councils have responsibility for administering and collecting council tax which incorporates the new council tax support scheme. While the PCC can take a high level of assurance about the level and certainty of the funding factored into the budget for 2013/14 this is an area that will need to be kept under review to ensure collection rates are in line with forecasts and that the precept assumptions in future years are realistic.
- 4.1.6 The £2,362k of income that is factored into the 2013-14 budget for Partnership Income and Fees and Charges is made up of various sources of income including secondment income, special services income, income from vehicle sales, speed awareness income and collaboration income. While there are likely to be variances against the budgeted amounts at a specific level, the risk that the income received by the PCC in total from these and other sources being lower than budgeted is very low.
- 4.1.7 The funding that the 2013/14 budget is based upon can therefore be described as very secure and the PCC can take a high level of assurance that the budget is based on robust income assumptions.
- 4.1.8 The same level of assurance cannot be given to the level of funding beyond 2013/14. There are a number of risks and issues that currently make the calculation of accurate funding forecasts difficult. Each of the key issues is set out below. The uncertainty in respect of these areas makes it difficult to provide a high degree of assurance in relation to future funding levels. It is however my opinion that the approach taken within the LTFP is in line with the best information available at this time.
- 4.1.9 Government Funding for 2014/15 and beyond
From 2014-15 the LTFP is based on indicative funding information and the interpretation and calculation of potential levels of Government funding. The LTFP is based on indicative cuts to the overall Home Office budget for 2014-15 that were announced at the beginning of the current CSR period which have then been amended to reflect interim announcements. These reductions in the Home Office funding were indicated to be:

- 2014/15: -1.66%

In addition to this the Autumn Statement of 2012 announced that a further 2% of savings would be needed from departmental budgets which included the Home Office. The LTFP therefore assumes that this 2% will result in a further 2% reduction

in the government grant available to the PCC and therefore the LTFP assumes a reduction in government grant of 3.66% in 2014/15, this equates to £3.4m.

4.1.10 In November 2011 the Government announced a 1% pay cap for the public sector which compared to the 2% that most departments had allowed for in their forecasts and plans. There was an expectation that as a result of this that government grants would be reduced, from those previously assumed, to represent a nil impact on the overall spending power for the Police. This was however not something that occurred in 2013/14 for the Police service. The current LTFP doesn't factor anything specifically into the funding reduction assumptions for this area and as such there is a risk that the cuts in government funding could be under estimated.

4.1.11 Each 1% of further cuts in government funding equates to approximately £900k for Cleveland.

4.1.12 Beyond the current CSR period there is even less information about future levels of government grant settlements. The only indications to work on at this stage were given in the Chancellor's Autumn Statement in 2012. The indication for 2015/16 and 2016/17 is that the Total Managed Expenditure Totals for government spending is set to fall, in real terms, by 0.7% in each year. There is no indication how this 0.7% will be allocated to the Policing Sector.

4.1.13 It is reasonable to assume that the reductions in government funding levels that have occurred in the first 3 years of the current spending review will continue into both the final year of that review period and will then continue into the following review period. Suggestions at this stage indicate that real reductions in government funding over the next CSR period could be up to 10%. At this stage the LTFP assumes reduction in government grant of the following:

- 2015/16 – 1.8%
- 2016/17 – 1.0%

4.1.14 There is a significant risk that these assumptions may prove too low and given the significance of this risk, and the likelihood and size of the potential additional pressures that may result from future government grant settlements, any decisions around the level and use of General Reserves and decisions on Precept should be undertaken with this risk in mind.

4.1.15 Precept and Localisation of Council Tax Support

As mentioned earlier the changes to the way that Council Tax Support is managed and the reduced funding that is now available for this support could have an impact on the ability of the councils within Cleveland to collect all of the council tax that they bill for. This in turn could therefore impact on the amount of precept collected on our behalf by the councils.

4.1.16 Up until 2013/14 all Council Tax benefits were paid nationally and therefore there was no impact on the local councils in terms of either collecting this money or any risk in the money not being received. From 2013/14 this has changed. The government reduced the total amount that was previously payable in relation to Council Tax Support by 10% and provided this reduced funding via a grant to the councils, along with shares to the PCC and the Fire Authority. Given the grant did not meet the previous levels of support provided for Council Tax, each council has revised the levels of this support for 2013/14 and beyond. This is to try to balance the demand/need for the Council Tax support with the funding available. The Councils have therefore reduced previous discount levels and/or are seeking to recover council tax from people who previously didn't pay any. Whether it will be possible to collect all of this is a risk that will need to be monitored going forward. It will impact on future levels of Precept for the PCC if it is not possible to collect the council tax in line with the current

4.1.17 Before providing the PCC with a calculation of the number of Band D equivalent properties that each Council has within their area they each allow for an element on either non-collection or a delay in collection of the bills issued. The allowances made for 'non-collection' are detailed below:

Local Authority	No. Of Band D Equivalent Properties		
	Gross	Net	Non-collection estimate
Hartlepool	22,032	21,702	330
Middlesbrough	31,335	30,171	1,164
Redcar	36,112	35,570	542
Stockton	50,942	49,668	1,274
Total	140,420	137,111	3,309

4.1.18 As can be seen from the above table the 4 councils have collectively 'allowed' for the equivalent of not being able to collect the council tax on 3,309 Band D properties. This compares to 3,115 in 2012/13, a 6.25% increase.

4.1.19 It is also worth taking into account that there has been a net collection surplus over the 4 councils for at least the last 10 years and that on average, over the last 6 years, the surplus has been the equivalent of the council tax being collected on around 1,300 more Band D equivalent properties than estimated.

4.1.20 This is an area that will need to be monitored over the coming year however based on the current assumptions the projections in the LTFP seem reasonable.

4.1.21 Future Precept Increases

The PCC will recall that the government has set certain principles in relation to increases in Council Tax and announced that there would be a legislative requirement to hold a referendum if these principles are breached. For 2013-14 this level is 2% for most PCC's. The LTFP for 2014-15 and beyond is based on increases

in precept of 2.0% per annum however there is no guarantee that 2.0% will not be in breach of future principles that would trigger a referendum. There is therefore a risk that future levels of council tax increases would need to be lower than currently modelled. If this was to occur further pressures and savings would be required to balance the LTFP.

4.1.22 Community Safety Grant

In 2013/14 the PCC will receive a Community Safety Grant of £1.7m, this is 1.9% of the £90m being paid out nationally. From 2014/15 this will be 'mainstreamed' into the Police Grant. The PCC for Cleveland currently receives 'only' 1.1% of the Police Grant and therefore if the Community Safety funding is allocated in line with the principles of the Police Grant then the PCC could 'lose' around £0.7m in terms of funding for Community Safety. The LTFP currently assumes however that there is no financial impact of this decision and that the 'damping' mechanism will balance this out however this will not be determined until the 2014/15 funding settlement is announced.

4.1.23 Damping

The Police Allocation Formula (PAF) is used to distribute Police Grant. It is also incorporated in the police element of the system of complex formulae to distribute Formula Grant. The Formula Grant distribution methodology aims to capture the demographic, economic and social characteristics of authorities providing local services. They also take into account authorities' ability to raise income locally from council tax. In the calculation's final stages the damping mechanism ensures funding allocations face minimum year-on-year changes therefore smoothing any distributional turbulence in allocations caused by data or formula changes.

4.1.24 The effects of the damping mechanism provides the PCC for Cleveland with £1,342k more funding in 2013/14 than the formula calculates that should be received. This is an area of constant review, as is the funding formula itself.

4.1.25 The expectation is that both the formula for allocating resources and the damping mechanism will undergo a significant review over the coming years with an expectation that something new will be introduced for 2015/16. Given the PCC is a recipient of damping the review has the potential to increase the financial pressures in the coming years.

4.1.26 Expenditure Plans

Preparation of the budget, including decisions on key assumptions, while based on the most up to date information and forecasts will always have a degree of uncertainty and risk. This risk is managed by having a robust budget process and having balances and reserves that are set to take into account the financial and operational uncertainty that exists.

4.1.27 There are a number of risks in the 2013/14 budget and LTFP, these are set out below:

4.1.28 Pay Awards and Staffing Levels

The LTFP assumes that from September 2013 pay will increase by 1% for the next 2 years. This is in line with current government proposals and therefore the budget is built on the best information available. The LTFP assumes pay awards will be 2% from September 2015.

4.1.29 Given the high proportion of pay and contracts that are linked to pay awards any variation in the above assumptions will have a significant impact on the figures within the LTFP. There will still need to be negotiations with unions in relation to future pay awards and any variation or concessions resulting in higher awards will have a significant impact. A movement from 1% to 1.5%, for instance, would have a recurring impact of around £500k in relation to the PCC.

4.1.30 The plans around staffing numbers within the LTFP are as follows:

Employee Numbers (Average across each year)	2013/14	2014/15	2015/16	2016/17
	FTEs	FTEs	FTEs	FTEs
Police Officers	1,441	1,401	1,395	1,395
PCSOs	158	158	166	166
Police Staff - Police Force	219	215	213	213
Office of PCC Staff	10	10	10	10
	1,828	1,784	1,784	1,784

4.1.31 Based on known Police Officer retirements, resulting from the use of Regulation A19, and an allowance for a minimal turnover of staff within all of the above areas the estimates are robust and any pressures in these areas should not result from the number of staff employed.

4.1.32 The PCC will however need to ensure that pressures in this area are not generated through the following areas:

- Police Officer Acting. This has created a pressure in both 2011-12 and 2012-13 and will need to be closely monitored in 2013-14
- Any payments resulting from excessive levels of Time Off in Lieu or Rest Days in Lieu.
- Delays in the retirement dates of Police Officers.
- Delays in the implementation of the Project Orbis restructure.

4.1.33 Regulation A19

The PCC will be aware of the previous use and continued use of regulation A19 which requires Police Officers within Cleveland Police to retire once they have attained the full 30 years of service. The use of this regulation, by 5 other Policing areas, is currently being challenged at an Employment Tribunal on the grounds of age discrimination. The results of this tribunal will need to be monitored closely and an assessment of any risks on the financial position of the PCC made once a decision is made.

4.1.34 Inflation

The 2013/14 budget allows for specific allocations of inflation for the following areas:

- Rates – 6%
- Fuel – 3%
- Major Contracts – forecast RPI levels and contractual terms

Given the current levels of RPI and the expectation of their movements over the short term the assumptions in this area should not cause any pressures for the 2013/14 budget. Fuel increases of 3% will have to be watched very closely for announcements in relation to fuel duty in both the March budget and the Chancellor's Autumn statement and this is an area of potential pressure for 2013/14.

4.1.35 Savings Requirements, Future Savings Plans and Future Budget Gaps

The 2013/14 budget requires the deliver of £7.5m of savings, £270k from the Office of the PCC and £7,244k from the Police Force. This is on top of the £17m that were delivered in 2011/12 and 2012/13.

4.1.36 All of the savings proposals for 2013/14 seem robust with the vast majority, £5.4m, of the savings and budget reductions being delivered from the changes to the staffing structures of the Force, holding vacancies and the changes to national terms and conditions.

4.1.37 The PCC will see from the Budget and LTFP report that through the use of limited reserves and based on the current funding assumptions, as set out in this report, that the budget for 2014/15 will balance providing the above savings plans are delivered. There are limited risks from these savings plans. The only area outside of the control of either the PCC or Force is in relation to reductions in employers' pension contributions for support staff and PCSOs. This will be calculated by the Pension actuary.

4.1.38 Beyond 2014/15 the challenge will continue. Based on current assumptions the following additional savings will be needed:

- 2015/16 - £5.0m
- 2016/17 - £8.4m (i.e. a further £3.4m if the £5m for 15/16 is delivered on a recurring basis)

4.1.39 Based on the current assumptions and projections of both income and expenditure, aligned to the current savings plan, then there is a significant challenge for 2015/16 and beyond to enable policing and crime services in Cleveland to continue to be delivered in line with the current plans.

4.1.40 Capital Expenditure and Financing

The capital programme to 2016/17 is based on spending £9.6m over the next 4 years on additional capital schemes however the plan does not yet balance in 2014/15. Only £4.9m of this is expected to be funded by Capital Grants from the government while the remainder will primarily be funded by additional borrowing. Given continued levels of Grant funding at £1.2-1.3m per annum there is a recurring and ultimately unsustainable need to borrow to fund capital investment. While the short and medium term requirements of the borrowing within the Capital Plan are factored into the long term financial plan, the PCC's attention is drawn to the fact that the Capital Plan as yet does not balance in 2014/15 and beyond and therefore if additional borrowing is required there will be an unbudgeted revenue cost attached to this.

4.1.41 There is an urgent need to develop long terms plans (10 years) around Estates, ICT and Fleet replacement in conjunction with a 10 year Capital Financing Plan, and a full review of what the criteria should be for future capital borrowing to ensure that there is sustainable approach to asset purchases and planning.

5. Adequacy of Financial Provisions, Reserves and Balances

5.1 The adequacy of financial reserves is the second requirement on which the CFO must have confidence. In reality, there is no real difference between the factors that determine both the level of reserves and the estimates themselves. Reserves are simply longer term planning mechanisms to set aside resources for a future use. As such, the section above dealing with robustness of estimates can be fully applied to arriving at a confident statement that reserves are adequate in nature i.e. the Financial Strategy and processes and procedures within the overall budget strategy all culminate in determining the level of reserves required to support the Long Term Financial Plan.

5.2 Reserves & Provisions

The PCC maintains a number of reserves and provisions, the largest and most significant of which are the General Fund, and the Insurance Fund.

5.2.1 General Fund

At the 31st March 2012, the General Fund stood at £8,245k, of this £1,220k was allocated to support the 2012/13 budget and therefore prior to the 2012/13 outturn it is expected that the PCC will start 2013/14 with £7,025k in General Reserves, this is the equivalent of 5.4% of the Net Budget Requirement for the 2013/14 budget.

5.2.2 Based on the current plans £563k from the General Fund will be needed to balance the 2014/15 budget. This would leave the General fund at £6,462k as per the table below, which is expected to be 5.1% of the Net Budget Requirement for the PCC.

General Fund Projections	2013/14	2014/15	2015/16	2016/17
	£000s	£000s	£000s	£000s
General Fund Bal b/f	7,025	7,025	6,462	6,462
Use of Reserves		-563		
General Fund Bal c/f	7,025	6,462	6,462	6,462
Net Budget Requirement (NBR)	129,502	126,477	124,709	124,464
General Fund as % of NBR	5.4%	5.1%	5.2%	5.2%

5.2.3 The PCC's attention is drawn to the fact that while it is expected that there will be nearly £6.5m in general reserves by the start of 2015/16 that neither 2015/16 nor 2016/17 are currently balanced.

5.2.4 The position in terms of the general reserve of the PCC is both adequate and robust for the projected financial position over the next 2 years however beyond this period the PCC can't rely on the use of general fund solely to balance the budget.

5.2.5 Based on the financial challenges and risks that currently face the PCC, I recommend that the PCC adopts the policy that is attached at Appendix A to this report and

maintains a level of reserves that is at least 4% of the Net Budget Requirement until future funding levels become clearer.

5.2.6 Insurance Fund

The PCC maintains an Insurance Fund that covers virtually all insurable risks with a limited amount of external cover for special risk incidents and to cover accumulated losses exceeding an agreed amount depending on risk. The amount at the beginning of 2012/2013 amounted to £1,560k.

5.2.7 This level is consistent with an actuarial review of the fund that took place as at 31st March 2008. This review takes place each 5 years and therefore in the coming months the level of this reserve will be reassessed.

5.2.8 Further Earmarked Reserves

In addition to the Insurance Fund the PCC also has earmarked reserves that are forecast to total £2.2m at the 31st March 2013. Given the approval of the 2013/14 budget these are expected to increase to £3.3m before any in year use of the reserves is needed or approved.

5.2.9 As part of the review of the Earmarked Reserves there are 2 reserves that I no longer believe that the PCC needs to maintain going forward and therefore I recommend the following changes for the PCC approval:

5.2.10 Within Earmarked reserves there is currently £349k earmarked for an Air Support Reserve. From the 1st April 2013 Air Support will be provided via the National Police Air Service and therefore there is no need for the PCC to hold this reserve anymore. I recommend that this reserve is released and that the money is added to the Risk and Change Reserve.

5.2.11 The PCC has inherited an Earmarked reserve entitled Airwaves which has been in place for over 5 years now and has remained at the same level throughout this period. I recommend that this reserve is released and that the £473k is added to the Risk and Change Reserve.

6. Chief Finance Officer to the PCC's Statement

6.1 As CFO to the PCC it is my duty to specifically comment on the robustness of the estimates put forward for the PCC's consideration. For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2013/14 is sound and robust.

6.2 A review has been undertaken of the PCC's reserves, provisions and General Balances. The PCC's General Balances and reserves are an important part of the PCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PCC would have adequate levels of financial reserves and General Balances through 2014/15 provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.

- 6.3 In 2015/16 and beyond there is a significant amount of risk around future levels of funding and as such I would recommend that until this uncertainty is resolved the PCC maintains general reserves closer to 5% of Net Budget Requirement than the 4% that is set out as a minimum in the reserves policy that is attached at Appendix A.

7. Implications

Finance

- 7.1 Other than the references made above there are no specific financial or staffing implications in respect of this report.

Risk

- 7.2 There will always be an element of risk that estimates are not fully robust or accurate which may lead to unfunded budget pressures becoming apparent during the year. This report sets out the process and basis for ensuring robustness and minimising the risk of unforeseen problems. As outlined in the report the PCC should ensure that it sets aside sufficient balances to ensure that any problems and liabilities can be dealt with.

8. Conclusion

- 8.1 The PCC's budget setting process has been designed to ensure that estimates brought forward for approval are sound and robust. This report confirms that approach.
- 8.2 Similarly, the PCC's policy is to ensure that it has sufficient levels of reserves and balances to provide for known, anticipated and unforeseen costs and liabilities. I am satisfied that the proposals emerging from the 2013/2014 budget process are clear, soundly based and deliverable, and that the approach to reserves and balances contained therein are appropriate.
- 8.3 In setting a budget for 2013/2014 the PCC will need to continue to have regard to the underlying level of available resources. The budget report requires the PCC to take a robust approach to this issue by agreeing a long term financial plan aimed at maintaining a sustainable position through the Plan period.
- 8.4 While the financial position for both 2013/14 and 2014/15 are challenging, the estimates they are based on are robust. Beyond this period there is a significant risk, given the uncertainty about future cuts in government funding beyond the current CSR period, whether the PCC will have sufficient funding to support its current plans. Given the £24m of savings that have been delivered over the first 3 years of the CSR period there is also limited scope from where additional savings can be developed.

Police and Crime Commissioner for Cleveland

Reserves Policy

1. Reserves will only be established in accordance with legislation or codes of practice, for defined purposes and only with the approval of the Police and Crime Commissioner as advised by the PCC's CFO. When reviewing the long term financial plan and preparing the annual budget, the authority shall consider the establishment and maintenance of reserves.
2. These can be held for three main purposes:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing - this forms part of general reserves.
 - 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.
3. The PCC's general reserve will act as a safety net against the risks of:
 - a) reductions in damping grant,
 - b) in year reductions in budgeted funding
 - c) and 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.
4. 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 minimum level of the general reserve shall be 4% of the Net Budget Requirement.
5. The application of the general reserve will require the specific approval of the PCC as advised by the PCC's CFO. 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.
6. The position on the general reserve will be monitored in-year by the PCCs CFO as part of the budgetary control process, and proposals brought to deal with any significant adverse movements compared with the budgeted position. 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 performance matters.