



**Devon and Cornwall Police and
Crime Panel**

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DEVON AND CORNWALL POLICE AND CRIME PANEL

Friday 8 February 2019
10.30 am
Warspite Room, Council House

Members:

Councillor Croad, Chair

Councillor Batters, Vice Chair

Councillors Atherfold, Barker, Derrick, Excell, Fairman, Hackett, Haydon, Macaulay, Mathews, Nelhams, Rule, Sanders, Squires, Sutton, Towill, Wakfer, Wingate and Wright.

Please find enclosed additional information for your consideration under agenda item number 5.

Tracey Lee
Chief Executive

Devon and Cornwall Police and Crime Panel

- 5. Precept Proposal for 2019/20, Budget and Medium Term Financial Plan Update / Police and Crime Plan (Pages 1 - 20)**
- **Letter from Chief Constable**
 - **Reserve Strategy**



Devon & Cornwall Police

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15 January 2019

1. INTRODUCTION

I write to present my sustainable budget proposal for 2019/20, mindful of the 2020/21 Comprehensive Spending Review, to inform your Mid Term Financial Planning and subsequent submission to the Police and Crime Panel in February 2019.

It is evident that the Home Secretary and Policing Minister worked hard with the Association of Police and Crime Commissioners and National Police Chiefs Council to make our national case to the HM Treasury. It is only right that I recognise their endeavour and that of Home Office colleagues.

Unfortunately, whilst not as bad as feared, I can only describe the Grant settlement as disappointing.

The Home Secretary has ensured that additional core and special grant has been made available but this does not cover the cost of additional pension contributions required by HM Treasury or give certainty on the position for future years. Without those grants we would have seen significant further reductions in officers and staff, and even struggled to balance next year's budget. It is frustrating the grants are not enough to even cover pay awards, increments and inflation.



The national funding arrangements continue to disadvantage our communities. Devon and Cornwall receives 26p government funding a day per population, compared to an average of 33p. If we received the average, we would invest over £40m more in frontline policing. This is set against reductions in workforce of 14% since 2010 but increased demand. Total crime is up 22% against the same period and violence

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against the person crimes are up by 127%. Achieving your ambition of a “safe, resilient and connected community” with this level of demand, our financial constraints continue to be debilitating on our service provision and the welfare of my colleagues.

Mindful that the force met its 2018/19 ‘Productivity Requirement’ set by the Policing Minister and additional efficiency criteria set by yourself and recognising the critical state of policing, greater flexibility has been granted in respect of precept raising.

Any decision to increase tax charges to the people of Devon, Cornwall and the Isles of Scilly is not proposed lightly by me. We protect and police some of the poorest communities within the UK and Europe. The very nature of 21st century crime and societal strain, such as mental ill health, loneliness and vulnerable populations, demands a greater balance of funding of policing by population. I have continually lobbied that policing is a universal service based on population and that there is minimum service no matter how dense or sparse the population base; it is a human right, not a grant funding lottery.

I believe rural and coastal poverty demands a national policy and parliamentary approach that gives an equality of intent alongside urban poverty. Funding should directly follow to local government and health providers without whom we could not police or reduce crime. At present the demands of mental ill health, suicide and missing vulnerable people dominates our demand. Your continued support in lobbying central government on these issues would be welcome.

As importantly, national capital investment is needed by our communities to build sustainable businesses, commensurate with that seen in major conurbations. This includes broadband connectivity and consistency in rural communities to support small and medium size businesses. This is also key to our own operational technologies which rely on broadband services but also your policy approach to ensuring effective policing services for business within the peninsula.

Over my thirty three years of policing I have witnessed billions of pounds invested into urban regeneration, urban partnerships and some urban police forces compared to communities and forces like ours. Yet we are, more than ever in my time as Chief Constable, net importers of crime from many of those urban areas. Our policing style and approach with local partners merits greater not lesser investment as a policing model to prevent crime and build community resilience.

This year we will continue to see the welcome and much needed benefits of tourism in Cornwall, the Isles of Scilly and Devon for local businesses and communities. Tourism is an industry that returns billions of pounds to HM Treasury but for which neither we nor our local partners receive financial recognition in our base budgets or Special Grant. Following our recent discussions, and with your support, I will compile a report

for your consideration as to the operational and financial impact of tourism and second home ownership on policing from Easter to autumn for you to consider.

I remain concerned at the continued overt and stealth approach to top-slicing of the budget and thereby of frontline policing. Austerity has seen the creation and growth of new departments through continuing top-slicing by the Home Office. The inexorable regulation of policing nationally and locally, when this role should instead sit with PCC's, is risk averse and provides poor value for money when one considers the cost benefit. It is my view that we are increasingly centralised for services that are better delivered locally and that there is greater, not lesser, bureaucracy as a result of austerity.

The 2020/21 CSR is often mooted as the means to address our ongoing funding disparity. I am unconvinced. We have almost no information about funding after 2019/20. As in previous years, it is therefore critical to set a sustainable budget to avoid recruitment 'cliff edges' and our section 151 Officers have worked together to provide reassurance on that. We will of course be able to revisit our medium term plans once the Comprehensive Spending Review is announced next year.

The announced increase in referendum limit would potentially enable £2 per month on a Band D property to cover the Grant gap. It would also give an opportunity to make investments into the Force to directly benefit the communities of Devon, Cornwall and the Isles of Scilly and keep them safe.

The consultation you have previously undertaken with the public confirms a willingness to pay additional council tax in order to support their police service. This budget proposal is based on a £24 increase in council tax. Together with our planned efficiencies and productivity increases, this provides an opportunity to increase officer numbers over the next two years.

2. BUDGET PROPOSAL

My budget proposal to you is for an increase in officer numbers to 3,100 over the next two years achieved by maximising Council Tax precept in combination with continued productivity programmes of the force.

The budget proposals are set in the context of our 2018/19 budget and our on-going strategies for investment and development. Appendix A details my budget proposal.

2.1 People

People are the key ingredient in any organisation but particularly policing and account for over 80% of the annual budgetary allocation. Next year, 2019/20, provides an

opportunity to build further on the support that you have given us over the past two budgets.

- Police Officers

As we end this year, 2018/19, we are on track to deliver on the previous investment of 2,990 officers by the end of the current year; that includes the first 50 frontline officers of a planned increase to 3,015 officers delivering your Police and Crime Plan. Those additional resources, together with other reallocations, have been deployed to:

- Roads Policing uplift of 28 officers, including to the 'No Excuses' team.
- Uniformed Armed Response team uplift of 38 officers.
- Uniformed Response uplift of 10 officers, including Police Now.

As well as recruiting additional officers, we have, where possible, continued to monitor and redeploy police officers to the front line. Numbers of police officers in major change programmes, the merger team and alliance posts were 19 at the start of the current year. They will be reduced to zero shortly.

This is in addition to the 23 officers released to local policing as a result of Alliance business cases.

Since excessive cuts to policing began in 2010, our force area population has grown by 4%, volume and complexity of crime and wider demand increased and officer numbers decreased by 14%. Government support has decreased over that time, meaning that Council Tax increases and frontline cuts alongside wider back office efficiencies and collaborations have managed the financial burden.

I must be clear that even this proposed increase will still leave our communities 450 police officers and 160 PCSOs short of our total in 2010, at a time when crime and violent crime is rising alongside wider societal demand on policing services. Whilst being objective, I am also positive, as my staff and our partners rise again and again to the challenges of day to day policing, complexity of crime and summer policing. Appendix B shows some examples of that.

Should you support this proposal, I believe it will continue and enhance your policy approach of re-connecting communities and policing, as well as modernising our service fit for the 21st century in terms of our operating model and capital infrastructure. The budget I propose would mean that, since your appointment and with your clear policy leadership, financial planning and the support of local taxpayers, there will be an additional 186 officers since your first year in office.

I have been concerned from the outset of austerity of the drift towards response policing and the reduction in capacity being exacerbated by the need to invest in public protection and harm based criminality. The OPCC independent review of response times has been helpful in evidencing the challenges we face in a 4000 mile geography. It is further evidence of an emergency service not being funded appropriately by Government, mindful of the geography of the force which does not form part of the Funding Formula. This therefore necessitates a further investment in our response capability within certain parts of the force area.

Alongside all forces, we compile our Force Management Statement (FMS) as required by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS). It is based upon our and our partners' data sets as well as wider environmental scanning. It indicated that our investment priorities are:

- Management of sexual and violent offenders.
- Investigations focussing on protecting the vulnerable.
- Investigations involving digital and cyber capacity.
- Investigations following serious collisions and fatalities.

It is clear that our immediate priority is more investigators. This year, 2018/19, we have as indicated, invested in roads policing and wider investigation, including police staff investigators. This must continue in accordance with growing demand.

The proposed budget enables transferee police officers, ensuring a flexible workforce which can be immediately deployed to high level investigative work. I know that there will be additional calls for serious and organised crime resources across the country and we need to ensure detective numbers are not depleted by regional or national demands. As a result I will be seeking at least 30 detective transferees as part of that uplift.

Delivering on priorities within your Police and Crime Plan focussing on reducing repeat victims and repeat offenders, a fifth of these investigators will be applied to the management of sexual and violent offenders, which will address the shortfall highlighted in the FMS. The remainder of the 30 investigators, will be applied to Sexual Offences and Domestic Abuse Teams and the other FMS priorities. Alongside the investment in investigators and the improved ISD processes, in order to meet modern day challenges in respect of volume organised crime and serious violence, we will be exploring the creation of a Homicide and Harm Reduction Command which combines elements of our Organised Crime proactive capability, Homicide Teams and Public Protection Units.

We both agree that effective neighbourhood policing and visible response policing are essential to preventing crime and keeping communities reassured. The proposed uplift will enable an additional neighbourhood officer in every sector in the Force. In accordance with your Police and Crime Plan, those 26 additional officers will be focussed on connectivity with their community. They will be allocated to some new communities and allow us to provide greater resilience to the most vulnerable and rural communities. I can begin these appointments early in the new financial year.

The remaining additional officers (29 by the end of 2020/21) will be posted to uniformed frontline response policing. This will increase visibility and deterrence whilst providing reassurance, and increases the pool from which we can draw fast-time specialist resources as demand changes. The officers will be posted in line with the existing demand based allocation formula.

Serious collisions investigation forms part of roads policing. I have already referred to the additional resources made available, through your support, to roads policing this year. This year our teams will be working together to develop a new approach to the driver rectification scheme. I intend that additional financial support that arises will include investment in the Serious Collision team.

As well as the above officer number increase, the Force will continue to reallocate resources to meet changing demand. This year, 2018/19, a new BCU was created in South Devon to meet the rapidly escalating policing challenges there. Furthermore, attached at Appendix B are some examples given by business board colleagues of the kind of innovation and efficiencies that happen on a day to day basis.

In order to continue to further drive productivity and value for money, the DCC will be leading a formal cost challenge of operational business areas and the wider force, to seek financial and time savings not only for this coming year but also for the 2020/21 budget. By way of example, I will look at custody provision in the light of the new Exeter custody suite and the legislative changes that drive the continued fall in detainee numbers, as well as revisiting our savings through the Strategic Alliance.

- Citizens in Policing

The Force and OPCC have worked together to develop innovative partnership approaches in this area, including blue light specials. My budget proposal includes a further £100k to develop similar innovations. I look forward to working with the OPCC to develop this innovation.

- Police staff

Appendix C illustrates the range of functions undertaken by police staff. They include groups such as police staff forensic officers, police staff investigators, control room operatives and detention officers. These, amongst many others, are critical frontline operatives as essential to 21st century policing as a police officer colleague. Large cohorts, such as call handlers, deal directly with the public assessing urgent and fast time information and making critical decisions as to individual and community safety.

Included in my budget proposal are two investments in police staff resources, for the Unifi improvement team (UNIT) and for the Enhanced Records team (ERT). Both teams have been operating on in year funding and this proposal makes the teams permanent. Their roles, ensuring accuracy in crime data to comply with HMICFRS recommendations and taking statements from the public at a time convenient to them, are key to maintaining public confidence in our recording crime and the effective provision of our policing service. Both teams have been subject to a positive outcome on the cost challenge by the Executive team.

I have also included an additional researcher post to support the No Excuses team. The intention remains to fund this through the revised driver training scheme but, pending that, I propose we ensure that the team is fully staffed from the start

- Other staff changes

The proposal continues existing plans for aligning the PCSO role and numbers to our operating model which delivers your Police and Crime Plan. I am keen to mainstream the current Pathfinder team as the evidence base in respect of deferred cautioning and potential deferred charge, is strong; there is significantly less likelihood of re-offending when these schemes are used. This forms part of our ongoing prevention agenda but will need to be carefully managed in budget terms post CSR. As discussed, the productivity drive and continual improvement, with associated cost challenge process, continues. During January 2019, Performance & Analysis, Administration, Business Change and Training departments will put forwards proposals and be scrutinised by the Deputy Chief Constable for potential budget and efficiency savings. I have commissioned a post implementation review of the problem solver posts which will report before the end of this financial year.

I will continue to seek further improvements and efficiencies in the 101 and command and control process, and will shortly set up a formal review of efficiency and productivity in this area of work, an area where we have invested significantly in technology. This will be in addition to the ongoing continual improvements driven by the response time review

The Police Federation, Superintendents' Association and Staff Associations are also part of this process of making efficiencies alongside their role in supporting their members through this process.

I am currently estimating savings of £600k from all those departments; the impact on people and their employment is not yet known although it is likely that this will result in redeployment and some redundancies. Force policies and procedures, including staff welfare support mechanisms, are in place to support colleagues.

- Integrated Service Delivery (ISD)

The delivery of ISD will fundamentally change the way in which we deal with volume non-emergency demand and, in the near future, other force demand. We will resolve a greater number of calls for service at point of contact, whilst effectively allocating tasks to a broad range of officers and staff. We anticipate that 95,000 crimes and incidents will be processed through the resolution centres, of which 73,000 will be resolved without demand being placed into the front line. An example is included at Appendix B.

The purpose of ISD is to more effectively improve service to the public by better prioritising and resolving crimes to the benefit of victims and more effectively bringing offenders to justice through whole force tasking, including a move away from multiple 'specialist teams' working in perceived silos.

In cultural terms it is a mind-set change and whole team approach as much as a process change. It creates a broader public facing policing resource first and requirement for specialism second, unless demanded by the nature of the incident. As well as more productively utilising time to improve our service to the public, our pilots indicate, as I had intended, improved wellbeing for our workforce by reducing individual stress. This is primarily because the professionalism and dedication of so many colleagues causes them to take work home with them and not take time away from their role. I intend the main phases of ISD to be implemented before our 2019 summer policing demand.

- Lead employer

It remains my intention to be a lead employer within policing. As a consequence, my proposal includes an ongoing investment of £100k in psychological support for colleagues. This follows increasing evidence of assaults on colleagues and psychological strain due to workloads, and also responds to evidence obtained through staff surveys. The investment will provide proactive screening and support to officers and staff in high risk areas of work such as SODAIT's and Roads Policing.

It also includes £325k for the introduction of Policing Education Qualifications Framework (PEQF), required by the College of Policing. Whilst we do not yet know full details of costs or service, I support the direction of travel in further professionalising police training and long-term career development. This is key to maintaining policing as a 21st century career choice.

2.2 Invest in technology, equipment and the estate to drive efficiencies and productivity.

This continues to be a priority for the Force, yourself and the Government. The proposed Capital programme includes funding for a new crime, custody & intelligence system, modern cloud storage and continued development of Office 365. It includes investment in QlikSense to better interpret and operationally deploy our information.

With your financial support during 2018/19, we have seen the roll out of Body Worn Video and share the associated evidence with the Crown Prosecution Service via a cloud based interface. The new force wide Skype messaging service is revolutionising how teams work together. This is in addition to the successful mobile data roll out. The next few years will see the Home Office led, Emergency Services Network (ESN) introduced. This scheme has had many delays and been subject to much scrutiny. The capital budget does not contain additional funding for ESN, pending sight of the detailed national business case.

We are also at the cutting edge of Drones Policing to combat serious and organised crime, public order and major incidents and will continue to develop our leadership role including offering training and development to other forces. Technology, including webchat, the ability to track crimes, and on line crime reporting, are all in place and investment in call handling will continue to improve its efficiency.

You are of course aware of the estates programme over the next few years. The new Exeter operational station and Devon Headquarters is the biggest capital investment in operational policing that Devon and Cornwall has made in my time here. It will have a positive impact on policing in the area, and act as the start point for a review of custody estates and service. The current year will also see the establishment of a Cornwall Headquarters at the Bodmin operational station.

The budget proposal includes some additional costs arising from technical areas of policing. Outsourced custody healthcare is struggling to recruit enough medical staff and costs are rising; there have been some crises in the forensics markets too. Work is being undertaken nationally to resolve the commercial situation.

The regional forensics project, of which Devon and Cornwall is a member, will create additional digital investigators over the next year; it is intended that overall there will be cash savings from regional forensics in 2020.

2.3 Savings

Savings in the budget proposal total £4m. As I have detailed, these include anticipated cost challenge, continuation of the current PCSO approach through Operation Genesis, savings identified in the budget process and reductions in ICT licensing and related costs. It seems likely that Government grant will continue to be constrained and it is also right that the Force is continuously identifying efficiencies that allow resources to be re-prioritised to demand. It is also necessary to re-profile the joint savings assumed through the Strategic Alliance within our financial plan. Therefore we will be reviewing custody, control rooms and other areas of previously planned joint provision during 2019/20 as Devon and Cornwall Police rather than with our colleagues in Dorset Police. We will move away from the term 'Strategic Alliance' as those departments and functions are mainstreamed as shared operational and support services as we work together with Dorset Police.

3. CONCLUSION

In the past, in support of your policy approach to re-connecting policing and the strategic approach of the force to policing services for communities, the public have given their support for police numbers and investment in policing. This has required increases of Council Tax to the referendum limit. Should you do so again, I will be able to:

- Increase officer numbers to 3,100 over the next two years.
 - Provide an additional connectivity neighbourhood officer in each sector, focussed on connectivity with their community.
 - Increase detectives by 30 to address most serious offending and meet FMS priorities.
 - Increase front line response teams.
- Increase the investment in innovative partnership posts such as joint fire/police roles.
- Continue with the ERT and UNIT roles, avoiding work transferring to front line police.
- The roll out of ISD by summer 2019, taking an estimated 73,000 sets of workload from the front line.
- Invest in modernised training and improving mental health and supporting good mental wellbeing in the workforce.
- Maximise the benefit of new operational hubs and County Headquarters.
- Technological investment in call handling, command & control and improved management information.
- Continue to innovate operationally to improve productivity.

Even with this proposed investment and productivity programme, the challenges ahead should not be underestimated. The 2020/21 Comprehensive Spending Review will cause me grave concern for this force and national policing if it does not take into account crime trends nationally and locally, along with increasing demands on our service and the inequities of national police funding. An increase in precept, as set out, provides an opportunity for investment during 2019/20 but will still be financially and operationally challenging. I believe the budget to be sustainable. I remain concerned that the Home Office and Government has yet to recognise the challenges of forces such as ours and believe that this should be a focus of our work during preparations for the CSR.

I believe this proposed investment is fundamental to endeavouring to maintain our communities as some of the safest places to live within the United Kingdom and to delivering your Police and Crime Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Shaun Sawyer', written in a cursive style.

Shaun Sawyer
Chief Constable



APPENDIX 3

RESERVES STRATEGY 2019/20 TO 2022/23

1. The Chartered Institute of Public Finance & Accountancy (CIPFA) maintains guidance on the establishment and maintenance of local authority reserves and balances, which is a foundation for good financial management, and is followed by PCCs. The Guidance identifies that Reserves can be held for 3 main purposes:
 - As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - As a contingency to cushion the impact of unexpected events or emergencies –this also forms part of general reserves;
 - As a means of building up funds to meet known or predicted requirements; these specific reserves are known as earmarked reserves and remain legally part of the total “General Fund”.

In addition, PCCs hold the following usable reserves:

- Capital Receipts Reserve – this reserve holds the proceeds from the sale of assets, and can only be used for capital purposes (as specified in the capital finance and accounting regulations).
2. In addition, the Home Office issued specific **Police finance reserves guidance** on 31 January 2018, which is provided in full below.

Guidance

Each PCC should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).

Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PCC’s medium term financial plan.

The strategy should be set out in a way that is clear and understandable for members of the public, and should include:



- *how the level of the general reserve has been set;*
- *justification for holding a general reserve larger than five percent of budget;*
- *details of the activities or items to be funded from each earmarked reserve, and how these support the PCC and Chief Constable's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.*

The information on each reserve should make clear how much of the funding falls into the following three categories:

- *Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.*
- *Funding for specific projects and programmes beyond the current planning period.*
- *As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).*

Reserves Strategy

3. The PCC's Reserve Strategy has the following key principles:-

- The reserves policy for Devon and Cornwall will be looking to maintain general balances at no more than 5% and no less than 3% of overall funding levels each year.
- The requirement for the Reserves will be reviewed at least annually. Those reserves no longer required for their intended purpose will be identified and made available for other defined priorities.
- Reserves will be assessed annually to ensure adequacy.
- Risk assumptions used when assessing reserves will be reviewed annually.
- A long term view will be used when assessing the use of reserves to ensure all assets that support policing are maintained.
- General balances cover the general financial risks. This will include unexpected or unavoidable additional costs, such as a major operations, uninsured liabilities, or treasury management risks.

4. The level of reserves being held by PCC's is matter of central government interest. Whilst it is understood that financial reserves are necessary for contingency reasons the level of these revenue reserves held nationally is currently £1.4bn (13% of annual police funding) as at 31 March 2018. There are wide variations between different PCC's and range from 45% to 2% and average 13%. Devon and Cornwall levels as at that date were 17%. The



minister has imposed greater transparency in how this public money is being used locally through enhanced guidance and comparable reserve data.

5. The total general and earmarked reserves are estimated to be £37m as at 31 March 2019. The level of general balances will sit at £8.6m which equates to 3% of the overall revenue funding. Although this level of general balances is lower than normally held by Devon and Cornwall it is still within the overall parameters set within the strategy. The table below shows from 2020/21 onwards the level is due to rise to more robust level.
6. A significant element of the reserves will go towards the funding of the capital programme. The most significant capital development is the decision to proceed with a new custody and operational hub for Exeter with further custody being explored for Cornwall.

Planned Use of Reserves

7. The reserves position is shown in Table 1 below and indicates that overall level of reserves will reduce from £37m as at 31/03/18 to £21m as at 31/03/22.

Table 1: Projected Reserve Levels to 31/03/2023

RESERVE	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
	£k	£k	£k	£k	£k
Programme and Projects	979	0	0	0	0
Estates Development Reserve	798	568	338	108	0
Capital Programme	25,627	13,864	13,614	12,108	10,222
Police & Crime Plan	545	545	545	545	545
Earmarked Revenue Reserves	27,949	14,977	14,497	12,761	10,767
Capital Reserves	0	4,948	1,921	430	430
General Balances	8,567	9,618	9,863	9,863	9,863
Total Reserves	36,516	29,543	26,281	23,054	21,060

8. The Reserves in the table above are held for the following reasons:-
 - a. **The General Balances** are used to mitigate against unknown or unexpected events that occur and that cannot be accommodated within the revenue or capital budgets. These balances are maintained at no more than 5% and not less than 3% of the annual revenue budget.
 - b. **The Programme and Projects Reserve** is used to fund elements of the capital programme. This includes the investment in ICT and technology



improvements. These projects are held under the PRISM Transformational Portfolio and are designed to improve ways of work to increase efficiency and productivity within operational policing. There are also benefits reducing the financial commitment to the organisation.

- c. **The Estates Development Reserve** is used to fund the costs of rationalising and developing the estate. Including feasibility work, planning applications, consultancy costs and project management.
 - d. **The Capital Programme and Capital Reserves** are used to fund the capital programme. A summary of the capital programme is shown below and indicates a spend of £97.5m over the period.
 - e. **The Police and Crime Plan Reserve** is used to fund innovation projects in support of the Police and Crime Plan objectives and local PCC priorities.
9. Earmarked reserves relate to specific projects or liabilities, where the anticipated extent of the liability, and the timescales involved, are estimated. Reserves have been set aside for significant areas and items of expenditure, and if required will be brought into revenue in the year in which expenditure is incurred.
10. The use of capital reserves relates to setting aside unused capital finances that are expected to have been received, but not applied, in any year. It is currently expected that this will relate to unused capital grant and capital receipts. These reserves may only be used for capital purposes.
11. The key risks and liabilities covered by reserves and provisions are shown in Table 4. In each case, the timing and amount cannot be exactly predicted, but the figures shown reflect the latest assessment of potential cost.

Home Office Classifications

12. The Home Office have set our clear guidance on publishing the reserves strategy. This included information on each of the reserves and how they fall within the classifications shown in Table 2 below.

**Table 2: Home Office Classifications**

Classification	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
	£k	£k	£k	£k	£k
Planned Projects and Programmes within the current MTFS period	27,404	19,380	15,873	12,646	10,652
Specific Projects and Programmes beyond the current MTFS period	-	-	-	-	-
General Contingency	9,112	10,163	10,408	10,408	10,408
Total	36,516	29,543	26,281	23,054	21,060

Review of Reserves & Risk Assumptions

13. The main financial risks contained on the joint force/OPCC risk register are shown below and inform the reserves policy:

- Agreed pay awards exceed the budget assumptions.
- Insufficient grant and council tax by 2021/22 to fund the Police and Crime plan.
- Alliance savings are not achieved at the levels predicated.
- Demand increases above the levels that are affordable within the set budget.
- The council tax base does not increase as assumed.
- The council tax surplus is not generated to the levels assumed.

14. In addition to these wider risks the following areas are kept under review:

- Increased funding is required for the Force change programme.
- Revenue savings are not delivered on time.
- Increases in long term interest rates.
- Over reliance on internal borrowing to temporarily fund the capital programme.
- The review of Home Office formula grant funding introduces annual losses of grant.
- The top-slice funding in future years depletes resources without reciprocal benefit to the revenue budget.
- Budget uncertainty through assumption changes.
- Major incident cost overrun.
- Further cost transfers from the centre (e.g. Emergency Services Network and IT company costs).
- Reductions in local authority funding placing pressure on the police service.

Assessing Adequacy

15. The current expected use of earmarked reserves shows a significant reduction in the balance available by the end of 2021/22. This assumes that the capital



programme is delivered on time and within budget. There are some major projects within the capital programme which are due for completion over the next four years. The new Exeter custody suite on Middlemoor being one of those significant projects.

16. In addition to the risks covered by earmarked reserves, there are further, unquantified risks and liabilities. The main source of funding for these risks is General Balances.
17. The key financial risks are summarised below. For each, an assessment of potential risk is shown, but clearly, in each case the actual risk could be significantly different, and an assessment of these risks will need to be reviewed regularly. Full details of each risk are set out in the Reserves Policy.

Table 3: The Financial Risks

Identified Risk	£m's
Future capital funding	2.0
Increased pay award above assumptions	2.3
Major Operations	2.9
Uninsured Liabilities and claims	2.0
Treasury Management	1.5
Other Unexpected Expenditure / Working Capital	2.0
Total Financial Risk	12.7

18. The financial risks shown in the table above would be temporary one off funding. For those items that have an impact annually the funding would be used to allow time to deliver permanent savings.
19. The actual limit of general risks, such as major operations or uninsured losses, could of course be significantly more than the assessment shown. Risks around significant major operations in particular are increasing, with increased reliance on more costly resourcing options such as overtime or mutual aid. If such a significant risk were realised, further funding would be sought in the first instance by re-prioritising the use of earmarked reserves.
20. The above risks can be mitigated by the funding allocation on General Balances. General Balances exists to cover the general financial risks faced by the Force, such as major operations, uninsured liabilities, or treasury management risks.
21. The total funding available on General Balances does not fully meet the assessed risks and liabilities. The level of General Balances is forecast to be £8.6m as at 31 March 2019. This represents approximately 70% of the overall risk identified in the table above.



22. On the basis of the above, and given that risk calculation is not an exact science, the reserves and balances generally cover known liabilities and commitments and provide adequate cover for unknown liabilities at the assessed level for 2019/20.
23. Reserves will continue to be monitored and reviewed regularly throughout the year and, as stated above, will be the subject of more transparency.
24. The Treasurer as statutory Section 151 officer confirms that these reserves provide an adequate level for 2018/19 given the identified financial risks in the budget

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