

LANCASHIRE POLICE AUTHORITY POLICY ON RESERVES

1. As a general rule, reserves will only be established in respect of defined types of expenditure, and for specific purposes such as:
 - a. Equalising the impact of uneven expenditure over a period of years
 - b. Providing for known liabilities in the year in which they arise, and/or
 - c. Setting funds aside in advance for known investment requirements
2. Unspecific reserves will be permitted on schemes of Devolved Financial Management, but any such reserves to a value of greater than 2% of the total value of the scheme will not be carried forward between years without the specific approval of the Authority's Resources committee.
3. The Authority will also hold a general reserve as a safety net against unforeseen circumstances such as:
 - a. Expenditure on major incidents that significantly exceed the budgeted provision for such incidents
 - b. Levels of inflation that significantly exceed the budgeted provision
 - c. Expenditure on "demand-led" votes that significantly exceed the budgeted provision
4. The appropriate level of the general reserve will be assessed afresh 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. (On the last point, current criteria for special payments from the Home Office require an authority to absorb the equivalent of 1% of the force annual budget before special grant is payable on major unforeseen incidents).
5. The application of the general reserve will require the specific approval of the Authority's Resources committee, and in the normal course of events will be made on the matching principle i.e. 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 at every meeting of the Resources committee, and proposals brought to deal with any significant movements (whether up or down) compared with the budgeted position.

7. Reports on reserves other than the general reserve will be brought to the Resources committee at budget-setting time and at close of accounts, and also if any exceptional movements occur in-year.
8. Accounting reserves will also be established for capital and pensions expenditure as prescribed by government and accounting standards.
9. The Treasurer to the Authority will report on the adequacy of all reserves at budget-setting time as required by section 25 of the Local Government Act 2003.
10. The Treasurer's staff will draw up a cash flow budget that is consistent with budgeted reserves and amended for any significant movements that may occur in them.

**APPROVED BY RESOURCES COMMITTEE
6TH FEBRUARY 2007**