



DORSET

POLICE & CRIME
COMMISSIONER

RESERVES STRATEGY

2020/21



RESERVES STRATEGY 2020/21

Background

- 1 In January 2018 the Home Office issued guidance setting out the government's expectations around the information to be published by Police and Crime Commissioners on their financial reserves strategies. At the same time information on the level of usable financial reserves held by each Police and Crime Commissioner was [published](#) on the HO website, for all financial years from 2011 onwards.
- 2 The reserves strategy supports the annual budget and medium term financial plan, as reported to the Police and Crime Panel in February each year.

Scope

- 3 Police and Crime Commissioners (PCCs) can keep part of their funding in reserves to help manage financial risk and to fund major future costs such as change programmes aimed at improving services to the public.
- 4 Reserves are required to be classified as either Usable or Unusable. Usable reserves are those that can be used to support future service provision. Unusable reserves are not available to be used to support services; they include unrealised gains and losses which will only become available if for example assets are sold, and accounting timing differences which will be realised at a future date.
- 5 This Reserves Strategy sets out the PCC's approach to the management of Usable Reserves.

Guidance

- 6 Sections 32 and 43 of the Local Government Finance Act 1992 require precepting bodies to have regard to the level of resources needed to meet estimated future expenditure when calculating the annual budget requirement. This is further supported by the balanced budget requirement: England, sections 31A, 42A of the Local Government Finance Act 1992. Moreover as part of the budget setting process, the Chief Finance Officer is required to comment on the adequacy of reserves. This relates to earmarked reserves as well as the General Balance, and is a critical part in making the statutory Section 25 judgement on the robustness and sustainability of the PCC's budget proposals.
- 7 This strategy has regard to [LAAP Bulletin 99](#) 'Local Authority Reserves and Balances', issued in July 2014, and complies with the Home Office Guidance issued in January 2018, and the Revised Financial Management Code of Practice, issued in July 2018 by the Home Office.
- 8 Reserves are sums of money held to meet future expenditure. When reviewing the medium term financial plan and preparing the annual budget PCCs should consider the establishment and maintenance of reserves.

9 Reserves 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 requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

10 CIPFA recommends that for each earmarked reserve held there should be a clear protocol setting out:

- the reason for / purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Responsibilities

11 The respective responsibilities in relation to reserves are set out in the Financial Regulations (see Appendix A).

Policy Statement

The PCC will not plan to hold significant reserves above those required by the Medium Term Financial Plan.

In considering earmarked reserves, the Chief Finance Officer will have regard to relevant matters in respect of each reserve, and will advise the PCC accordingly.

The key principles to be adopted in setting reserves are:

General Balances

The PCC will seek to maintain a general reserve at between 3% and 5% of Net Revenue Expenditure. This will be supported by an annual budget risk assessment which will also identify the need for any specific earmarked reserves.

Earmarked Reserves

The need for earmarked reserves will be assessed annually through the budget setting process, to confirm the continuing relevance and adequacy of each earmarked reserve in addition to identifying any new reserves that may be required.

This Strategy will be reviewed annually by the OPCC Treasurer and consulted on with the Force Chief Finance Officer and the Joint Leadership Board.

Earmarked Reserves

The following earmarked reserves balances are held:

Name of earmarked reserve	Purpose	Opening balance 1 April 2019 £'000s	Target level
Budget Management Fund	To hold year end underspends for carry forward to the following year.	27	nil annually
Capital Financing Reserve	To fund capital investment.	665	As determined by the Capital Strategy
Major Operations Reserve	To meet the costs of major policing operations.	738	Between £0.6m and £1.2m [maximum 1% of Net Revenue Expenditure]
Police and Crime Plan	To fund planned Police and Crime Plan developments.	1,063	Nil by 2021
Workforce Change Reserve	To fund one-off and transitional costs of change programmes including the Strategic Alliance with Devon & Cornwall Police.	1,333	Nil by 2021
Regional Collaboration Reserve	To hold funds related to past underspends and future planned spending for regional collaborations	231	Nil by 2023
Learning and Development Reserve	Used for the benefit of Dorset Police Officers and Dorset Police Staff for training and development purposes	0	Reduce to zero
Uplift Reserve	To hold funds for infrastructure relating to future years uplift programme	0	Nil by March 2023

Home Office Classifications

The Earmarked reserves in the table above meet the HO classification: *Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.*

In addition **General Balances** are held: *As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.*

There is no material: *Funding for specific projects and programmes beyond the current planning period.*

Forecast Usable Reserves

The forecasts for Usable Reserves over the period of the Medium Term Financial Plan are set out below.

USABLE RESERVES						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast closing balance at:	31/3/19	31/3/20	31/3/21	31/3/22	31/3/23	31/3/24
	£000's	£000's	£000's	£000's	£000's	£000's
Budget Management Fund	27	0				
Capital Financing Reserve	665	0				
Major Operations Reserve	738	738	738	738	738	738
Police & Crime Plan Reserve	1,063	250	100	100	100	100
Workforce Change Reserve	1,333	686	0			
Regional Collaboration Reserve	231	37	0			
Learning and Development Reserve	0	19	19	15	10	5
Uplift	0	0	200	100	0	0
Total Earmarked Reserves	4,057	1,730	1,057	953	848	843
General Fund Balance	3,957	4,409	4,624	4,724	4,824	4,924
Total Revenue Reserves	8,014	6,139	5,681	5,677	5,672	5,767
Capital Receipts Reserve	1,123	0	0	0	0	0
Total Usable Reserves	9,137	6,139	5,681	5,677	5,672	5,767

RESERVES PRESENTED AS REQUIRED BY THE HOME OFFICE STRATEGY GUIDANCE						
Funding for projects & programmes over the period of the current MTFP	5,180	1,730	1,057	953	848	843
Funding for projects & programmes beyond the current MTFP	0	0	0	0	0	0
General Contingency	3,957	4,409	4,624	4,724	4,824	4,924
Total	9,137	6,139	5,681	5,677	5,672	5,767

FINANCIAL REGULATIONS [extract]

B4 MAINTENANCE OF BALANCES AND RESERVES

Overview

9. The Commissioner must decide the level of general reserves he/she wishes to retain before he/she can decide the level of Council Tax precept. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

Responsibilities of the Treasurer

10. To advise the Commissioner on reasonable levels of balances and reserves.
11. To report to the Commissioner on the adequacy of reserves and balances before he/she approves the annual budget and precept.
12. To approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.

Responsibilities for the Director of Finance

13. To ensure that the annual revenue budget is sufficient to finance foreseeable operational needs without having to request additional approval.
14. To present a business case to the Treasurer and Commissioner for one-off expenditure items to be funded from earmarked and/or general reserves.

Responsibilities of the Commissioner

15. To approve a policy on reserves and balances, including the minimum acceptable level of general balances.
16. To approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established.
17. To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

C6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

Responsibilities of the Audit Committee

11. To consider any policy or strategy regarding loans, investments or borrowing.
12. Consider any policy or strategy regarding reserves