



DORSET
POLICE & CRIME
COMMISSIONER
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RESERVES STRATEGY

2024/25 to 2027/28

**POLICE AND CRIME COMMISSIONER FOR DORSET
RESERVES STRATEGY 2024/25 to 2027/28**

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POLICE AND CRIME COMMISSIONER FOR DORSET RESERVES STRATEGY 2024/25 to 2027/28

1.0 Background

- 1.1 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 (PCCs) on their financial reserves strategies.
- 1.2 The reserves strategy supports the annual budget and medium term financial plan, as reported to the Police and Crime Panel in February each year.

2.0 Scope

- 2.1 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.
- 2.2 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.
- 2.3 This Reserves Strategy sets out the PCC's approach to the management of Usable Reserves.

3.0 Guidance

- 3.1 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 Financial 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.
- 3.2 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.
- 3.3 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.
- 3.4 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.

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3.5 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.

4.0 Responsibilities

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

5.0 Reserves Strategy

5.1 The PCC's policy statement is set out in the table below.

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 Financial 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 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 Office of the Police and Crime Commissioner (OPCC) Treasurer and consulted on with the Force Chief Financial Officer and the Joint Leadership Board.

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5.2 The following earmarked reserves balances are held:

Name of Earmarked Reserve	Purpose	Opening balance 1 April 2023 £'000s	Target level
Budget Management Fund	To hold year end underspends for carry forward to the following year	1,616	Opening Balance to be cleared during the year
Police and Crime Plan Reserve	To fund planned Police and Crime Plan developments	1,028	£200,000 by 2028
Office of the Police and Crime Commissioner Legal Reserve	To fund future legal costs	220	£250,000 by 2024
Workforce Change Reserve	To fund one-off and transitional costs of change programmes including the Strategic Alliance with Devon & Cornwall Police	643	Nil by 2026
Regional Collaboration Reserve	To hold funds related to past underspends and future planned spending for regional collaborations	34	Nil by 2026
Learning and Development Reserve	Used for the benefit of Dorset Police Officers and Dorset Police Staff for training and development purposes	46	Reduce to zero
Policing Education Qualifications Framework (PEQF) Reserve	To fund the costs of the PEQF across the MTFP	375	Nil by 2028
Uplift Reserve	To hold funds for infrastructure relating to future years uplift programme	549	Nil by 2025
Forensics Capability Network Reserve	To fund continuing projects of the Forensic Capability Network	256	Nil by 2024
Office of the Police and Crime Commissioner Reserve	To fund additional projects and pilot schemes within the Office	377	Nil by 2026
Violence Reduction Reserve	Funds held for the costs of the Violence Reduction unit (to be transferred from PCP Reserve)	0	Nil by 2028

5.3 Home Office Classifications

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

5.3.2 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.*

5.3.3 *Funding for specific projects and programmes beyond the current planning period.*

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5.4 Total Usable Reserves

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Closing Balance as at:	31/03/2023	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Budget Management Fund	1,616	886	686	0	0	0
Police and Crime Plan Reserve	1,028	258	258	258	258	258
Violence Reduction Reserve	0	770	635	360	125	0
Office of the Police and Crime Commissioner Legal Reserve	220	250	250	250	250	250
Workforce Change Reserve	643	643	343	0	0	0
Regional Collaboration Reserve	34	34	34	0	0	0
Learning and Development Reserve	46	46	46	46	46	46
Policing Education Qualifications Framework Reserve	375	375	328	250	150	0
Uplift Reserve	549	349	349	150	0	0
Forensics Capability Network Reserve	256	0	0	0	0	0
Office of the Police and Crime Commissioner Reserve	377	377	377	377	377	377
Total Earmarked Reserves	5,144	3,988	3,306	1,691	1,206	931
General Fund Balance	5,860	5,960	6,060	6,160	6,260	6,360
Total Revenue Reserves	11,004	9,948	9,366	7,851	7,466	7,291
Capital Receipts Reserve	379	3,412	3,412	3,412	3,412	3,412
Total Usable Reserves	11,383	13,360	12,778	11,263	10,878	10,703

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5.4.2 The following table sets out the reserves as required by the Home Office strategy guidance.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Closing Balance as at:	31/03/2023	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Funding for projects and programmes over the period of the current MTFP	5,523	7,400	6,718	5,103	4,618	4,343
Funding for projects and programmes beyond the current MTFP	0	0	0	0	0	0
General Contingency	5,860	5,960	6,060	6,160	6,260	6,360
Total	11,383	13,360	12,778	11,263	10,878	10,703

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FINANCIAL REGULATIONS [extract]

Maintenance of Reserves and Balances

- 3C.44 The PCC holds all reserves and balances.
- 3C.45 The Treasurer is responsible for creating a reserves strategy in consultation with the CFO.
- 3C.46 The Treasurer is responsible for advising the PCC about the level of reserves that the PCC holds and for ensuring there are clear protocols for their establishment and use. For each earmarked reserve held by the PCC there should be a clear protocol setting out:
- a. The reason for/purpose of the reserve.
 - b. How and when the reserve can be used.
 - c. Procedures for the reserve's management and control.
 - d. A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- 3C.47 The Treasurer and the CFO will keep any legal or constructive obligations (liabilities) under review throughout the year. Any changes to the provisions or reserves required in relation to such liabilities will be reflected in the regular budget monitoring reports to the Resource Control Board.
- 3C.48 In addition to the regular review outlined above the Director of Legal, Reputation and Risk will report formally to the appropriate governance board on the level of the outstanding liabilities and potential liabilities of the PCC and the Chief Constable as at 30 September and 31 March of any given financial year.
- 3C.49 The Treasurer and CFO have a duty to report on the robustness of estimates and the adequacy of reserves and provisions when the PCC is considering the budget. In particular the Treasurer must assess the adequacy of unallocated general reserves taking into account the strategic, operational and financial risks facing the PCC. In coming to this view the Treasurer must seek the advice of the CFO and of the Chief Constable on major policing risks facing the Force.
- 3C.50 The PCC shall approve the creation of reserves and appropriations to and from general balances and reserves. To enable the PCC to reach their decision the Treasurer shall report the factors that influenced their judgement, and ensure the advice given is recorded formally.