

PFCC Decision Report

Report reference number: 040-23

Classification: Official

Title of report: Reserves Strategy 2023/24

Area of county / stakeholders affected: Countywide

Report by:

Janet Perry, Chief Financial Officer and Strategic Head of Performance & Resources

Chief Officer:

Janet Perry, Chief Financial Officer and Strategic Head of Performance & Resources

Date of report: 7th June 2023

Enquiries to:

Janet Perry, Chief Financial Officer and Strategic Head of Performance & Resources

1. Executive Summary

- 1.1. The current economic climate is extremely challenging, and it is crucial to ensure that the Reserves Strategy is suitable for these current and expected economic challenges. The Reserves Strategy was last updated in 2019 and, given the financial challenges ahead, it is timely to ensure these are reflected in the Reserves Strategy.
- 1.2. The key points of the proposed Reserves Strategy 2023/24 are:
 - To establish a General Reserve position of 3% of net revenue expenditure by the end of 2024/25 and then to maintain the General Reserve at 3% by

each year end in the three following years of the Medium Term Financial Strategy

- The PFCC will apply a prudent approach to reserves and risk management although this will be balanced with ensuring that the public of today benefit from today's funding.
- The PFCC will take a long-term approach to protecting, maintaining and investing in all their assets, supporting policing for the long term as well as short term.

2. Recommendations

- 2.1. To approve and adopt the Reserves Strategy 2023/24 attached at Appendix 1.
- 2.2 To approve the publication of the Reserves Strategy 2023/24 on the PFCC's website to meet the requirement, as set out in 2018 by the Minister for Policing and the Fire Service, to provide transparent reserves data for current and future years.

3. Background to the Proposal

- 3.1. Police (Fire) and Crime Commissioners (PCCs / PFCCs) can keep part of their funding in financial reserves to help manage financial risk and to fund major future costs such as change programmes aimed at improving services to the public. Usable financial reserves are split into revenue and capital. Revenue reserves are categorised into a general reserve to cover unforeseen pressures and earmarked reserves are each held for a specific purpose. Capital reserves are ring-fenced for capital investment
- 3.2. The Home Office publishes police financial reserves each year for PCCs / PFCCs in England and Wales. The latest publication (May 2021) shows that police reserves at 31 March 2020 consisted of £1.526bn of revenue reserves (11.7% of revenue resources) and £0.117bn of capital reserves. The general reserves account for £0.41bn of the revenue reserves (3.1% of revenue resources) whilst earmarked reserves are £1.2bn (8.6% of revenue reserves).
- 3.3. In 2018 the Minister for Policing and the Fire Service issued a requirement for all PCCs / PFCCs to provide transparent reserves data for current and future years. To this end, in January 2018, the Home Office published details of the financial reserves held by the police since 2011. The guidance was issued to PCCs / PFCCs by the Minister for Policing and the Fire Service, following engagement with the policing sector. It set out the Government's expectations around the information to be published by PCCs / PFCCs on their financial reserves strategy. This was then included in the Financial Management Code of Practice (statutory guidance).
- 3.4. The strategy was last updated in 2019 and, whilst the main elements of the PFCC's reserves strategy have not changed, their achievement has become more challenging due to the current economic climate. It is important to ensure that the strategy is suitable for current and expected challenges. In

order to manage these challenges the reserves will be returned to 3 percent of revenue resources in 2024/25 and will be maintained at that level going forward.

4. Proposal and Associated Benefits

- 4.1. A fit for purpose Reserves Strategy is part of good and robust financial management.
- 4.2. To enable the PFCC to manage a reasonable level of unexpected financial pressures that may arise.
- 4.3. To ensure that the PFCC balances the need for resilience in financial management against the need to deploy resources effectively to deliver the Police and Crime Plan.
- 4.4. To set out the position on reserves in a way that is transparent and understandable for members of the public.

5. Options Analysis

- 5.1. The PFCC could decide to set the level of the General Reserve higher or lower than 3% from 2024/25. At a lower level the General Reserves might be inadequate to manage unexpected events. At a higher level, the balancing of the requirement to ensure the public of today benefit from today's funding becomes challenging. In addition, the Government has specified that any level of General Reserves over 5% requires explanation within the Reserves Strategy as detailed in the Financial Management Code of Practice (statutory guidance).

6. Consultation and Engagement

- 6.1 The Reserves Strategy has been drawn up in consultation with the Essex Police Finance Department.

7. Strategic Links

- 7.1 The PFCC's reserves will be used to invest in, and to manage the risks of, achieving the objectives outlined in the Police and Crime Plan.

8. Police operational implications

- 8.1 There is no direct operational impact from the approval, adoption and publication of this strategy, which is consistent with the 2023/24 to 2027/28 Medium Term Financial Strategy (MTFS) and the 2023/24 budget presented to the Essex Police, Fire and Crime Panel in February 2023.

9. Financial implications

- 9.1 The PFCC holds reserves for four reasons as listed below:

- As a general contingency against unknown or unforeseen events
- To manage strategic risks in the organisation
- To manage change within the organisation
- To be held for statutory reasons

10. Legal implications

- 10.1 In 2018 the Minister for Policing and the Fire Service issued a requirement for all PCCs / PFCCs to provide transparent reserves data for current and future years.

11. Staffing implications

- 11.1 There are no direct staffing implications arising from the approval, adoption and publication of this strategy, which is consistent with the 2023/24 to 2027/28 MTFS and the 2023/24 budget presented to the Essex Police Fire and Crime Panel in February 2023.

12. Equality, Diversity and Inclusion implications

- 12.1 There are no equality, diversity or inclusion implications in the development of the strategy and no individual with a protected characteristic is likely to be disadvantaged by this strategy.

13. Risks and Mitigations

- 13.1 There is a risk that the general reserve has been set at a level that does not allow adequately allow for unforeseen events.
- 13.2 There is also a risk that the general reserve and earmarked reserves are set at a level that do not leave sufficient funding to deliver the Police and Crime Plan effectively.
- 13.3 To manage these risks, the general reserve will be returned to 3 percent of revenue resources in 2024/25 and will be maintained at that level.

14. Governance Boards

- 14.1 The strategy was presented to the Strategic Board on 1 March 2023.

15. Links to Future Plans

- 15.1 The strategy will only impact future plans to the extent identified in the 2023/24 to 2027/28 MTFS and the 2023/24 budget presented to the Essex Police, Fire and Crime Panel in February 2023.

16. Background Papers and Appendices

Appendix 1 - Reserves Strategy 2023/24

Report Approval

The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign:

Print: P. Brent-Isherwood

Date: 9 June 2023

Chief Financial Officer

Sign:

Print: Janet Perry

Date: 7 June 2023

Publication

Is the report for publication?

YES

NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

None

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

Redaction

If the report is for publication, is redaction required:

1. Of Decision Sheet?

YES

2. Of Appendix?

YES

NO

NO

If 'YES', please provide details of required redaction:

N/A

Date redaction carried out:

Chief Finance Officer / Chief Executive Sign Off – for Redactions only

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report:



Sign:

Print: ROGER HIRST

PFCC

Date signed: 22nd June 2023

I do not agree the recommendations to this report because:

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Sign:

Print: