

PFCC Decision Report

Report reference number: 023-24

Classification: Official

Title of report: Reserves Strategy 2024/25

Area of county / stakeholders affected: Countywide

Report by:

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

Chief Officer:

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

Date of report: 26 February 2024

Enquiries to:

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

1. Executive Summary

- 1.1. The current economic climate continues to be 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 March 2023 and is now due to be updated.
- 1.2. The key points of the proposed Reserves Strategy for 2024/25 have not changed since the previous update. The only change to this strategy is the inclusion of up-to-date tables and graphs showing the most recent positions within reserves. The key principles of the Reserves Strategy continue to be:
 - To establish a General Reserve position of 3% of net revenue expenditure by the end of 2025/26 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 2024/25 attached at Appendix 1.
- 2.2. To approve the publication of the Reserves Strategy 2024/25 on the PFCC's website to meet the requirement, as set out in 2018 by the Minister for Crime, Policing and Fire, 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, which 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 (1st March 2023) shows that police reserves as at 31 March 2021 consisted of £1.816bn of revenue reserves (13.3% of revenue resources) and £0.135bn of capital reserves. The general reserves account for £0.429bn of the revenue reserves (3.1% of revenue resources) whilst earmarked reserves are £1.387bn (10.2% of revenue resources).
- 3.3. In 2018, the Minister for Crime, Policing and Fire 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 associated guidance was issued to PCCs / PFCCs by the Minister 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 PFCC's strategy was last updated in March 2023 and, whilst the main elements of the PFCC's reserves strategy have not changed, their achievement remains difficult due to the ongoing 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% of revenue resources in 2025/26 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, robust financial management and good governance.
- 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 priorities within 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 2025/26. 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 more difficult. 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 priorities 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 2024/25 to 2028/29 Medium Term Financial Strategy (MTFS) and the 2024/25 budget presented to the Essex Police, Fire and Crime Panel in February 2024.

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

The main financial implication of the Reserves Strategy is balancing the need for resilience in financial management against the need to deploy today's resources to deliver the priorities within the Police and Crime Plan for today's residents of Essex.

10. Legal implications

- 10.1 In 2018, the Minister for Crime, Policing and Fire 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 2024/25 to 2028/29 MTFS and the 2024/25 budget presented to the Essex Police, Fire and Crime Panel in February 2024.

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 either disadvantaged or advantaged 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 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 priorities in the Police and Crime Plan effectively for the current residents of Essex.
- 13.3 To manage these risks, the general reserve will be returned to 3% of revenue resources in 2025/26 and will be maintained at that level thereafter.

14. Governance Boards

- 14.1 The Reserves Strategy 2024/25 will be presented to the Strategic Board on 5 March 2024.

15. Links to Future Plans

- 15.1 The strategy will only impact future plans to the extent identified in the 2024/25 to 2028/29 MTFS and the 2024/25 budget presented to the Essex Police, Fire and Crime Panel in February 2024

16. Background Papers and Appendices

Appendix 1 - Reserves Strategy 2024/25

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: 26 February 2024

Chief Financial Officer

Sign:



Print: Janet Perry

Date: 26 February 2024

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.

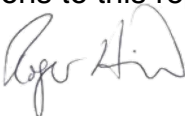
Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report:

Sign: 

Print: Roger Hirst

Date signed: 15/03/2024

I do not agree the recommendations to this report because:

.....
.....
.....

Sign:

Print:

PFCC/Deputy PFCC

Date signed: