

**OPCC**Office of the Police &
Crime Commissioner
for Gloucestershire**AUTHOR: Neil Chamberlain****SPONSOR: Peter Lewis****DECISION NUMBER: 04/2024***(to be completed on approval)***SUBMITTED TO: Chris Nelson, Police & Crime Commissioner for Gloucestershire****SUBJECT: Reserves Strategy 2024/25****EXECUTIVE SUMMARY:**

The strategy supports the intentions of the PCC to release all resources reasonably available to the Chief Constable to provide high quality policing services in Gloucestershire.

RECOMMENDATION:

1. The attached Reserves Strategy 2024/25 is approved for adoption and publication on the OPCC website as per the instructions of the Home Office.

OUTCOME/APPROVAL BY:

Signature:

Date: 30.01.24

Police and Crime Commissioner for Gloucestershire

<p>Public Access to Information</p> <p><i>Information in this form and associated reports is subject to the Freedom of Information Act 2000 and the Elected Local Policing Bodies (Specified Information) Order 2011. Where it has been indicated that this is a decision of significant public interest, all of this form except Part Two will be made available on the website of the OPCC.</i></p> <p><i>Any information that should not be automatically available on request should not be included in Part One but instead on a separate Part Two form.</i></p>	
<p>Is this a decision of significant public interest?</p> <p><i>This includes a decision with any impact on the community, expenditure in excess of £50,000, or any decision that would be of obvious interest to the media or the general public</i></p>	<p>Yes – expenditure exceeds £50,000</p>
<p>Is there a Part Two form?</p> <p><i>This section should only include information that, if published:</i></p> <ul style="list-style-type: none"> <i>a) would, in the view of the chief officer of the police, be against the interests of national security;</i> <i>b) might, in the view of the chief officer of police, jeopardise the safety of any person;</i> <i>c) might, in the view of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or</i> <i>d) is prohibited by any enactment.</i> <i>e) breaches commercial sensitivity</i> 	<p>No</p>

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	Comments including who has approved the report if applicable
Has legal advice been sought on this submission if required?	No
Has the Chief Finance Officer been consulted, if required?	Yes
Have equality, diversity and human rights implications been considered, as appropriate?	Yes
How is the recommendation consistent with the objectives of the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	N/A
Has communications advice been sought on areas of likely media, community, staff or partner interest and how they might be managed?	N/A
Have all relevant implications and risks been considered?	Yes

PART ONE – For publication

1. Purpose of the report

- 1.1 To present the Reserves Strategy 2024/25 for review, approval, adoption and publication.
- 1.2 The Police and Crime Commissioner (PCC) is required to draft, adopt and publish a Reserves Strategy for the coming year.
- 1.3 The Reserves Strategy supports the Medium Term Financial Plan (MTFP) and the Treasury Management Strategy.

2. Background

- 2.1 The enclosed strategy represents the strategic intent of the Police and Crime Commissioner and the Chief Constable to adopt a position whereby reserves are only retained for reasonable and likely risks and the value of reserves to support delivery of high quality policing services to Gloucestershire is understood and promoted.

3. Recommendation(s)

- 3.1 The attached Reserves Strategy 2024/25 is approved for adoption and publication on the OPCC website as per the instructions of the Home Office.

4. Financial and resource implications

- 4.1 Policing bodies can hold reserves for a number of different reasons including for known projects or events or as a contingency for risk mitigation.
- 4.2 Reserves therefore enable policing bodies to address short-term and unplanned demands and make investments across a number of financial years, prudently addressing their service delivery and asset replacement issues in so doing.
- 4.3 Reserves can only be spent once and therefore where they are used to trigger ongoing expenditure the use of the reserves must be replaced in a subsequent year with ongoing and sustainable funding.

5. Risk assessment

- 5.1 By the end of the medium term period the Organisation plans to use most of its reserves to smooth the impact of expenditure over time until funding balances with expenditure in a sustainable manner, or to invest in capital asset replacement.
- 5.2 The use of reserves reduces the cost of investment and borrowing, however it will mean that short term borrowing will increase in future as reserves, which are cash balances, fall. There is a risk that the PCC could lose the MIFID2 (Markets in

Financial Instruments Directive) qualification, which enables the Organisation to invest as a trade rather than personal investor.

6. Equality & Diversity impact assessment

6.1 Whilst the investments underpinning the reserves may have due consideration for equality and diversity impact, the holding of reserves by themselves does not have a discernible equality and diversity impact.

7. Environmental impact assessment

7.1 Whilst the investments underpinning the reserves may have due consideration for social and environmental factors, the holding of reserves by themselves does not have a discernible environmental impact.

8. Consultation

8.1 The development of the budget for 2024/25 and the Medium Term Financial Plan has included significant consultation on the use of all sources of funding, including reserves.

9. Discussed with Communications & Engagement

9.1 Considered as part of the discussion at the PCCGB.

10. Conclusion

10.1 The strategy adequately supports the intentions of the PCC to release all resources reasonably available to the Chief Constable to provide high quality Policing services in Gloucestershire.

SPONSORING BOARD MEMBER APPROVAL

Name: Peter Lewis

Job title: PCC CFO

Signature:



Date: 23 February 2023

CHIEF EXECUTIVE APPROVAL

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

Signature:



Date: 26 February 2023

Police and Crime Commissioner for Gloucestershire

Reserves Strategy to March 2028

1. Purpose

- 1.1. This document sets out the reserves strategy for the Police and Crime Commissioner for Gloucestershire for the period to 31st March 2028. This includes details of the reserves currently held, the purpose of the reserves and the projected balances by 31st March 2028.
- 1.2. This report is based on the reserves included in the PCC's Accounts for the year ended 31st March 2023, and the estimated level of reserves as at 31st March 2024.

2. Reasons for Holding Reserves

Reserves are maintained by the PCC based upon the following principles:

- 2.1. A general reserve is held to cover uncertainty regarding future funding and pay rises, and to provide a contingency for major incidents. Up to 1% of net budget requirement must be spent on three incidents before central government are obliged to step in with additional support and so the target for the general reserve is to be at least equal to 3% of net budget requirement.
- 2.2. Reserves are also used to fund investment in the organisation for:
 - 2.2.1. Capital investment in estates and ICT
 - 2.2.2. Invest to save projects, which will reduce annual revenue costs and deliver an affordable operating model.
 - 2.2.3. Earmarking specific funds to meet known or predicted requirements in the future, and to fund expenditure which is required over more than one financial year.

3. Schedule of Reserves

- 3.1. The table in **para 3.2** details the level of reserves held and the forecast levels of reserves over future financial years to 31st March 2028.

3.2. Schedule of reserves to 31 March 2028:

	Pre-AUDIT 31/03/23 £m	Estimated 31/03/24 £m	Projected 31/03/25 £m	Projected 31/03/26 £m	Projected 31/03/27 £m	Projected 31/03/28 £m
Reserves held in accordance with sound principles of good financial management						
General Reserve	5.596	5.596	5.796	5.936	6.036	6.136
Insurance Reserve	1.135	1.135	1.135	1.135	1.135	1.135
National Projects / Initiatives	3.596	2.604	1.029	0.128	-	-
Pay & Pensions Reserve	-	0.254	0.254	0.254	0.254	0.254
Vehicle Reserve	0.112	0.112	-	-	-	-
Total	10.438	9.700	8.214	7.453	7.425	7.525
Funding for planned expenditure on projects and programmes over the current MTFP						
Estates Reserve	0.070	0.223	0.149	0.074	-	-
ICT Reserve	2.839	2.362	1.661	0.471	-	-
Covid Reserve	1.469	1.118	-	-	-	-
Smoothing Reserve	3.201	2.192	1.011	0.753	0.496	0.238
Inflation Reserve	3.591	1.578	-	-	-	-
Specific Funds	7.129	4.776	4.139	2.069	-	-
Total	18.299	12.250	6.961	3.368	0.496	0.239
Total Projected Reserves	28.737	21.950	15.174	10.821	7.921	7.763
Allocated as follows:						
General Reserves	5.596	5.596	5.796	5.936	6.036	6.136
Earmarked Reserves	23.141	16.354	9.379	4.885	1.885	1.628

Schedule of Reserves as a % of Net Revenue Expenditure to 31 March 2028

	Pre-AUDIT 31/03/23 £m	Estimated 31/03/24 £m	Projected 31/03/25 £m	Projected 31/03/26 £m	Projected 31/03/27 £m	Projected 31/03/28 £m
Net Revenue Expenditure	139.985	145.788	158.355	162.725	167.470	172.301
% TOTAL	21%	15%	10%	7%	5%	5%
% Earmarked Reserves only	17%	11%	6%	3%	1%	1%
% General Fund only	4.0%	3.8%	3.7%	3.7%	3.6%	3.6%

4. Reserves Strategy

- 4.1.** The PCC has a strategy to maintain a minimum level of General Reserve of at least 3% of net revenue expenditure. This is considered prudent to cover the risks the organisation faces and to provide a contingency for unexpected events and emergencies.
- 4.2.** Reserves are set aside to support the Commissioners Fund, to ensure that funding is provided to meet commitments entered into for more than one year.
- 4.3.** Reserves are set aside to fund capital projects, mainly for estates and ICT. Receipts from the sale of land and buildings are used to fund investment in the estate. Grant funding and contributions from the revenue account are used to fund the replacement programmes for ICT and vehicles. Borrowing can be used to finance capital expenditure.
- 4.4.** Reserves are set aside to fund expenditure on national projects, where there is a shortfall in the funding provided nationally, and forces are expected to contribute to the costs.

5. Description of Reserves

The following sections provide an explanation of each reserve:

5.1. General Reserve

The PCC maintains a reserve as a contingency against unexpected events or emergencies and to fund major incidents, which may require significant resource levels for a long period of time. Due to the savings identified for the MTFP period and the level of uncertainty regarding future grant settlements and pay rises, the strategy of the PCC is to maintain the general reserve to be at least equal to 3% of net revenue expenditure. The balance at 31st March 2023 was £5.596m (3.8%) and is predicted to stay at that sum for 31st March 2024.

5.2. Insurance Reserve

This reserve was set up to meet the cost of any exceptionally large claims paid in one year, should the excesses on the insurance policies be increased significantly. This reserve is subject to an annual review of the Organisation's insurance arrangements, and the level of deductibles on the insurance policies.

5.3. National Projects and Initiatives Reserve

This reserve was set up to fund nationally mandated policing priorities and projects where Gloucestershire may be required to contribute funding, or may need to fund additional costs arising from the project.

The reserve was intended to cover the costs of the Emergency Services Network (ESN), which replaces the Airwave radio system. This was to fund the costs for devices and system changes, project costs and the costs of dual running of the two systems.

The introduction of ESN has been significantly delayed. The balance on the reserve will be used to fund planned expenditure over the current MTFP including Airwave replacement radios.

5.4. Vehicle Reserve

This reserve provided for a smoother profile of expenditure across years; it will be fully utilised in 2024/25. The full cost of fleet replacement has been itemised and built in to the Capital Programme, hence this reserve will no longer be required.

5.5. Estates Reserve

This reserve was set up to support the delivery of the estates strategy. The use of this reserve will be assessed in the context of the total funding of the Capital Programme.

5.6. ICT Reserve

This reserve was set up to fund the ICT Strategy. The use of this reserve will be assessed in the context of the total funding of the Capital Programme.

5.7. Covid Reserves

During the pandemic the government gave a number of individual grants to forces to cover immediate costs and loss of other income; the PCC created a Covid Reserve. From 2024/25 onwards the balance of this reserve will be combined with the Smoothing Reserve.

5.8. Smoothing Reserve

This reserve is intended to enable the Constabulary to smooth the impact of cost pressures across the MTFP against a backdrop of uncertain funding.

The balance of this reserve, combined with the Covid Reserve, will have been applied by the end of 2026/27 as planned, except for £238k. This remaining balance will be maintained across the MTFP to recognise the costs of any additional bank holidays.

5.9. Inflation Reserve

This reserve was created in 2020/21 to recognise increasing price pressures and pay awards that were projected to be much higher than budgeted levels. The remainder of this reserve is planned to be applied across 2023/24 and 2024/25 to offset the Constabulary costs of officer and staff pay awards.

5.10. Other Specific (Carry Forward) Funds

A number of specific funds are held, when the expected spend for the project is likely to be over a number of years. These have been monitored closely during 2023/24 and authorised for re-purpose where possible. It is expected that these funds will be fully utilised over the MTFP. These funds will be subject to continued annual review and include:

5.10.1. Specific ICT Initiatives: This small reserve is carrying the balances of initiatives from previous years and will be added to the ICT reserve.

5.10.2. PCC Priorities: The uncommitted element of the funding remaining from the PCC's manifesto initiatives has been ring-fenced to meet further priorities.

- 5.10.3.** The Commissioning Fund: This reserve is used to fund projects funded or commissioned by the PCC. Most of these funds are committed to long term projects.
- 5.10.4.** Basecamps: The Corporate Strategy of the Force is based around three basecamps – Supportive Leadership, Wellbeing and Standards Matter. This small reserve will support those key areas of development.
- 5.10.5.** Cameras - SPECS Income: This is income received from the enforcement of temporary speed restriction on the M5 and has been set aside to make the county's roads safer.
- 5.10.6.** Asset Recovery Incentivisation Scheme (ARIS) Income: This fund was established following the receipt of an additional payment from the Home Office under the proceeds of crime legislation. This fund is being allocated to specific projects.
- 5.10.7.** Specific Carry Forward: Occasional requests are made to carry forward unspent monies between years where circumstances have meant that the money could not be spent in one year. Only in exceptional circumstances are these requests approved.

6. Balance of Reserves at 31st March 2028

- 6.1.** The projected balance on reserves at 31st March 2028 is £7.763m. This assumes that the capital reserves for estates and ICT will be minimal and that the majority of the specific funds have been allocated.
- 6.2.** The projected balance represents funds set aside as a general contingency and for resources to meet other expenditure needs held in accordance with sound principles of good financial management.

7. Comments by the Chief Finance Officer for the PCC in respect of Reserves

- 7.1.** Under the Local Government Act 2003 the PCC has a responsibility to ensure that Reserves are adequate and in doing so should take advice from his Chief Finance Officer (CFO). A more detailed statement from the PCC CFO is contained in the 2024/25 Budget and MTFP report.
- 7.2.** The Chief Finance Officer should take account of the strategic, operational and financial risks facing the PCC, including external and internal risks. CIPFA guidance on reserves recommends that the following factors are taken into account in assessing the level of reserves:
- The treatment of inflation and interest rates
 - Estimates of the level and timing of capital receipts
 - The treatment of demand led pressures
 - The treatment of planned efficiency savings and productivity gains.
 - The financial risks inherent in significant new funding partnerships, major outsourcing arrangements or major capital developments.
 - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
 - The general financial climate.

7.3. The Chief Finance Officer's advice is that:

- The current level of reserves is adequate.
- General reserves should be maintained, over the medium term, at 3% of the revenue budget for the year.
- The overall level of reserves should be reviewed annually and adjusted in accordance with known risks facing the PCC and the Chief Constable.
- The financial standing of the PCC is sound.

Peter Lewis, Chief Finance Officer to the Police and Crime Commissioner, February 2024.