



**Philip Secombe
Police and Crime
Commissioner
for Warwickshire**

Decision Application WPCC20165

RESERVES STRATEGY

Application Date:	March 2021	Name of Applicant:	Sara Ansell, Treasurer
Application Decision Reference: WPCC20165			
1. Summary of the application			
<p>The Commissioners is asked to approve the Reserves Strategy for 2021/22 which has been reviewed following the setting of the 2021/22 budget and the latest forecast outturn information for 2020/21. This strategy provides updated information in respect of the adequacy of reserves, the types of reserves held, reserve balances, anticipated transfers at the end of 2020/21 and over the medium term financial plan period. The strategy also refers to the process for deploying, monitoring and reviewing reserve levels.</p>			
2. Background information:			
<p>The Reserves Strategy provides information on the levels of reserves currently held and explains how some of these will be applied over the next five years to help meet known revenue costs, manage critical risks, ensure the PCC and Chief Constable meet their statutory responsibilities and contribute towards key strategic initiatives. There is however no routine reliance in the 2021/22 budget on reserves to fund a budget gap, as the PCC has approved a good and balanced budget.</p> <p>The Home Office published detailed guidance on 31st January 2018 for PCC's to set out their reserves strategy. This strategy complies with that Ministerial requirement.</p> <p>The 2021/22 reserves strategy provides an updated position which reflects the outturn for 2020/21 and the necessary reserve transfers to finance the expenditure incurred in 2020/21 and anticipated in 2021/22 to facilitate the final stages of the transition from the former alliance. The strategy also includes an over-arching summary of the economic outlook, the types of reserves held, the purpose of those reserves, the process for deploying reserves, monitoring reserve levels and the adequacy of reserves including the approach taken to assess the risk around reserve levels.</p>			

The strategy is explicit in outlining the level of general reserve which has been set at £5m and the risk assessment that is undertaken to determine that level. The strategy also outlines the various earmarked reserves, the purpose for them being held and how they may be deployed over the MTFP.

All reserves are monitored regularly with the actual and forecast position reported to the PCC throughout the year with the normal budget monitoring information. Reserve levels are also reviewed more fundamentally as part of the annual budget setting process and at the end of the financial year to ensure that levels are appropriate and are in accordance with this strategy.

The approved 2021/22 budget and MTFP has set a good and balanced budget with no routine reliance of reserves to fund budget gaps. The Evolve business change programme will deliver £4.0m of savings from the 1st April 2021 in order to help achieve this strategic aim. Further savings of £1.5m have also been identified over the MTFP period, and these will need to be achieved in order to ensure the delivery of a 'good and balanced' budget in the future with reserves only being used to manage planned known costs and risk. Reserves are not being used to finance any capital expenditure in 2021/22 and the MTFP as outlined within this strategy in order to protect reserve levels in increasingly uncertain times, largely due to the pandemic, but also due to the need to transition the remaining service areas from the arrangements with West Mercia, recognising that the process will carry some risk.

The 2021/22 reserves strategy is attached, it has been considered by the Joint Audit and Standards Committee at its meeting in March 2021, and any feedback has been incorporated into the final document approved by the PCC. The reserves strategy will be reviewed on an annual basis and will be published on the PCC's website.

3. Whether additional information/report is attached to support this decision application

YES

List of additional information/report

- a) 2021/22 Reserves Strategy
- b)

4. Expected benefits (non financial)

The Reserves Strategy provides information on the types of reserves, current and future anticipated balances levels and explains how some of these will be applied over the next five years to meet known costs, manage critical risks and contribute towards key strategic initiatives. This approach will support the implementation of the Police and Crime Plan objectives and effective operational policing in Warwickshire.

This strategy will meet Ministerial requirements and comply with Home Office Guidance in addition to providing a transparent record of the intentions regarding the deployment of reserves over the medium term.

5. Impact of not approving the application

Failure to comply with Home Office Guidance and risk reserves not being managed in an effective manner.

6. Costs

Revenue: The anticipated reserve balance at the 1st April is £10.703m, which includes the general reserve of £5m. All financial information in relation to reserve usage, and balances over the period of the medium term financial plan is included in the attached reserves strategy document.

Capital: Reserves are not being used to fund any capital expenditure based on the 2021/22 reserves strategy.

7. Savings:

There are no direct savings from this strategy, but the effective and managed deployment of reserves and their regular monitoring will ensure that public funds are used wisely in accordance with the governance framework and promote and support a value for money approach.

8. Equality and Diversity Implications:

All existing relevant policies apply fully

9. Treasurer's comments

The Reserves Strategy is an essential and important part of the overall financial strategy. It also underpins one of the primary responsibilities of the Police and Crime Commissioner, in conjunction with the Treasurer to maintain a sound financial position. The production of this document, updated annually, to reflect current challenges and circumstances ensures that best practise and current guidance is adhered to.

Reserve balances as at 1st April 2021 are anticipated to be £10.703m. This includes the general reserve of £5.000m. The further planned deployment of reserves over the MTFP is included within the document. The 2021/22 does not rely on the routine use of reserves to balance the budget and are more sustainable and affordable budget has been approved. Reserves will be used to manage risk and meet any known or planned costs, and on that basis relatively minor fluctuations across the MTFP period, will mean that reserve levels are expected to fall to £9.664m by the end of 2025/26. Clearly the MTFP is based on a number of assumptions and the reserve levels over the period will rely on those being realistic, otherwise further actions may need to be taken to protect the reserve

level. However, this will be reviewed annually and monitored regularly to ensure that reserve levels are adequate and spending is controlled within budget.

This strategy complies with Home Office guidance and provides a comprehensive overview on the reserves position and strategy for Warwickshire.

10. Legal/Monitoring Officer comments

This Reserves Strategy complies with the guidance "Police Finance Reserves Guidance" published by the Home Office on 31st January 2018. It also supports the overall financial strategy and 2021/22 budget.

Decision of the Police and Crime Commissioner

To approve the 2021/22 reserves strategy



PCC Signature:

Date of Decision: 17th March 2021