

## BOARD REPORT

### Performance & Governance Board – 25 January 2024

<b>Report Title:</b>	<b>Reserves Policy 2024/25</b>
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<b>Report for:</b>	<b>Police and Crime Commissioner</b>
<b>Document reader status:</b>	<b><del>RESTRICTED / OFFICIAL / PUBLIC</del> Delete as necessary and insert watermark</b>
<b>Mandatory Question:</b>	<b>Is any 'Restricted' information within this report or appendices? YES / NO</b>

#### 1. Executive Summary

- 1.1 Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.
- 1.2 This report satisfies the PCC's financial regulations in that the PCC's Chief Finance Officer is required to advise the PCC on reasonable levels of balances and reserves and the PCC is required to approve a policy on reserves, including the minimum acceptable level of general balances.
- 1.3 It is recommended that the balance of the Police Fund is maintained at 3% of the net revenue budget. The proposed net revenue budget for 2024/25 is £149.164M and assuming that is approved the Police Fund will need to be increased by £0.277M to achieve the required percentage.

#### 2. Purpose of Report

- 2.1 To agree the policy for the use of reserves for the Police & Crime Commissioner (PCC) of Bedfordshire for 2024/25.

#### Background/Supporting Papers/Implications

- PCC's Financial Regulations

#### 4. Contribution to the Police and Crime Plan

4.1 An effective internal financial control framework is an imperative for the Commissioner to ensure that he is gaining value for money in the use of public funds and an important part of that framework is to have a policy for the use of reserves.

## 5. Introduction

5.1 Since its inception the Office of the Police and Crime Commissioner (OPCC) has held several earmarked reserves as well as the Police Fund. The reserves and the rationale for holding them and their prospective use are as follows:

## 6. General Reserves

6.1 The PCC will hold a general reserve of 3% of the net revenue budget.

6.2 Police Fund - It was determined by the OPCC in March 2021 that it would hold a general reserve equivalent to 3.0% of the net revenue budget. This will result in a Police Fund balance of £4.475M in 2024/25 as compared to £4.164M in 2023/24 if the proposed net revenue budget of £149.164M is approved. This sum may be influenced by the resourcing or service risks profiles over the period of the medium-term financial plan and will be subject to review by the Chief Finance Officer.

6.3 The Police Fund will be used for extraordinary expenditure arising from exceptional circumstances that have not and cannot be funded from within the PCC's and Force's agreed revenue budgets and capital programme.

## 7. Earmarked Reserves

7.1 The PCC holds a number of earmarked reserves, as shown below. The levels of reserves are formally reviewed at budget setting and outturn stages of the financial year, but are informally reviewed as part of the on-going medium term forecasting process:

- **Force Earmarked Reserve** – a reserve against which approved carry forwards will be held at the end of the financial year prior to them being added to the ensuing year's budget.
- **Budget Reserve** – a reserve to help finance the revenue budget over the period of the medium-term plan.
- **Capital Expenditure Reserve** – this reserve will be a revenue reserve but primarily utilised for funding one-off expenditure associated with the approved capital programme of the PCC.
- **Insurance Reserve** – an insurance reserve will be held by the PCC to fund self-insurance liabilities arising from increases in insurance excesses and aggregate stop losses. The level of this reserve will be subject to regular fund adequacy audits by external advisers.
- **Road Safety Reserve** – this is held by the PCC to fund road safety initiatives and is managed by the Office of the Police & Crime Commissioner.

- **Capital Grants Unapplied** – ring fenced grants that can only be used for specific projects are held in this reserve.
- **Sixhills Reserve** – A reserve to fund maintenance projects associated with the HQ of the Eastern Region Special Operations Unit that Bedfordshire own a share of.

7.2 The PCC also holds a reserve on behalf of the Police Service of Northern Ireland. This is solely maintained for an Operation known as Kenova and we are simply the gatekeepers of these funds. If any funds remain in this reserve at the conclusion of the operation they will be returned to the Police Service of Northern Ireland.

## **8. Use of Reserves**

8.1 Authority to utilise reserves will be sought from the Performance & Governance Board and will require the approval of the PCC's Chief Finance Officer.

## **9. For Recommendation**

9.1 That the policy for Reserves be approved.