



AGENDA NO: 9d

INDEPENDENT AUDIT COMMITTEE – 17 DECEMBER 2019

DORSET RESERVES STRATEGY 2020/21

REPORT BY JULIE STRANGE

PURPOSE OF THE REPORT

To present the draft Reserves Strategy for 2020/21, for consideration and comment by the Independent Audit Committee, prior to approval by the PCC.

1. INTRODUCTION

- 1.1 Police and Crime Commissioners (PCCs) can keep part of their funding in reserves to help manage financial risk and to fund major future costs such as change programmes aimed at improving services to the public. Each year, a Reserves Strategy should be published in accordance with Home Office guidance, and in support of the Medium Term Financial Strategy.

2. RESERVES STRATEGY

- 2.1 The draft Reserves Strategy for 2020/21 is set out in Appendix 1. It has been reviewed and updated for the new Regional Collaboration reserve created earlier this year and the known contributions / planned use of reserves that have been identified at this stage of the process. No other material changes have been made.
- 2.2 The forecast balances are estimates at this stage and will be updated as the budget setting process progresses. Target levels of balances will also be updated once the Medium Term Financial Strategy has been finalised. Alongside the Capital Strategy, the Reserves Strategy supports the Medium Term Financial Strategy to set out the overall financial position.
- 2.3 Comments from this Committee will be fed back to the Resources Control Board in January who will consider the updated draft Strategy prior to the formal approval of the Reserves Strategy by the Commissioner in February 2020.

3. RISK / THREAT ASSESSMENT

- 3.1 Financial / Resource / Value for Money Implications – The maintenance of adequate reserves is an essential element of good financial management
- 3.2 Legal Implications – Sections 32 and 43 of the Local Government Finance Act 1992 require precepting bodies to have regard to the level of resources needed to meet estimated future expenditure when calculating the annual budget requirement. This is further supported by the balanced budget requirement: England, sections 31A, 42A of the Local Government Finance Act 1992.

The Local Government Act 2003 requires all Chief Finance Officers to make a statement on the robustness of estimates and the adequacy of reserves at the time the budget is set. The PCC has a statutory duty to have regard to this when making decisions about such calculations
- 3.3 Implications for Policing Outcomes – Holding an adequate level of reserves can de-risk the budget by avoiding crisis management when unexpected items occur e.g. a nationally agreed pay award higher than estimated. Reserves can also allow the ‘smoothing’ of expenditure across years.
- 3.4 Equality – no direct implications

4. RECOMMENDATIONS

- 4.1 It is recommended that the Independent Audit Committee considers the draft Reserves Strategy and provides any comments.

APPENDIX 1 – DRAFT RESERVES STRATEGY 2020/21

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