



AGENDA NO: **6C**

INDEPENDENT AUDIT COMMITTEE

DATE OF MEETING: 26 JANUARY 2021

FOIA OPEN

TITLE OF REPORT: RESERVES STRATEGY COVERING REPORT

REPORT BY: JULIE STRANGE, CHIEF FINANCE OFFICER, DORSET OPCC

PURPOSE OF THE REPORT:

To present an update and provide assurance on one or more of the following areas:

| | |
|---|------------|
| Governance, Risk and Control | YES |
| Internal Audit | - |
| External Audit | - |
| Financial reporting | - |
| Other matter (please specify here) | - |

RECOMMENDATIONS:

The Independent Audit Committee is asked to:

| | |
|------------------------------------|------------|
| Review the Report | YES |
| Consider the Report | - |
| Note the report | - |
| Other (please specify here) | - |

1. BACKGROUND INFORMATION

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CPIFA's) sets out guidance on establishing and maintaining reserves and balances. This guidance is a foundation for good financial management and has been adopted by the Police and Crime Commissioner (PCC).
- 1.2 The Reserves Strategy is reviewed annually and discloses each reserve held, its purpose and expected balances over the medium term.

- 1.3 The Independent Audit Committee (IAC) is responsible for scrutinising the Reserves Strategy and making recommendations to the PCC, before it is approved.
- 1.4 Any comments made will be considered by the Dorset Joint Leadership Board, prior to approval by the PCC who is ultimately responsible for approving the Strategy.
- 1.5 The Reserves Strategy is intrinsic to the annual Budget and Medium Term Financial Plan (MTFP) which is considered by the Police and Crime Panel each year as part of the PCC's annual precept setting process. This is further supported by the Capital Strategy, and the Treasury Management Strategy (both being considered on the agenda).

2. THE RESERVES STRATEGY

- 2.1 The CIPFA guidance identifies that Revenue Reserves can be held for 3 main purposes:
 - As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (this forms part of general reserves);
 - As a contingency to cushion the impact of unexpected events or emergencies (this also forms part of general reserves);
 - As a means of building up funds to meet known or predicted requirements; these specific reserves are known as earmarked reserves and remain legally part of the total "General Fund".

In addition, PCC's hold the following usable reserves:

- Capital Receipts Reserve – this reserve holds the proceeds from the sale of assets and can only be used for capital purposes (as specified in the capital finance and accounting regulations).
- 2.2 The Home Office issued specific **Police finance reserves guidance** on 31 January 2018, which is provided in the draft Strategy. They also publish the details of all police reserves annually. This indicates that overall the level of reserves held nationally has reduced.
 - 2.3 The balances presented are estimates at this stage and are subject to change up to the point of finalising the budget. Based on the current position, the level of general balances equates to 3% of the net revenue expenditure which is within the reserves policy range.
 - 2.4 The main change to the Reserves Strategy reflects the decision to move the Major Operations Reserve into General Reserves. This reserve was not held for a specific planned operation but as a more general contingency in case more major operations occurred than was originally factored into the budget. It

was therefore felt that this was more appropriately held with General Reserves, as is the common in other forces. Following this change, General Reserves will be approximately 3.8% of net revenue expenditure.

2.5 The Draft 2021/22 Reserves Strategy is shown in Appendix A.

**Author: Lucinda Hines
Head of Technical Accounting**

**Sponsor: Julie Strange
Chief Finance Officer to the OPCC**

Date: 8 January 2021