

REQUEST FOR DMPC DECISION – PCD 1643

Title **Reserves Strategy 2024/25 – 2026/27**

Executive Summary:

In accordance with the Revised Financial Management Code of Practice for Policing MOPAC is required to publish a Reserves Strategy. The strategy includes details of both the general reserve and the earmarked reserves held, and explains the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions / withdrawals, and the estimated closing balances.

Current plans assume a reduction in reserves of £210.7m in 2023/24 and then over the 3 year period 2024/25 – 2026/27 MOPACs reserves reduce by £200.3m This represents a reduction of £411.0m in the period 2023/24 – 2026/27. Resulting in a closing balance of earmarked reserves of £84.3m at March 2027 and this includes the general reserve of £46.6m.

The general reserve is currently 1.1% of the net revenue budget. Taking into account the sensitivities and risks in the Medium-Term Financial Plan (MTFP) it is proposed that the general reserve is increased to 2%-3% of net revenue expenditure. Contributions required to deliver this will be built into the MTFP from 2025/26 onwards.

Recommendation:

The Deputy Mayor for Policing and Crime is recommended to:

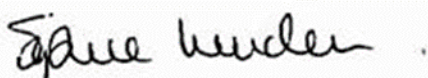
1. Approve the 2024/25 – 2026/27 Reserves Strategy as set out in Appendix One

Deputy Mayor for Policing and Crime

I confirm that I have considered whether I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature:



Date 18/03/2024

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and Background

- 1.1. In accordance with the Revised Financial Management Code of Practice for Policing MOPAC is required to publish a Reserves Strategy. The strategy includes details of both the general reserve and the earmarked reserves held, and explains the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions / withdrawals, and the estimated closing balances.
- 1.2. In line with the code of practice reserves will be categorised as follows:
 - A general non-earmarked reserve to be maintained for unknown and/or unforeseeable events.
 - Earmarked capital and revenue reserves set aside for specific activities.
 - Earmarked reserves to provide investment to deliver change, e.g. New Met for London
 - Earmarked reserves relating to known risks.
- 1.3. Current plans assume that over the 3-year period 2024/25 – 2026/27 MOPACs reserves will reduce by over £200.3m leaving a closing balance of earmarked reserves of £84.3m at March 2027. This includes the general reserve of £46.6m.

2. Issues for Consideration

- 2.1. General reserves are held to provide for any unexpected expenditure that cannot be managed within existing budgets. MOPACs general reserve currently stands at £46.6m, 1.1% of net expenditure. Taking into account sensitivities and risks in the medium-term financial plan (MTFP) it is proposed to increase the general reserve to 2-3% of the net revenue budget, with planned contributions being built into the budget from 2025/26 onwards. This means that the general reserve will need to increase to £87m - £131m over the lifetime of the MTFP.
- 2.2. Earmarked reserves are held to meet identified spending commitments. These reserves can only be used for the purpose for which they are created and will be reviewed quarterly. Current plans assume that earmarked reserves will reduce to £37.7m at March 2027.
- 2.3. In developing the MTFP, it is recognised that general reserves will need to increase to provide the resilience needed. In 2024/25, a total of £155.6m is forecast to be needed, some of which is to support projects for which earmarked reserves are available and some to support balancing the budget.
- 2.4. Recognising the need to build back reserves and to manage the draw down during the year, the strategy also sets out arrangements for the management and governance of reserves. These have been strengthened to provide greater control to the CFO in managing risk. CFO sign off is needed for contributions to and from reserves.
- 2.5. During 2024/25, a full review of the reserves and their utilisation will be carried out. Reserves will also be reviewed quarterly, with updates on reserve movements reported to the DMPC. The CFO will review reserves annually to ensure they comply with the relative legislative and accounting requirements.

3. Financial Comments

- 3.1. Current plans assume that over the 3-year period 2024/25 – 2026/27 MOPACs reserves are forecast to reduce by £200.3m leaving a closing balance of earmarked reserves of £84.3m at March 2027. This includes the general reserve of £46.6m.
- 3.2. The general reserve is currently 1.1% of the net revenue budget and it is recognised that this needs to increase to £87m - £131m dependent upon risk. To preserve reserves as much as possible, strengthened governance arrangements have been put in place to give greater control to the CFO. A full review of reserves will be carried out during 2024/25 and the budget for 2025/26 will be developed to take account of the need to increase the level of reserves available in future years.

4. Legal Comments

- 4.1. Under section 3 (6) of the Act, MOPAC is under a duty to secure the maintenance of an efficient and effective police force. Under paragraph 7 of schedule 3 of the 2011 Act MOPAC may do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of its functions. Under section 79 of the Act, MOPAC must have regard to the Policing Protocol when exercising its functions. The Policing Protocol provides that PCCs (including MOPAC) as recipient of all funding, must determine how this money is spent. In London, this is also to be read within the context of the GLA Act 1999, and the Mayor's budget setting requirements.

5. GDPR and Data Privacy

- 5.1. There are no direct GDPR/data privacy issues arising from this report as it does not use personally identifiable data of members of the public. In the delivery of the Police and Crime Plan and this budget where GDPR or data privacy issues are applicable these are considered as part of the MOPAC/MPS governance process

6. Equality Comments

- 6.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 6.2. There are no equality and diversity implications arising from this report.

7. Background/supporting papers

- 7.1. Appendix 1 Reserves Strategy 2024/25 – 2026/27

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – NO

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (2)</i>
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	<input checked="" type="checkbox"/>
Legal Advice: Legal advice is not required.	<input checked="" type="checkbox"/>
Equalities Advice: Equality and diversity issues are covered in the body of the report.	<input checked="" type="checkbox"/>
GDPR and Data Privacy GDPR compliance issues are covered in the body of the report. A DPIA is not required.	<input checked="" type="checkbox"/>
Head of Unit: The Deputy CFO and Head of Financial Management MOPAC has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	<input checked="" type="checkbox"/>

OFFICER APPROVAL**Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

Hanabuchi Ferd.

Date 18/03/2024