

## **DRAFT RESERVES STRATEGY 2023/24 – 2026/27**

### **1 PURPOSE**

Reserves are one-off monies and can only be sent once. MOPAC and MPS aims to avoid using reserves to meet ongoing financial commitments, other than as part of a sustainable budget plan. There is a need to balance the opportunity cost of holding reserves in terms of the impact on Council Tax against the importance of long-term financial sustainability and resilience.

MOPAC and MPS operate in a complex and volatile environment where risks cannot always be quantified. It is therefore essential that MOPAC holds sufficient reserves. Reserves will be assessed quarterly as part of the quarterly monitoring process and will be reported to the Deputy Mayor for Policing and Crime (DMPC) and to the Met Management Board.

In line with the requirements set out in the guidance to Police and Crime Commissioners, MOPAC's 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.

### **2 GENERAL RESERVE**

The purpose of the general reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event or unforeseen financial liabilities. Authorisation to finance any expenditure from the General Reserve expenditure must be obtained in line with the Scheme of Consent and existing delegations and requires approval from the MOPAC S151 Officer.

The level of the general reserve is a matter of judgement having regard to the advice from the S151 Officer and will take account of specific risks identified through the budget setting process. This is considered on an annual basis as part of the S25 robustness of estimates and adequacy of reserves assessment. This forms part of the budget setting process. It will also take account of the extent to which specific risks are supported through earmarked reserves.

It is proposed that the General Reserve Policy provides for an unallocated reserve of 2-3% of the net revenue budget subject to the sensitivity and risks in the Medium-Term Financial Plan. For comparison, average general reserves across PCCs is 3.1% at the end of the 2022/23 financial year.

MOPAC's general reserve is currently c1.1% of the net revenue budget and the Medium Term Financial Plan will require planned contributions to reserves from 2025/26 onwards when total reserves are forecast to reduce below 3%.

To provide corporate grip and financial control, all changes in the planned use of reserves must be approved by the MOPAC S151 Officer, in consultation with the MPS S151 Officer

As part of the quarterly review process, reserves that are not supported by plans will be released for consideration as part of the MTFP.

### **3 EARMARKED RESERVES**

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. Draw down from the reserves will be subject to an assessment by the MPS S151 Officer that there is a robust justification and that expenditure is in line with agreed plans.

Earmarked reserves are in the process of being rationalised and are focussed on the following core areas. These core areas will reduce over the lifetime of the MTFP. Current earmarked reserves are as following and are grouped in line with the CIPFA guidance:

- 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.

Further detail of the reserves held in each of these groups is set out below.

#### **A Earmarked capital and revenue reserves set aside for specific activities**

##### **Business Group Initiatives**

This reserve supports the delivery of one-off projects within business groups.

##### **Operational Costs**

This reserve exists to fund a number of specific operational requirements such as investigative coaches where it has been agreed funding would be carried forward to enable the profiling of these costs in future years.

##### **Historical Public Enquiries**

This reserve funds the provision of resources to respond to requests for information and other legal requirements arising from the work of the public inquiries.

##### **Managing Officer FTEs**

This reserve was established in 2017/18 following a Management Board decision to work towards a relatively stable trajectory for officer FTEs over the medium term. This reserve will be fully spent by the end of 2024/25.

##### **Property**

These reserves are accumulated or drawn down to facilitate the MPS estates rationalisation programme. This covers a reserve for dilapidations to fund future expenditure on properties where the leases have expired and a reserve for property related costs which reflect the requirement to provide for the cost of various building related projects as part of our central estates' strategy.

##### **Vetting Delays**

£1.1m was set aside in 2017/18 to fund the requirement to update the vetting status of existing officers and staff. This reserve will be fully spent by the end of 2024/25.

##### **POCA**

The reserve is used to drive up performance on asset recovery work, crime reduction projects and to fund local crime fighting priorities for the benefit of the community.

### **Specifically Funded for Third Parties**

This reserve holds monies for Counter Terrorism Capital Expenditure, future Airwave replacement requirements at Heathrow and London City Airports. The spend profile reflects the commitments for these organisations.

### **Business Rates**

This reserve was set up by the Mayor to fund an additional 1,000 FTEs over 3 years. The final tranche of the reserve will be spent in 2024/25.

### **MOPAC Earmarked**

MOPAC holds a reserve for its own internal budget. This is mainly grant funding that is held to fund specific projects over a number of financial years and which the grant funder permits funds to be carried forward from one year to the next. MOPAC aim to drawn down a managed amount from these reserves each year to fund a variety of commissioned services reflecting the priorities set out in the Mayor's Police and Crime Plan to: provide a better police service for London; tackle violence against women and girls; keep children and young people safe; tackle hate crime and intolerance; and provide a better Criminal Justice Service for London.

## **B Earmarked reserves to provide investment to deliver change, e.g. New Met for London**

### **Supporting Local Change**

This reserve supports delivery of the various modernisation programmes in particular estates transformation.

## **C Earmarked reserves relating to known risks**

### **Managing the Budget**

This is a smoothing reserve to manage budget fluctuations during the year and to smooth the short term impact of funding changes and cost pressure.

### **Insurance**

This reserve covers insurance costs in line with the insurance strategy. This reserve will cease due to the fact that insurance risks are covered through provisions.

### **Contribution to the Council tax Deficit**

This reserve was set up in response to COVID and the impact on council tax collection rates that created deficits. The reserve will be fully spent by the end of 2024/25.

## **4 MANAGEMENT AND GOVERNANCE**

Approval arrangements are as follows:

- MOPAC/Management Board approval is needed for the creation of new earmarked reserves, subject to the recommendation of the respective MOPAC/MPS S151 Officer.
- All reserves to have a named accountable officer who are required to prove they have plans to utilise the reserve over the period of the MTFP.
- All draw down from reserves are subject to the approval of the relevant S151 Officer.

- The S151 Officer shall approve the use of all earmarked reserves provided that the intended use is in accordance with the purpose for which the reserve was established and approved. Intended use outside of the defined purpose will require DMPC approval.
- S151 Officer approval is required for all contributions to reserves.
- Quarterly review of reserves to be carried out in conjunction with quarterly monitoring of the budget.
- Movements in reserves will be reported to DMPC on a quarterly basis.
- Each reserve to be supported by the completion of the reserves protocol that will contain:
  - The named accountable officer
  - A clear rationale and description of the purpose of the reserve
  - Details of any conditions associated with the reserve
  - A profile of expected spend and contributions to the reserve

An annual review of each earmarked reserve will be carried out between the S151 Officer and the relevant Director to ensure that all reserves comply with legislative and accounting requirements. This review will ensure that the number and value of reserves is not unnecessarily increasing and are held corporately to manage emerging pressures and risks.

The short-term use of reserves may be agreed by the Section 151 Officer to provide time to plan for a sustainable funding solution in the following financial year.

The reserves policy is to be reviewed annually as part of the budget setting process. The planned drawdown of reserves over the MTFP is set out at Appendix 1.

<b>Groupings for Final Submission</b>	<b>Closing Balance 2022/23 £m</b>	<b>Forecast Usage Q2 2023/24 £m</b>	<b>Closing Balance 2023/24 £m</b>	<b>Planned Usage 2024/25 £m</b>	<b>Closing Balance 2024/25 £m</b>	<b>Planned Usage 2025/26 £m</b>	<b>Closing Balance 2025/26 £m</b>	<b>Planned Usage 2026/27 £m</b>	<b>Closing Balance 2026/27 £m</b>
Supporting Local Change	44.3	-30.9	13.3	-7.3	6.0	-5.7	0.3	-0.2	0.1
Managing the Budget	59.7	-28.3	31.4	-31.4	0.0	0.0	0.0	0.0	0.0
Business Group Initiatives	2.3	-1.5	0.8	-0.4	0.4	-0.3	0.1	-0.1	0.0
Operational Costs	105.1	-74.8	30.3	-16.7	13.6	-5.6	8.0	-4.4	3.6
Historical Public Inquires	2.2	-1.0	1.2	-1.0	0.2	-0.2	0.0	0.0	0.0
Managing Officer FTEs	23.1	0.0	23.1	-23.1	0.0	0.0	0.0	0.0	0.0
Insurance	6.7	-6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property	61.8	-13.0	48.7	-8.2	40.5	-9.5	31.0	-7.6	23.4
Vetting Delays	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other earmarked (POCA)	11.4	-0.5	10.8	-1.9	8.9	-1.8	7.1	-0.6	6.5
Specifically Funded for Third Parties	13.4	0.6	14.0	-13.6	0.3	-0.3	0.1	-0.1	0.0
Business Rates	60.0	-30.0	30.0	-30.0	0.0	0.0	0.0	0.0	0.0
Contribution to the Council Tax deficit	6.6	-6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MOPAC Earmarked	52.1	-17.8	34.3	-21.6	12.8	-8.2	4.6	-0.6	4.0
<b>Total earmarked reserves</b>	<b>448.7</b>	<b>-210.7</b>	<b>238.0</b>	<b>-155.2</b>	<b>82.8</b>	<b>-31.6</b>	<b>51.2</b>	<b>-13.5</b>	<b>37.7</b>
General Reserves	46.6	0.0	46.6	0.0	46.6	0.0	46.6	0.0	46.6
<b>Grand Total</b>	<b>495.3</b>	<b>-210.7</b>	<b>284.6</b>	<b>-155.2</b>	<b>129.3</b>	<b>-31.6</b>	<b>97.7</b>	<b>-13.5</b>	<b>84.3</b>