



## Reserves Strategy to March 2030

### 1. Purpose

1.1 This document sets out the Police and Crime Commissioner for the West Midlands Reserves strategy up until March 2030. This includes details of reserves currently held, the purpose of the reserves and the predicted balances by 31 March 2030.

### 2. Reasons for holding reserves

2.1 The PCC must consider the required level of general policing fund balances that should be retained before deciding the level of council tax precept. General balances are maintained as a matter of prudence and to meet financial risks. They enable the PCC to provide for known and unknown risks and offer financial resilience.

2.2 Earmarked reserves are retained for specific risks and planned investments.

2.3 Provisions are retained for specific purposes or for known future financial obligations.

2.4 The reserves strategy has been drawn up within the parameters of the Financial Regulations adopted by the Police and Crime Commissioner. The use and maintenance of reserves is based on the following principles:

- Maintaining a working balance or general reserve to cover the effects of uneven cash flows and to avoid temporary borrowing.
- Reserves in place to provide flexibility in managing future year's budget pressures.
- Funding investment in the Change Programme including the Estates Strategy.
- Earmarking specific funds to meet known or predicted requirements in the future.
- Creating contingencies to cushion the impact of unexpected events or emergencies.

2.5 The reserves are split into two categories:

- I. Funding for planned expenditure on projects and programmes
- II. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management

### 3. Reserves Strategy

3.1 The Commissioner's overall reserves strategy is to use reserves over the medium term up to 2030 to support the medium-term financial strategy including the Change Programme and Estates Strategy. Over the next 5 years we will look to use a net £23.3m of reserves as detailed in the table below:

Contribution to / From Reserves £m	2025/26	2026/27	2027/28	2028/29	2029/30
Uniform and Equipment Reserves	1.6	2.0	0.0	8.0	0.0
Estates Strategy / Change Programme	8.4	6.2	0.0	0.0	0.0
Budget Reserve	4.6	0.0	0.0	0.0	0.0
OPCC including Commissioned Services	0.4	0.4	0.4	0.4	0.4
Regional / National / Collaboration	(1.8)	(2.6)	(2.6)	(2.6)	(2.6)
Police Property Act / Drug Squad / POCA Contributions	0.2	(0.3)	(0.3)	(0.3)	(0.3)
National contingency – Hillsborough	0.4	0.4	0.4	0.0	0.0
<b>Total</b>	<b>13.8</b>	<b>6.1</b>	<b>(2.1)</b>	<b>5.5</b>	<b>(2.5)</b>

3.2 Details of the planned movement in Reserves are as follows:

- Funding for the year 1 of the taser contract due to commence in 2026/27,
- Commencing work on converting our fleet to non-ICE vehicles,
- Refurbishment costs of the estate's strategy (where expenditure cannot be capitalised),
- Replacement or development of the Connect system starting in 2025/26,
- Funding for Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands,
- Funding for the setup of the Mounted Unit,
- A contribution to reserves from the increase in planned activity in average speed enforcement and the income from Abnormal loans escorts.
- Balancing the 2025/26 utilising the budget reserve.
- The budget reserve is currently being held at current levels from 2026/27 onwards, however we will look to draw down on this to support setting a balanced budget over the medium term.

3.3 The table below details the current level of reserves held from the outturn for March 2025 through to the forecasted level by March 2030 based on use of / contribution to reserves detailed above.

Reserves £m	31st March 2025 Forecast	31st March 2026 Forecast	31st March 2027 Forecast	31st March 2028 Forecast	31st March 2029 Forecast	31st March 2030 Forecast
<b>Funding for Planned Expenditure on Projects &amp; Programmes - Revenue</b>						
Regional / National / Collaboration Reserve	5.4	7.2	9.8	12.4	15.0	17.6
PPA / Misuse of Drugs Act	1.5	1.4	1.2	1.1	1.0	0.9
POCA (Proceeds of Crime Act) Reserve	0.9	0.4	0.4	0.4	0.4	0.4
Change Programme / Estates Strategy Reserve	15.5	7.1	0.9	0.9	0.9	0.9
Carry Forward Reserve	3.6	3.6	3.6	3.6	3.6	3.6
<b>Funding for Planned Expenditure on Projects &amp; Programmes – Capital</b>						
Useable Capital Receipts Reserve	14.5	13.6	23.4	23.4	23.4	23.4
Capital Grants Unapplied	0.8	0.8	0.8	0.8	0.8	0.8

<b>Reserves held in accordance with sound principles of good financial management</b>						
Uniform and Equipment Reserve	11.6	10.0	8.0	8.0	0.0	0.0
Budget Reserve	35.1	30.5	30.5	30.5	30.5	30.5
National Contingency Reserve	2.2	1.8	1.5	1.1	1.1	1.1
<b>Total Earmarked Reserves</b>	<b>91.1</b>	<b>76.4</b>	<b>80.1</b>	<b>82.2</b>	<b>76.7</b>	<b>79.2</b>
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
<b>Total Useable Reserves</b>	<b>107.8</b>	<b>93.1</b>	<b>96.8</b>	<b>98.9</b>	<b>93.4</b>	<b>95.9</b>
Provisions	15.7	14.5	13.4	13.1	13.5	13.9
<b>Total Useable Reserves &amp; Provisions</b>	<b>123.5</b>	<b>107.6</b>	<b>110.2</b>	<b>112.0</b>	<b>106.9</b>	<b>109.8</b>

3.4 The total reserves of the West Midlands Police and Crime Commissioner forecast as of 31 March 2025 is 16.5% of the net revenue budget (NRB), if funding is used as planned by March 2026 this will reduce to around 13.9% of the forecast NRB, dropping to 12.6% by the end of March 2030.

#### 4. Individual Reserves

4.1 The following paragraphs provide an explanation of each reserve split by Home Office Category.

##### 4.2 Category (i) Funding for planned expenditure on projects and programmes

###### **Regional / National / Collaboration Reserve**

This reserve includes balances held for regional and national projects and Operations including the Regional Organised Crime Unit (ROCU), National Ballistics Intelligence Service (NaBIS), Mounted Unit, Lock-Up Museum, Collaborations such as Forensics and Public Order Training, Road Safety Enforcement and County Lines. This reserve is therefore held by West Midlands on behalf of ourselves and other forces and partners. This reserve has been generated from in year under spends and will be agreed and drawn down annually over the course of the medium term in line with decisions made at the respective boards to support operational activity.

###### **PPA / Misuse of Drug Act Reserve**

This reserve allows recovered assets of criminality to be used to fund community-based activity. Funding is secured in several ways including cash seizures and the confiscation of assets through the courts following convictions. The Home Office collect the assets, and these are shared between the Treasury, Courts, Crown Prosecution Service and Police using a prescribed formula. This reserve is being used to fund the Commissioner's Helping Communities Fund which supports projects at Neighbourhood Policing Units.

###### **POCA Reserve**

The POCA Reserve has been created to hold any surplus POCA income received in year, this will be utilised in future years to either support a deficit in POCA receipts against the budget during a budget year or future planned initiatives. It has been committed over 2024/25 and

2025/26 to the Op Fearless campaign, which itself targets, amongst other things, increased seizures of cash and therefore to a degree the operation is intended to be self-funding,

### **Change Programme**

This reserve is being utilised in the medium term to fund the replacement / development work associated with developing our core Police Records Management System: Connect.

### **Estates Strategy Reserve**

This utilises the estate strategy reserve to fund the in-year revenue costs of the Estates strategy.

### **Carry Forward Reserve**

This reserve is used to carry forward specific / agreed under spends from the revenue budget and will usually be utilised the following year. Any unutilised carry forwards will be transferred to the budget reserve. This includes:

- Grant No Conditions across BAU Departments,
- PCC Carry forwards
- BAU requests to carry forward due to committed spend moving into future years.

### **Useable Capital Receipts Reserve**

The capital receipts reserve holds the balance of receipts received through the sale of police assets and will be used to capital part of the Estates Strategy or BAU capital programme over the current medium-term financial planning cycle. It should be noted capital receipts can only be used for capital purposes.

### **Capital Grants Unapplied**

This reserve holds previous year's capital grants that have not yet been applied. The unapplied grants are ring-fenced to be used over the medium-term planning cycle.

## **4.3 Category (ii) Reserves held in accordance with sound principles of good financial management**

### **Uniform and Equipment Reserves**

The Uniform & Equipment Reserve was created to mitigate the effects of legislative changes in uniform and equipment and to provide some flexibility if policies in relation to uniform and equipment issues change. The reserve has recently been expanded to cover the periodic replacement of major equipment such Tasers, laptops / desktop replacement and IT infrastructure and mobility devices (to support in smoothing the replacement cycle), along with supporting the switch to a greener fleet.

### **National Contingency Reserve**

This reserve is to fund projects and national policing initiatives the West Midlands may be required to contribute funding towards.

## Budget Reserve

This reserve will be applied as part of the Commissioner's Medium-Term Financial Plan (MTFP) to reduce the impact of financial pressures. Consideration will be given to utilising the reserve to further support 2025/26 as part of the budget setting cycle.

The plan thereafter is to hold the Budget Reserve at the forecast level as of 31<sup>st</sup> March 2026 to fund any potential future funding gaps from 2026/27 and beyond, linked to the risks associated with potential increases in inflation over and above those forecast through the medium-term financial plan.

### 4.4 General Fund

The Police Service, as one of the major emergency services, is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident, or a series of events, could put extraordinary pressure on the budget in a particular year.

As a result, financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation.

The balance of the general fund has been assessed considering the financial risks included within the PCC and Force Risk Registers. A breakdown of these alongside the financial risk assessment against each category is shown in **Appendix 1**.

This provides the PCC with more accurate, timely and risk-based information on the type of issues that may have significant potential implications for the level of general fund reserves held, both now and in the future.

The biggest risk is the additional costs of one-off operational incidents or in-year emergencies that cannot be contained within budget or be fully grant funded by Government.

Nationally, Police and Crime Commissioners have provided financial guarantees to organisations in case they fail. This is in respect of the Police ICT Company, also known as Police Digital Services and the Association of Police and Crime Commissioners Association. In the unlikely event these guarantees are called in these will be funded from the general reserve.

## Financial Risk Assessment

## Appendix 1

The table below details the risks and implications if key budget assumptions vary during the year.

<b>Financial Risk Assessment</b>	<i>Likelihood</i>	<i>Impact</i>	<i>Comment</i>
<b>The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.</b>	High	High	The programme has been written with some flexibility built in, but should strategic choices vary significantly the programme would be reviewed and re-shaped in line with the new requirement.
<b>Planned savings the estates strategy included within the Medium-Term Financial Plan are not achievable.</b>	High	High	Budget Managers have considered the planned savings and confirmed they believe them to be achievable, however if circumstances change and the planned level of savings is not achievable alternatives will be sought in year.

<b>Further Cost Transfer from National Programmes / Projects</b>	High	High	Further cost transfers from the centre (e.g., Emergency Services Network and IT company costs.)
<b>Headcount is not kept at the target, to secure Uplift funding</b>	Medium	High	The uplift numbers must be maintained, to keep grant funding. Terms and Conditions of grant funding are not confirmed for 2025/26 but loss of headcount of 120 below target, must be assumed to have financial consequences for the specific grant element of funding.
<b>Medium-Term funding remains unclear.</b>	Medium	High	A one-year settlement was received for 2025/26. Due to the nature of the funding settlement the future years funding remains unclear and could vary significantly to that planned. £1 change in precept results in £0.8m movement and 1% change in grant results in £5.8m movement in grant
<b>Pay awards in the future differ from the assumptions in our financial planning</b>	Medium	Medium	Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the budget reserve will be used in year to meet any difference, net of increasing turnover and holding posts vacant to meet costs.
<b>General inflation is different to the assumptions included in the budget.</b>	Medium	Medium	A 1% increase would cost around £1.5m. Significant increases in building costs in the medium-term capital programme period could have an impact on some estimates.
<b>Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors</b>	Medium	Medium	Depending on the volume and complexity of any incidents, this could place a significant strain on current contingency budgets. In the first instance savings would look to be found across budgets areas. If this were not sufficient then reserves would need to be used.
<b>Interest rates increase</b>	Medium	Medium	The budget reflects the current rates of interest being received on investments. No further borrowing is planned currently.
<b>Short Term Grants not extended by 2024/25</b>	Medium	Medium	There are several short-term grants that are due to end in 2024/25. Not all funding is yet confirmed for 2025/26. The mitigation is to stop the expenditure however this has a cost in terms of efficiency and positive outcomes. These include County Lines £7m, VRP £4.3m and GRIP (guardian) £3.7m
<b>Income levels not achieved</b>	Low	Low	A 1% loss of income (excluding grants & interest) would cost around £0.4m.