

PCC Reserves Strategy 2025/26

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Disclosure under Freedom of Information Act?	Yes
Risk Rating	Low
Equality Analysis	Low

1. Introduction

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Act 1992 require precepting authorities (and billing authorities) in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

This document provides information on the estimated levels of reserves including unapplied receipts held and explains how these will be used over the next five years to help support the revenue budget and capital programme, ensure the Police and Crime Commissioner (PCC) and Chief Constable meet their statutory responsibilities, strategic objectives and initiatives and manage critical risks. This reserves strategy is a fundamental part of the PCC's Financial Strategy.

This strategy refers to different types of reserves held by the PCC, although it should be noted that in England and Wales, earmarked reserves remain legally part of the General Reserve, although they are accounted for separately.

There are several safeguards in place to support the financial planning and control process. These include:

- The balanced budget requirement (Local Government Act 1992 s32 and s43).
- Chief Finance Officers duty to report on the robustness of estimates and adequacy of reserves (Local Government Act 2003 s25) when the PCC is considering the budget requirement.
- Legislative requirements for each PCC to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972).
- The requirements of the Prudential Code.
- Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.

These requirements are reinforced by section 114 of the Local Government Finance Act 1988, which requires the Chief Finance Officer to report to the PCC if there is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted, and it is forecast that the PCC is unable to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications, and in the unprecedented event of such a notice being served, the PCC must consider it within 21 days and during that period the force would be prohibited from entering into new agreements involving the incurring of expenditure.

Whilst it is the primary responsibility of the PCC and his Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider

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responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is sound. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual PCC's.

The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Prudential Code requires the Chief Finance Officers to have full regard to affordability when making recommendations about the PCC's future capital programme. Such consideration includes the level of long-term revenue commitments. In considering the affordability of his capital plans, the PCC is required to consider all the resources available to them and those estimated over the medium term, together with the totality of the capital expenditure plans and revenue forecasts for the forthcoming year and in the medium term. There is a minimum requirement for three-year revenue forecasts across the public sector. However, the PCC maintains a five year Medium Term Financial Plan (MTFP) to the end of 2029/30 to achieve the aims set out here. This is good practise and is an approach endorsed by CIPFA to promote and demonstrate resilience and financial sustainability. The MTFP will continue to be reviewed regularly and updated annually for inclusion in the PCC's budget report, it will incorporate the latest information and proposed central funding levels.

CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Commissioners on the advice of their Chief Finance Officers should make their own judgements on such matters considering relevant local circumstances, recognising these will vary over time. CIPFA has provided helpful guidance to public bodies on the establishment and maintenance of local authority reserves and balances, setting out key factors that should be considered locally in making assessments of the appropriate levels to be held. This guidance is followed by the PCC's Chief Finance Officer in assessing the adequacy of reserves and is documented within the annual budget report.

The guidance should enable well-managed organisations, with a prudent approach to budgeting being able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. When assessing the appropriate level of reserves, it is imperative that an assessment be made not only on whether reserves are adequate, but that they are also necessary. Previously the Home Office has indicated that it does not expect the level of reserves held by PCC's to be more than 5% of net revenue expenditure. Section 26 of the Local Government Act 2003 does give Ministers in England and Wales a general power to set a minimum level of reserves for authorities. However, the government has undertaken to apply this only to individual authorities in the exceptional circumstances where the body does not act prudently, and or disregards the advice of its Chief Finance Officer and therefore, is heading for serious financial difficulty.

2. The PCC's approach to reserves

The use of a significant proportion of the PCC's reserves, held for a specific purpose rather than a risk, over the life of the MTFP is an important element of the financial

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strategy. The Commissioner holds reserves for a variety of reasons. Further details on this can be found in the annual budget report approved by the PCC in February 2025, which should be read in conjunction with this strategy.

In summary, the Commissioner holds reserves to:

- To meet the costs of significant, unplanned events where the precise event, date and amount required for such events cannot be accurately predicted. For example, major events that would require the use of the General Reserves. These are linked to the operational nature of policing and are detailed in the general reserve risk assessment included at appendix A.
- To meet forthcoming revenue and capital budget and transformational events, whilst the event is certain the precise date and amount may not be. These reserves are important in supporting the Forcer to navigate and make progress to transform and operate effectively.
- To support one-off PCC work and initiatives.
- A reasonable amount to meet peaks, troughs, and risks in revenue expenditure on certain risk assessed areas of the business including legal and insurance matters, pensions, and income levels.
- To meet specific costs associated with road safety activity.
- To manage specific risks arising from any commercial activities undertaken.

3. Implications of the policy

The last twelve months have seen a change in Government, and a reset of political priorities. However, the current financial climate remains uncertain due to a range of geo-political events, inflation has fallen but remains volatile, interest rates have reduced but more slowly than expected, while pay inflation and energy costs remains high. Planned changes to national insurance following the last budget are due to occur in April and the effects of those are yet to be felt through the market. President Trump has only recently taken office, and the impact of his policies is also yet to be fully understood across the world.

At a local level, pay inflationary and the transition from a lower to a higher cost base for recently appointed officers under the Police Uplift Programme (PUP) represent the most significant financial challenges over the medium term. These costs are committed whilst officer numbers are fixed. This is not to say that there are no other underlying pressures on the budget, whether these are controllable or not. In the short-term officer overtime, in an operational context is volatile and a risk.

The force has successfully recruited their share of the 20,000 officers, under the PUP, and will turn its focus to delivering on the requirements of the neighbourhood guarantee programme. As a result, officers are expected to increase to 1,130 in

2025/26, which is the highest number of officers in Warwickshire in recent history, however, this is contributing to ensuring that the ratio of officer numbers keep pace with local population growth. Work is being undertaken to inform workforce planning and the financial implications over the medium term to inform the MTFP.

The 2025/26 budget required £2.2m of efficiency savings. £1.2m has been identified and removed from the budget, leaving a £1m in year savings target. Further savings across the medium term are required, of circa £2.5m. Plans are being considered to identify the savings, which will be mainly through efficiencies and productivity gains following recent investments in digital services and systems.

Reserves have reduced in a planned manner, utilising the earmarked reserves for the purposes for which they have been established, and addressing the in year budget risks. Reserves are due to dip below £10m during the life of the MTFP, mainly as a consequence of smoothing the transition to the higher cost base for officer pay. As part of the annual review process, as gross expenditure increases, reserve provision will be reassessed for adequacy based on risk appetite, emergence of new risks, or changes to existing risks, and reserve levels may need to be replenished as part of future year budgets. The general reserve must continue to provide coverage of at least 4% of net revenue expenditure.

4. Types of Reserve

This document aims to provide an over-arching strategy that defines the boundaries within which the approved budget and MTFP operate. The types of reserve held are considered in turn below:

The General Reserve

It has been established that General Reserves will be maintained at a level of £6million for 2025/26. This represents approximately 4.3% of net revenue expenditure. The general reserve was increased to £6million in 2022/23 to reflect the increasing net revenue expenditure and based on the risk assessment. The adequacy of reserves statement, within the budget report, follows a risk based review of the level of reserves and provides some further context to the potential use or circumstances surrounding the use of the general reserve however, this is not exhaustive as new risks will emerge during the year.

The purpose of this reserve is essentially twofold:

- to provide for any unexpected, significant operations (demand) arising from a serious incident, investigation, or prolonged disruption in lieu of special grant.
- to provide for commercial risks surrounding the national contractor vetting service. This risk is largely unique to Warwickshire and therefore requires reserve provision of at least 4% to be maintained.

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Authorisation to finance such expenditure from reserves must be obtained in advance from the PCC's Chief Finance Officer, in accordance with the scheme of delegation and the protocol between the force and the Office of the PCC (OPCC). The requirement will always be evidenced, depending on scale scope and where time permits the request should be supported by a business case.

As the net budget and vetting service continues to change the level of general reserves must be monitored to ensure that it is maintained at an appropriate level.

Appendix A is an extract from the budget report for 2025/26 and outlines the adequacy of reserves statement and risk analysis undertaken by the PCC's Chief Finance Officer.

Earmarked Reserves

Unlike general reserves earmarked reserves have been identified for specific events and managing assessed risks. Usually, there is uncertainty regarding anticipated costs, and/or timelines. Where the reserve is to meet a potential high risk, it may not transpire. It is therefore prudent for the PCC to identify these risks and set aside amounts that could mitigate the risk and limit disruption, whilst the issue is brought under control. Whereas known events usually arises from changes in legislation, policy, or where the organisation is working on a specific project. In all cases expenditure relating to earmarked reserves must specifically relate to the purpose of the reserve.

Appendix B details for each of the earmarked reserves that exist at the start of the 2024/25 financial year, the transfers during that year, year end balances, as approved by the PCC and the future anticipated use of reserves over the MTFP.

Further details on the purpose of specific earmarked reserves are given below:

Budget and Transformation Reserve

The PCC's MTFP is under constant review, however, the MTFP is only formally updated and approved once each year, in line with the annual budget process. The PCC's financial strategy is to deliver a good and balanced budget, supporting a sustainable Force over the medium to long term. This effectively means that expenditure must be met from within core funding, without a routine reliance on reserves to balance the budget.

However, it is acknowledged that a long-term strategic approach to funding also needs to be adopted, which recognises, that short-term shortfalls may occur, that it is acceptable and prudent to be bridged by reserves to avoid detrimental decisions being taken on an annual basis, only to be reversed in future years. Therefore, the budget and transformation reserve will:

- Provide a glide path over the MTFP to deliver £3.0m of savings

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- Provide support to finance capital expenditure for investment in ICT/digital services, where appropriate
- Provide support for any potential loss of Government funding e.g. Police Uplift Programme ringfenced grant
- Provide support/coverage for any negative impact of the funding formula review

Safer Road Reserve

A transfer from this reserve of £0.100m has been approved in the 2025/26 budget to meet the costs of the PCC's road safety grants and commissioned services. The reserve is ring-fenced and can only be utilised on addressing and improving road safety across Warwickshire and in support of the aim to reduce casualties by 50% by 2030.

Pay Reserve

This earmarked reserve was created in 2022/23 in acknowledgement of the risk surrounding the pay award and the uneven fluctuations in the police pay budget as we transition from the lower to the higher cost base, as officers move through the police constable spinal column pay points. To a lesser extent the Pay Reserve covers risks associated with other pay assumptions, including, retirement and turnover.

Workforce planning, to deliver the workforce strategy in support of the PCC's Police and Crime Plan and Chief Constable's force strategy, is a major input to the annual budget, MTFP and therefore the Reserves Strategy.

It is interesting looking at the anticipated 2025 (September) pay award. Provision for a 2.8% increase in pay has been made within the 2025/26 budget, but given continuing high levels of pay inflation, and cost of living pressures, there is little intelligence to understand whether this will be adequate or not. In recent years, any costs above this have been met from a separate pay grant that has been issued in year. It is anticipated that this practise would continue, but if not, any costs would need to be met, in the short-term, from the pay reserve.

PCC Grants and Initiatives Reserve

This reserve has been funded from previous year underspends in the PCC's budget. It is intended to provide for future needs in this growing area of work. Current plans include the utilisation of some of this reserve to finance one-off PCC grants and to fund additional serious violence duty costs.

Insurance and Legal Reserve

This earmarked reserve is held to mitigate against the volatility in claims and the risk of short-term excessive increases in insurance or legal costs falling in any specific year, which would have a detrimental impact on the in-year budget. These costs are

often unforeseen, values cannot be anticipated with much certainty, but could be significant, for example those costs arising from a public enquiry.

Operational Reserve

The operational reserve has been set up to provide the Chief Constable with some flexibility for one-off initiatives to target improved performance, perhaps through deployment of officers on overtime rates or deliver one-off discrete items of equipment. It may be used as part of the immediate operational response to a major incident and in this regard sits alongside the revenue budget and the General Reserve in meeting costs that fall below the Home Office criteria for Special Grant set at 1% of the net revenue budget.

Capital Reserves and Balances

In addition to the revenue reserves there is also a Capital Receipts Reserve. This holds receipts from the sale of police land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The annual budget includes the funding requirement, and the receipts expected from asset sales over the MTFP.

The PCC holds Section 106 (Town & Country Act 1990) money. S.106 is a condition of granting planning permission and essentially provides local authorities including policing, with money for providing infrastructure and services. Once conditions are satisfied this money is applied to revenue or capital, however this may be over one year and hence the need to carry balances forward.

5. Procedure for use of reserves

The use of reserves requires approval by the PCC supported by their Chief Finance Officer.

The PCC has authority to use reserves in advance of the start of the financial year to support a balanced budget. These would be approved in the annual budget report.

All in year requests to use reserves should be supported by recommendations in the Money Matters report, which is scrutinised by the PCC and provides the information to enable future approval or otherwise of reserves via a decision notice by the PCC.

On occasion where an urgent request is being made this should be discussed as soon as possible between the Chief Constable's Director of Finance and the PCC's Chief Finance Officer.

6. Monitoring

The level of reserves is kept under continuous review. The PCC receives a regular financial report (Money Matters) containing recommended use of reserves and

monitoring levels of reserves, together with an annual review of the reserves strategy in January/February as part of the budget setting process. Finally, the outturn position at year-end is set out in Money Matter but also included in the statutory statement of accounts.

The current forecast of reserve levels is considered to be adequate, based on the review of known risks and emerging pressures carried out in February 2025. A draw down from reserves has been approved in the 2025/26 budget, to meet some of the higher pay costs that are anticipated, which aligns with the purpose for which the pay reserve was established. This planned usage will help to manage reserve levels within acceptable parameters, which are deemed neither too high or too low and to appropriate to address the issues in hand. Such an approach will ensure that knee-jerk, short-term savings, that are not required in the longer term can be avoided, which enables a more controlled smooth delivery of consistent policing. This represents a prudent approach to financial planning but also requires careful monitoring as it will result in reducing reserve levels, meaning that there is less capacity to manage unplanned or unexpected spending, but that reserve levels are retained at levels adequate for managing risk, but are not excessive.

7. Risk Analysis

The adequacy of reserves statement includes details on the risk analysis that has been undertaken. Any recommendations during the year that change the planned use of reserves reported within the Annual Budget and precept setting report, will take account of the needs of operational policing balanced against the need to retain prudent levels of reserves. Use of reserves is only considered after seeking alternative sources of funding or a different course of action. Such changes and applications to use reserves will need to be approved by the PCC.

In summary and in support of the risks identified as part of the adequacy of reserves review the significant risks that have been considered, and which are kept under review are:

- The effect on pay budgets of high pay and non-pay inflation costs, and the changing workforce demographic.
- The rising cost of living and the effects this may have on crime rates.
- The impact on funding of the uplift grant which now incorporates the pay grant, and where grant conditions and penalties remain unclear.
- Not being able to deliver or achieve efficiencies and savings required over the MTFP.
- That income levels may not be achieved or over reliance on some specific income streams creates an over exposure to risk.
- The need to finance transformation, including automation of some processes which will facilitate improved efficiency and productivity

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identified through the Empower review as part of a renewed digital strategy.

- The current financial climate is increasingly uncertain, and supply chain issues are significant in some service areas.
- The risk that collaborations don't perform well, that costs become excessive or that they break down and alternative service models need to be identified.
- The recruitment and retention of suitably qualified staff is a challenge in a relatively full employment market. This is particularly evident in some specialist roles.
- Details regarding the outcomes from the funding formula review are not yet known. It is unclear whether Warwickshire will be a net beneficiary or not of the revised arrangements. It is likely that transitional arrangements will be put in place to enact any changes, but no further details are currently known.
- Demand pressures and risks associated with spill-out demand from other agencies, affecting police performance.

Should the PCC and Chief Constable be faced with several of the above issues at the same time there would be a more significant and pronounced effect on reserves and their potential use.

Reserves can only be used once and have limited scope for replenishment. This is usually achieved through a budget underspend, or increased income and will be reviewed as part of the work at the end of a financial year. This will include the review of the level of earmarked reserves held, which could appear insufficient and may need replenishing. This is as well as the review undertaken as part of the annual budget setting process and the monitoring undertaken during the year. Due to their importance and sensitivity, reserves are considered regularly at key events.

8. Compliance with Home Office Guidance

On 31st March 2018 the Minister for Policing and the Fire Service published new guidance and the information that each PCC must publish in terms of police reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current Medium Term Financial Plan
- Funding for specific projects and programmes beyond the current planning period
- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management

This information is provided in Appendix C.

9. Conclusion

There has been a comprehensive review of all reserves held by the PCC in preparing this 2025/26 reserves strategy. This report sets out clearly and transparently the reserves held, the purpose for which they are held, the plans for their use and the risks and assumptions underpinning them. This strategy will be reviewed annually and approved by the PCC. During the year changes may however occur in the MTFP, which affect this strategy. Such changes will be monitored by the Chief Finance Officer and reported to the PCC for approval.

Based on current planning assumptions and notwithstanding the need to use the General Reserve, the level of General Reserves should stay above the recommended minimum level of £6m through to 2029/30. This implies a plan to replenish the General Reserve if it is used in that period. Adequate provision has been made in earmarked reserves to fund expected one-off pressures and to manage known risks. However, earmarked reserves are expected to fall to lower levels than previously anticipated over the latter years of the medium term financial plan, and decisions around the level of adequacy in future years will need to be taken based on risk appetite, increasing gross expenditure levels, funding and any emerging new risks or material changes to risks faced.

Reserve levels are reliant on the accuracy of assumptions made across the MTFP; whilst these may be sound, the current economic outlook is uncertain, and it is therefore important that reserves are held at adequate levels to mitigate these additional unknown and unquantifiable risks also. The financial strategy of a good and balanced budget remains, in line with the Police and Crime Plan priorities. Reserves are being used in a strategic way to manage the need for savings through transformation and driving greater efficiency from recent investments in technology. Careful budget monitoring and tight budgetary control are necessary throughout 2025/26 and the life of the MTFP to identify any issues as they arise and enable timely decisions to be made to address any resulting financial implications. These will generally have to be dealt with within existing budget, but reserves will also help to manage the position.

10. Revision Record

Date of change	Nature of revision
27 February 2025	Updated to reflect 2025/26 budget and reserve levels

Adequacy of reserves statement

Report of the Chief Finance Officer as required by section 25 of the Local Government Act 2003 on the Soundness of the Budget and the Adequacy of Reserves

When setting the budget and capital programme for the forthcoming year the PCC must be satisfied that adequate consideration has been given to the following:

- Government policy on police spending, as applied to the PCC
- The CIPFA prudential code and the treasury management code
- The impact on the council tax, and the risk of exceeding the limit for triggering a referendum
- Whether the proposals represent a balanced budget for the year
- The robustness of estimates and the size and adequacy of general and specific earmarked reserves
- The CIPFA financial management code of practice and guidance on the level of reserves
- The medium term implications of the budget and capital programme.

Section 25 of the Local Government Act 2003 requires the PCC's Chief Finance Officer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

The Director of Finance for Warwickshire Police has provided assurance that the main assumptions and estimates used for compiling the budget are set out within this report, are robust and that the figures in the 2025/26 budget have been based, in his opinion and to the best of his knowledge, on sound assumptions. He has also provided assurance that this budget is consistent with the financial strategy (good and balanced budget), provides links to the priorities outlined within the Police and Crime Plan which is underpinned by the Chief Constables Fit for the Future strategy and does not impact adversely on the financial stability of the force in the medium term.

A level of uncertainty remains around future central funding. Work on reviewing the funding formula by the Home Office recommenced a couple of years ago, and was progressing, but this work has stalled, and there are no immediate plans it would seem to reinstate this work. Until this changes, the budget reserve will continue to

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be held to manage any funding changes as a result of spending review announcements on funding. Detailed work on a longer-term financial plan has been undertaken over a 10 year period, providing further rigour to the financial planning process, and to provide assurances around the sustainability of Warwickshire Polices financial position. Whilst planning over a longer period, does come with increased uncertainty, the 5 year medium term financial plan does represent a reasonable and prudent estimate of the likely position, and it is considered a sound basis for financial planning purposes.

The PCC's Chief Finance Officer can provide assurance on the budget and MTFP in that it has been produced in line with the latest government policy, the police funding settlement, and is also compliant with the latest CIPFA Treasury Management Code and the Prudential Code.

The Localism Act provides communities with the power to veto through a referendum, council tax increases considered by the government to be excessive. The referendum level set by government for 2025/26 is an increase in excess of £14.00 on a band D property. This report and budget are based on a precept increase of £14.00. The budget proposed is balanced and assurance has been sought from the Director of Finance within the force on the robustness of estimates contained within it. These have been scrutinised and challenged by the PCC Chief Finance Officer and have been found to be sufficiently robust. This work has also revealed that the MTFP presents a prudent estimate of the future financial pressures that the Commissioner will face.

The budget, MTFP and underlying assumptions will continue to be monitored carefully, along with any national developments, to ensure the PCC and Chief Constable are sighted on any emerging risks. Any changes in the final settlement and arising from the confirmation of tax bases and collection fund surpluses or deficits will be incorporated prior to the final budget being approved.

The Director of Finance will be undertaking careful monitoring of the budget during 2025/26, in conjunction with budget holders to manage spending and any consequential impact on reserves. The forecast outturn for 2024/25 looks to be on budget, and whilst there are several variations, where these are relevant and/or significant, changes have been addressed within the 2025/26 budget.

In giving assurance on the adequacy of reserves the PCC's Chief Finance Officer has reviewed levels and compliance as outlined in the latest CIPFA guidance on the establishment and maintenance of Local Authority reserves and balances, which also applies to PCCs. This guidance sets out the factors that should be considered locally in making an assessment on the appropriate level of reserves and balances to be held.

The Commissioner's reserves are categorised as - General Reserves, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by his appetite for risk. This should include the strategic, operational and financial risk facing the force, and include the potential impact of external and internal risks. The Chief Finance Officer has thoroughly reviewed the

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risks facing policing in Warwickshire Police and reassessed the level of reserves required. In doing so, she has complied with the CIPFA guidance with the intention being to ensure clear, transparent reporting around reserve levels in Warwickshire.

The following narrative provides some further detail on the approach, evidence, and assurance regarding the adequacy of reserves.

Compliance with the 7 key principles in CIPFA's guidance

Budget assumptions/ Risk	Current situation in Warwickshire
The treatment of inflation and interest rates	<p>Warwickshire Police (WP) makes full and appropriate provision for pay and price rises, based on up-to date information and recognising the change in the workforce profile, increments, recruitment and turnover relevant to managing a police establishment.</p> <p>While the maintenance of officer numbers is a priority to secure and maximise funding, it does also represent a significant financial pressure to the budget and across the medium term, as officers move through the substantial spinal point increases, coupled with less certainty regarding the number of 30 year service retirees and turnover. Pay related costs constitute around 80% of total costs, provision has been made in the budget based on the most up to date pay review body recommendations, but it is also acknowledged that funding may have to be re-prioritised to meet higher pay award costs above the assumed level, if additional central funding through a new pay grant is not forthcoming.</p> <p>A pay award for officers and staff of 2.8% in 2025/26 has been assumed. The pay earmarked reserve will be used to manage this risk.</p> <p>Non-pay inflation has been included where it is contractually required, or on the best estimate of inflationary increases, based on current spending patterns and levels. Inflation rates are lower than they have been in the recent past, although rates are still volatile. A thorough review of costs has been undertaken. Some areas of cost have increased more than inflation, e.g. Home Office charges, and these have been included and provided for where known, or with increases based on historical data.</p> <p>An informed assessment has been made of interest rate movements and investment income budgets have been</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>increased to reflect the anticipated income receivable in 2025/26. This has also been based on the returns achieved during 2024/25 and from regular discussions with the external Treasury Management Advisors.</p> <p>All individual expenditure and income budgets are prepared based on the forecast outturn and known or estimated changes.</p>
<p>Estimates of the level and timing of capital receipts</p>	<p>The PCC and finance staff make a prudent assumption on the level and timing of any future capital receipts, however minimal. The use of any capital receipts has been built into the financing of the capital programme in the most effective way, by targeting revenue funding and capital receipts to short life assets and borrowing to longer term assets, wherever possible. This is reflected in the current capital strategy. A combination of funding from capital receipts, revenue funding, S106 funding and borrowing, along with minor other sources, is included within the capital plans.</p>
<p>The treatment of demand level pressures</p>	<p>The Force is required to operate and manage within its annual budget allocation.</p> <p>The Chief Constable retains a modest operational contingency within the budget to help finance unexpected operations or events that require a policing response. The operational reserve is available to deal with more significant pressures.</p> <p>A detailed breakdown on reserves and the purpose and risk that they cover is provided earlier in this report.</p> <p>Any significant pressures from changes in demand would need to be addressed initially from other savings within the in-year budget, and the general reserve would only be used in more serious situations.</p> <p>Government grants are generally announced annually in advance and are cash limited. Therefore, any new policing pressures arising during the year will have to be funded from within the budget which will ultimately require other savings or efficiencies to be found. On occasion, new funding is announced in year to meet any additionality, it is unclear of the approach that maybe taken with this new government,</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>but if so, this will be incorporated into the in-year monitoring regime.</p> <p>The PCC holds several earmarked revenue reserves to help finance specific expenditure commitments, details are included in the budget report. Appropriations are made to and from these reserves on an annual basis as approved by the PCC and in line with the purpose of the reserve.</p> <p>Finally general reserves will only be used as a last resort to manage and fund one off incidents of a significant nature, and to manage any significant fluctuations in the National Contractor Vetting Scheme.</p> <p>Warwickshire's reliance on commercial income is largely unique and fluctuations in this income source do provide a risk legally, reputationally and financially. Increasingly this funding is being targeted towards capital investments, to de-risk the position to revenue budgets. However, risk cannot be removed completely, and any changes would require some significant and potentially damaging reductions in service provision to be made, either in revenue or capital investments. The mitigations that are in place are monitored through the vetting board, regular budget monitoring and risk management processes. The Chief Constable is the national vetting lead and as such remains abreast of any planned changes and topical issues in relation to vetting.</p>
<p>The treatment of planned efficiency savings and productivity gains</p>	<p>£4.7m of savings were identified and delivered in 2021/22, followed by a further £1m of savings in 2023/24, and £1.2m in 2024/25. The approach to driving efficiencies and productivity is outlined earlier in this report. Further savings have been identified totalling £2.2m in 2025/26, of which £1.2m has already been found, with the remainder being developed. Further savings are required over the MTFP of £2.5m. The force has a good track record of delivering savings and the PCC will continue to support the Chief Constable and hold him to account for the delivery of these over the medium term.</p>
<p>The financial risks inherent in any significant new funding</p>	<p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the regular monitoring and budget review process. Where relevant any additional costs</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
<p>partnerships, collaboration, major outsourcing arrangements or major capital developments</p>	<p>have been incorporated in the annual revenue budget These are reviewed regularly during the year in the budget monitoring report and where necessary the MTFP is amended.</p> <p>Any new collaborations are discussed in detail and are supported by a decision notice, which fully outlines, costs, risk and benefits.</p> <p>Warwickshire have established partnership working arrangements with West Midlands Police for forensics services under a S22 agreement and for ANPR. In addition, there are several national and regional collaborations. All are monitored closely, and anticipated costs are included within the budget and MTFP.</p> <p>The Commissioning of some services often occurs jointly with other partners. S22 agreements will outline the process, finance required</p> <p>There is an increasing risk that local authority partners will withdraw funding from projects due to increasing pressure and demands on their own budgets. This may also manifest as requests for increased contributions from policing, putting additional pressure on police budgets. Any such instances of this will continue to be managed through the strong working relationships that exist with partners by the force and OPCC.</p> <p>The viability of private sector commercial partners may be more exposed to increased risks, given recent stagnated growth, the potential of recession, ongoing economic uncertainties, and cost pressures including the NI changes. This may result in other challenges, for example around meeting demand, costs, staffing issues and/or supply chain pressures.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p>	<p>The PCC has retained several earmarked revenue reserves to meet specific expenditure items. These are included in further detail within this report.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before the Government considers special grant</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>aid. Significant incident risks and costs must always be provided for within the general reserve.</p> <p>A savings target is held within the 2025/26 budget. Work is ongoing to identify how this will be achieved, but despite this being a target, there is high confidence that this will be achieved, and the options currently being considered are included in this report but are mainly linked to efficiencies following digital investment. However, the challenge will be how to convert efficiencies into cashable savings. This will need to be carefully monitored, and if this is not being actioned in a timely manner, other more remedial steps will need to be insisted upon through the holding to account process, to bring the budget into balance. This slight change in approach to savings has been taken to avoid short term boom and bust type decisions and to provide the foundations for a more strategic approach to financial planning.</p> <p>However, some risks in policing are growing, and the unrest seen last summer across the country is an indicator of this. The costs of the riots have not currently been reimbursed by government, although this has been indicated, in addition to those forces that received compensation claims have also not been reimbursed, it is therefore reasonable that provision within the general and/or operational reserve is maintained to manage this risk.</p> <p>Risks arising from the possibility of other protest activity will continue to be monitored and engagement with key partners will be prioritised to mitigate these, where appropriate.</p>
<p>The general financial climate to which the PCC is subject.</p>	<p>The finance settlement for 2025/26 was generally positive, but still fell short in some areas, particularly around full reimbursement of the national insurance increased charges. Further details are awaited regarding some elements of specific grant, and this does form part of the pattern of continued uncertainty regarding funding. Funding for the medium term remains unclear and will be subject to the second phase of the spending review, announcements regarding 2026/27 and 2027/28 are anticipated in the spring summer of 2025. Networking opportunities and engagements with partners, other policing colleagues and wider bodies will be utilised, to test, seek details and provide</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>assurance where possible regarding assumptions regarding future funding levels, sharing of information and policy change details.</p> <p>The Home Office have confirmed that work on the widely anticipated funding formula has paused. This effectively means that many central grants are allocated to PCC's based on outdated historic information. The PCC and his staff will continue to seek updates from the Home Office, regarding a review of the funding allocations, as the perception is that Warwickshire is adversely affected through the outdated methodology. Clearly, the actual outcome will be reliant on the factors and approach taken as part of any review, and there is a risk that Warwickshire could not benefit in the way it anticipates. In the meantime, work will continue locally on developing longer-term financial plans, for strategic modelling purposes and to assist with decision making to understand the longer-term impact of the cyclical pattern for police officer recruitment, attrition, pay burdens, along with other anticipated risks.</p> <p>Inflation in the U.K. has been high in recent years but has fallen back to more acceptable levels more recently. However, there does remain some volatility, and energy costs and food prices remain high. Pressure on personal finances continue, and this has arguably impacted on crime particularly perhaps across the retail sector and surrounding concerns on the affordability of increases in the precept. Affordability issues are discussed at the various engagements and communications with the public and key stakeholders.</p> <p>Political turmoil and conflicts across the world continue to have an impact, creating a global sense of uncertainty and challenge.</p> <p>Policing is often seen as the service of last resort, and the force is still at risk of experiencing 'spill out' demand from other organisations, notably health, including ambulance and mental health services. These demand led pressures are managed on the front line through the control centre, and throughout partnership working throughout the organisations.</p>

General Reserve

In recent years, the PCC's Chief Finance Officer has undertaken a review of the significant risks and pressures facing the Police and Crime Commissioner before setting a minimum level of reserves held in a General Reserve. The PCC's Chief Finance Officer has undertaken a comprehensive review of all reserves held in conjunction with the Director of Finance, details on this are contained within the main body of this report, which outlines that the general reserve will provide for costs associated with extraordinary or significant events or incidents, and for the NCVS. In undertaking this review both S151 officers have also been mindful of the outputs from the work independently undertaken by CIPFA on the financial resilience index for PCC's, which includes consideration of reserve levels, amongst other indicators.

The general reserve is set at £6m. This is equivalent to approximately 4.3% of net revenue expenditure. General reserve coverage between 4% and 5% is considered adequate. The PCC does not necessarily have to provide money in reserves for each risk element individually, unless there is some certainty that they will occur and provided that all of the events are considered to be unlikely to occur together. Compared to other PCC's Warwickshire is holding a healthy general reserve.

However, earmarked reserve levels in Warwickshire, compared to other forces are generally lower. This position will continue to be kept in check at the next key point, which is the 2024/25 outturn. The 2025/26 budget addresses the pressures and risks that are being met through a transfer from reserves in 2024/25. If the 2025/26 in year budget provision proves not to be sufficient, and risks in some of these key risk areas remain, including income, pensions and redundancy, steps will need to be taken to re-establish some earmarked reserves so that they are adequate to manage the ongoing risks. This is covered in more detail in the separate reserve strategy, which is reviewed annually.

Provided that £6.0m sum is always available within the general reserve, reserve levels appear adequate based on known information and risk.

Earmarked Reserves have also been considered as part of the review undertaken by the PCC's Chief Finance Officer to assess the adequacy of reserves. The position on earmarked reserves and potential risks and issues in 2025/26 are referred to above. Earmarked reserve balances are expected to reduce to circa £9.3m by the end of the MTFP. This is referred to in the reserves strategy, but in summary, earmarked reserves are planned to be used in lieu of making additional savings in early years, that are not required in the later years of the MTFP to avoid damaging impacts on front line policing in the interim period, and to smooth impacts. However, reserve levels will be closely monitored, and it is essential that in the latter years of the MTFP reserve levels are replenished to a minimum total balance of £10m.

In addition to the revenue reserves, capital reserves are also maintained. These are used to finance the capital programme. No specific capital reserves exist.

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Capital Grants Unapplied are set aside on the balance sheet. This would hold any central capital grants that have not yet been spent. Such grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 01 April 2024 was £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of police land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. £2.511m of this reserve will be utilised to finance 2024/25 capital investments, as shown in table 6, with the remaining receipts being used in 2025/26. Further receipts are anticipated to be received in 2029/30, but this is reliant on the planning process, so timing is unclear. The balance on the reserve at 01 April 2024 was £2.762m.

On the basis of all of the above, as the PCC's Chief Finance Officer, I am able to confirm that, in my professional opinion:

The estimates made for the purposes of the calculations of the PCC's budget requirement for 2025/26, under Section 32 of the Local Government Finance Act 1992 contained in the report, are robust.

The financial reserves that will remain available to the PCC, as a result of agreeing the proposals contained in this report, should be adequate. However, steps must be taken to address the reduced reserve balance in the latter years of the MTFP and return them to a minimum of £10m or a higher level, if the re-assessment of risk requires it.

Sara Ansell
PCC Chief Finance Officer

Anticipated changes in reserve balances over the MTFP. As per the 2025/26 budget report.

Reserve	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
General	6.000	6.000	6.000	6.000	6.000
Budget & Transformation	0.633	0.633	0.481	0.212	0.212
Pay	2.464	1.656	1.265	1.177	1.077
Pension & Redundancy	0.250	0.250	0.250	0.250	0.250
Insurance & Legal	0.500	0.500	0.500	0.500	0.500
Operational	0.500	0.500	0.500	0.500	0.500
PCC Grants	0.283	0.283	0.283	0.283	0.283
Safer Roads	0.573	0.522	0.470	0.470	0.470
Earmarked	5.203	4.344	3.749	3.392	3.292
TOTAL	11.203	10.344	9.749	9.392	9.292

Appendix C

Analysis of revenue and capital reserves as at 31 March 2025

	Forecast Balance as at 31.03.25 £m	Planned contributions / expenditure on projects & programmes over next 5 years £m	Funding for specific projects and programmes beyond 29/30 £m	As a general contingency or resource to meet other expenditure needs £m
GENERAL REVENUE RESERVE	6.000	0.000	0.000	6.000
EARMARKED REVENUE RESERVES				
Budget & Transformation	0.870	0.658	0.000	0.212
Pay Reserve	3.722	2.645	1.077	0.000
Pensions & Redundancy	0.030	-0.220	0.000	0.250
Insurance and Legal	0.500	0.000	0.000	0.500
Operational	0.500	0.000	0.000	0.500
PCC grants	0.283	0.000	0.283	0.000
Safer Roads	0.673	0.203	0.470	0.000
Total Earmarked Revenue Reserves	6.578	3.286	1.830	1.462