



ACCOUNTABILITY AND GOVERNANCE BOARD

Tuesday, 28 October 2025

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Report: Medium Term Financial Plan and Reserves Strategy for 2025/26 to 2029/30

Purpose of paper

- 1 To provide the Accountability and Governance Board with an update on the Medium-Term Financial Plan ((MTFP), along with the corresponding Reserves Strategy for the period 2025/26 to 2029/30, based on current information and assumptions.
- 2 To provide assurance that the MTFP presented is an efficient and effective use of resources in order to deliver on the police and crime priorities for the West Midlands, as per the current Police and Crime Plan and relevant West Midlands Police (WMP) strategies.
- 3 To seek approval from Accountability and Governance Board for the updated Reserves Strategy, to ensure that it incorporates the outturn position from 2024/25 and planned uses of reserves for 2025/26.
- 4 The document has been prepared in line with accepted good practice guidelines such as the Revised Financial Management Code of Practice in Policing published by the Home Office in 2018.
- 5 WMP also recently commissioned the Chartered Institute of Public Finance & Accountancy (CIPFA) to undertake a review of its MTFP. The review assessed the strengths and effectiveness of the financial planning framework. The report has concluded that the MTFP provides a solid foundation in terms of financial projections and transparency along with some improvement recommendations when benchmarked against other forces. The MTFP has been updated to reflect some of these improvement recommendations and the rest will be worked through in year.

Comprehensive Spending Review (CSR) 2025 and National Finance Resilience

- 6 The 2025 spend review (SR25) was presented to Parliament in June 2025 and covered the 3-year period from 2026/27 through to 2028/29. Following this, the National Police Chiefs Council's (NPCC) funding assumptions are that:
 - The current funding formula will continue to apply to allocate main police grant.
 - The CSR announcement for policing is net of £100m over two years for Counter Terrorism policing at a national level.
 - There will be no further top slicing available for Neighbourhood Policing Guarantee (NPG), National Insurance and Police Pension contributions i.e. a standstill position on direct allocation of grant from Home Office to Policing.

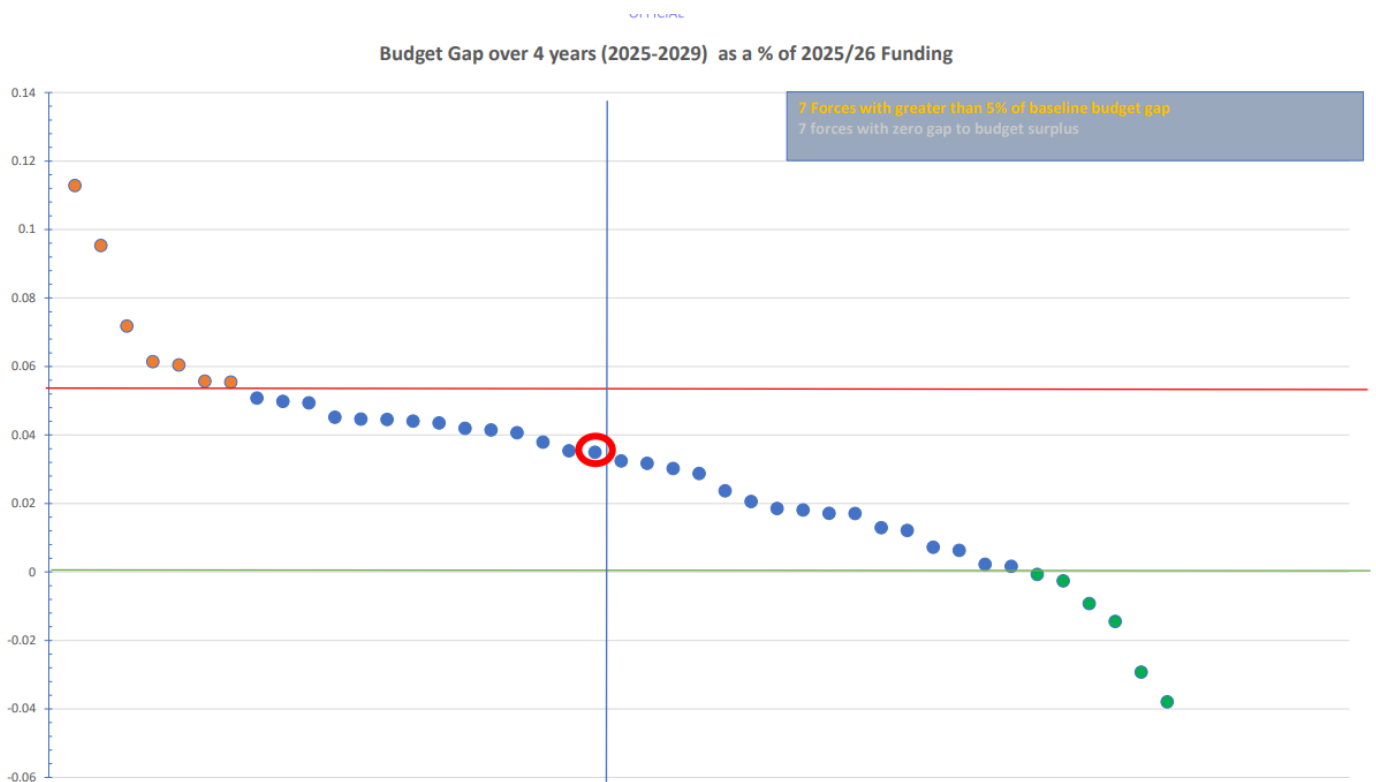
- The impact of the Police Pay award to officers (and, it is assumed, staff) of 4.2% above the 2.8% funded locally is only available for 2025/26 and must then be funded from within the SR25 envelope.
- No further funding will be available for mainstream policing other than that contained within the SR25 envelope which assumes that PCCs decide to set a precept increase of £14 on a Band D property in each year of the MTFP.

7 Following the SR25 announcement, WMP completed a survey for the NPCC to create a national view of all force's financial positions based on the above assumptions. In summary, the current national budget deficit for UK territorial policing over the next 3 years is estimated to be £0.7billion, rising to £1.7billion if NPG and the Sentencing Review are implemented as expected therefore:

- NPG may be unaffordable at a national level from within the current funding envelope.
- The Safer streets mission may be unaffordable at a national level, e.g. the implementation of proposed sentencing guidelines, Violence against Women and Girls (VAWG), and reductions in knife crime.
- A £14 precept increase would not bridge the gap.

8 A national picture of financial resilience was built, the results of which are presented in the following charts.

9 For most Force areas there is a budget gap over the 4 years as a percentage of 2025/26 funding. 7 Force areas are forecasting a greater than 5% gap and 7 Force areas have a zero gap / surplus. West Midlands Police is circled in red in the mid-range of this chart.

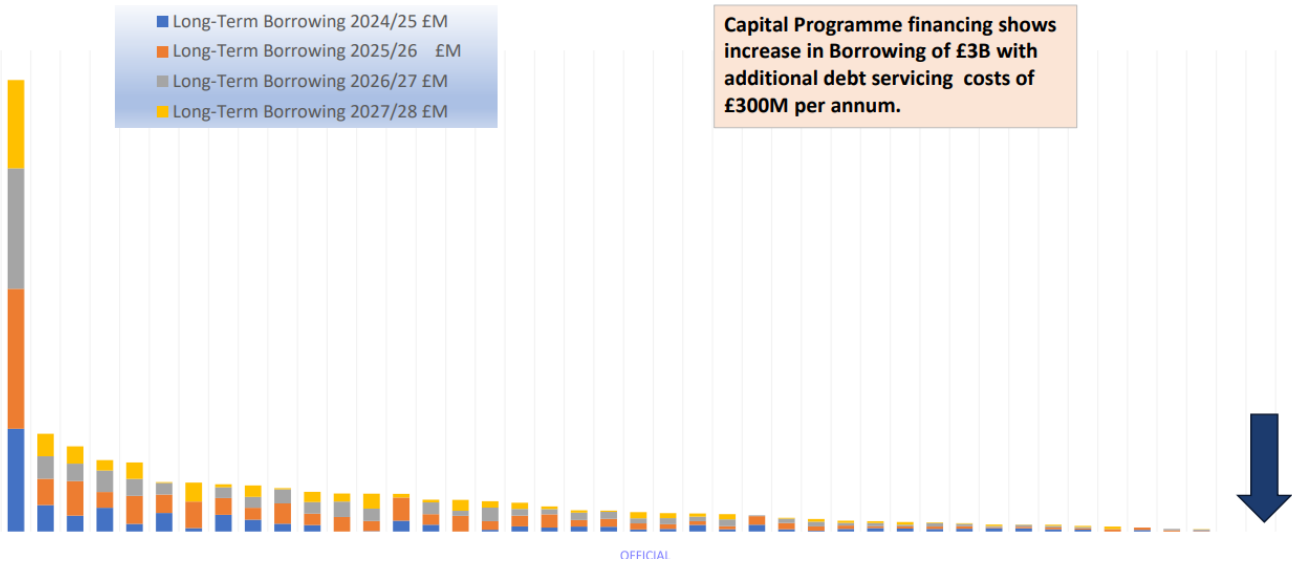


10 Additional borrowing for capital expenditure is expected to be £3billion nationally, over the CSR period. At present West Midlands police have no further borrowing plans.

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ADDITIONAL ANNUAL BORROWING FOR CAPITAL EXPENDITURE 2024 TO 2028

£M

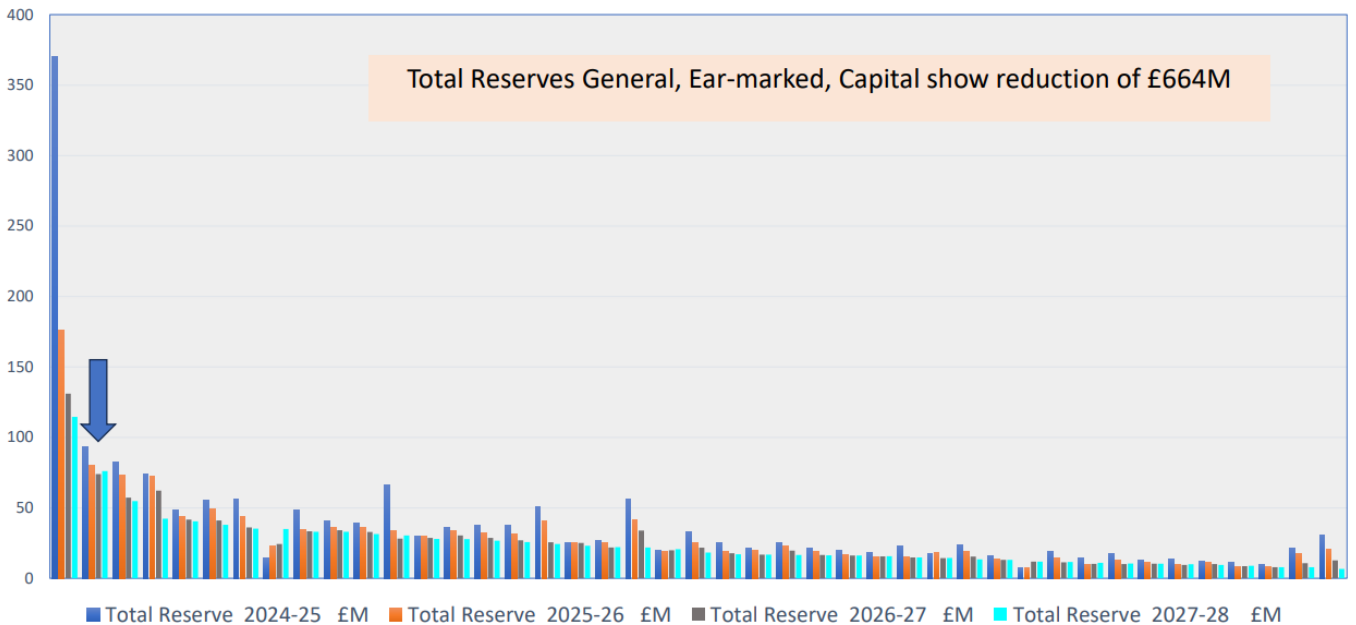


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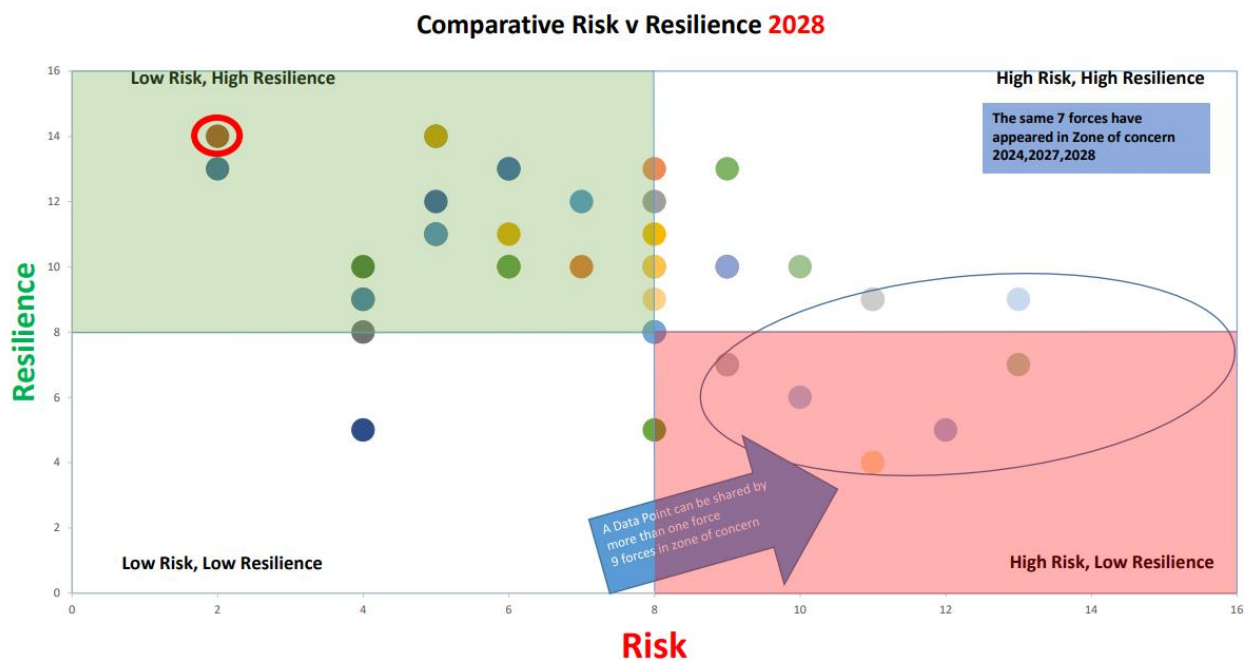
11 Nationally total reserves are due to reduce by £664m (39%) over the 4 years. As per the chart on the next page, West Midlands are looking to maintain a healthy reserve position throughout the 4 years (to the left of the chart, highlighted by the downward arrow).

Year on Year Change in Total Reserves 2024-2028

£



12 Finally, consideration was given to force's overall financial resilience, as you can see West Midlands Force area is considered to be low risk, with high resilience.



2025/26 Revenue Budget

13 The PCC set a balanced budget for 2025/26 and a precept increase of £14 per Band D property, with a total grant settlement for the West Midlands in 2025/26 of £671.5m, coming from the main grant settlement. The headlines from the main settlement were as follows:

- A 3.7% increase in Core Grant for all areas, £339m in total, £20.7m for West Midlands (this included a £4.5m transfer from the Police Uplift grant).
- £230.3m funding nationally for employer National Insurance Contributions (NICs) compensation, £11.6m for West Midlands, which was less than the sum required of £11.9m.
- £200m funding nationally for the NPG, £12.2m for West Midlands, distributed as per the core grant.
- A commitment to ensure that Firearm Licencing Fees will be increased to cover costs – the statutory instrument was laid on 15 January 2025. This increase leaves WMP with a continued gap in cost, due to the considerable number of activities relating to licensing which are not recoverable through charges.
- Police participation in the Police Efficiency and Collaboration Programme (PECP) was assumed, starting with national approaches to buying energy, vehicles, fuel, temporary staff, and software licenses.
- A new Performance Unit will be established in the Home Office - to “drive up performance and standards.”
- Continuation of the existing police pension grant, £18.9m for West Midlands. This included the removal of a one-off top-up payment of £26.8m for

implementation costs relating to the police pensions remedy and £14m transferred to the Counter-Terrorism Policing Grant.

- One-year funding agreement for the Violence Reduction Partnership, County Lines and GRIP funding.

14 Since setting the budget the following adjustments are proposed by the Chief to the PCC for the efficient and effective management of the revenue budget in the revised Reserves Strategy:

- Revised profiling of estates strategy capital and revenue expenditure.
- 2024/25 approved carry forwards have been applied.
- Redundancy reserve for Crime Desk was allocated during yearend 2024/25 and has now been drawn down.
- Fleet Decarbonisation and Records Management System (RMS): use of reserves has been removed, following a review of the fleet replacement budgets for the year and the decision being made to keep the current RMS.
- National Ballistics Intelligence Service (NaBIS), which is hosted by West Midlands Police, have brought £1.1m out of their reserve to fund the replacement of their microscopes and vehicles.
- A further investment in staffing in the Central ticket office and Safer Roads for West Midlands will reduce the planned contribution to reserves in year, which in the long term will generate further income from chargeable activity.
- The Chemical Biological Radiological and Nuclear team (CBRN), which is hosted by West Midlands Police, have brought year 1 of 3 out of their reserve to fund the CBRN Personal Protective Equipment (PPE) which has been purchased ahead of need to mitigate risk around future supply.

15 Since setting the budget the following adjustments have been approved by the PCC to the Office of the Police and Crime Commissioners budgets:

- £150k of a total planned £500k has been brought of the budget reserve to commence work on engaging with stakeholders and the public in upholding and embedding the Victims Code of Practice
- 2024/25 approved carry forwards have been applied

16 **Appendix 1** show the approved and revised revenue and capital budgets for 2025/26 along with the movement of the planned contribution to / from reserves. The tables in the body of the report include the revised budget.

2025/26 Forecast Revenue Outturn

17 The latest reported outturn to the August 2025 Financial Governance Board is a revenue underspend of £7.8m, with the potential to increase this to between £13.6m and £15.1m, depending upon basis with which the £120m pay award grant will be allocated.

18 The forecast includes the 4.2% September pay award for officers and 4.2% for PCSO's and Staff which has been offered and is currently under consideration.

19 The table below summarises the Forces revenue and capital position as at 31st August 2025.

Forecast Outturn (August 2025)	Revised Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Revenue			
Force including Change Programme	765,179	757,630	(7,549)
Office of the PCC including Commissioned Services	12,020	11,974	(46)
Regional and National Services	18,466	18,217	(249)
Total Revenue Budget	795,665	787,821	(7,844)
Government Grants	(598,077)	(605,397)	(7,320)
Council Tax including Surplus on Collection Fund	(176,018)	(176,018)	0
Net Use of Reserves	21,570	6,406	(15,164)
Capital			
Force (principally IT&D and Fleet)	13,845	13,845	0
CTU and firearms	3,059	3,059	0
Estates Strategy	16,998	16,998	0
Total Capital	33,902	33,902	0

- 20 The most significant underspend continues to relate to Police officer, PCSO and staff pay which are forecast to underspend by a combined £13.04m. This is then offset in part by forecast overspends on overtime of £3.92m, temporary staff of £1.75m and other employee expenses of £2.58m to provide a forecast underspend on all pay related costs of £4.79m.
- 21 On non-pay, the net overspend is £0.95m across premises, transport and supplies and services. This is as a result of additional CCTV and improvement work in cell blocks, postage (increased volume from driver related offences), and Interpreters, Doctors statements and forensic costs (as a result of increased arrests).
- 22 Capital Financing is now forecast to underspend by £2.4m as a result of an increase in forecasted interest receivable of this amount. This has occurred as interest rates have remained higher than originally expected in the last 3 months enabling improved investment returns.
- 23 Income is expected to be overachieved by £1.85m this year. This continues to be driven by a significant uplift in the number of abnormal loads that have been transported through the region in the first half of this year. Additional income has also been forecasted in this period as a result of high asset seizures in the first quarter resulting in POCA income in the quarter of approximately double the usual quarterly value. We continue to note pressure on some areas of income with reduced income forecast from the disclosure and barring service and police led prosecutions which is due to continued court delays.
- 24 The capital programme is currently forecasting to budget; however, the estates strategy spend profile is currently being reviewed.

MTFP Key Assumptions

25 The key assumptions that underpin the 2025/26 to 2029/30 MTFP are outlined below:

26 **Police Grant increases** - The assumption for the main Police Grant, including the National Non-domestic Rates, is set in line with the Comprehensive Spending Review (CSR) announcement for the period 2026/27 through to 2028/29, and the guidance issued by the National Police Chief's Council (NPCC). We are assuming a 6.1%, 3.3% and 1.7% in the 3 respective years. The final year, 2029/30, outside of the CSR period, we are assuming will fall in line with the target 2% inflation increase:

Police Grant	Increase	2026/27	2027/28	2028/29	2029/30
Main Police Grant	£m	35.462	20.020	10.864	12.908
Main Police Grant	%	+6.1%	+3.3%	+1.7%	+2.00%

27 Alongside the main Police Grant there are now a number of specific grants, listed below, our planning assumption is that all of these grants will be **flat cash** across the same period. If one of these increases / decreases this will have a knock-on impact to the assumptions for the main grant.

- Legacy Council Tax Grant (£19.0m)
- National Insurance Grant (£11.6m)
- Pensions Grant (£18.9m)
- Additional Recruitment Top Up (£9.3m)
- Neighbourhood Policing Grant (£12.2m)
- Police Uplift Programme Grant (£21.4m)

28 **Precept Increases** - Based on the CSR announcement and the Commissioner's public statements on the matter, the planning assumption is that the Commissioner will choose to increase precept by £14 for a Band D property each year. This is set alongside a tax base increase of 1.2% per annum.

Precept	Increase	2025/26	2026/27	2027/28	2028/29	2029/30
		6				
Precept Increase	£m	14.280	12.935	13.220	13.510	14.031
Collection Fund Surplus / (Deficit)	£m	0.595	0.000	0.000	0.000	0.000
Tax Base increase	%	2.24%	1.20%	1.20%	1.20%	1.30%
Precept Increase	£	13.95	14.00	14.00	14.00	14.00

29 The tax base for 2025/26 is 764,370 Band Ds. The Collection Fund surplus for 2025/26 was declared by collection authorities to be £595k. It has been assumed that the collection fund surplus is a one-off and will not continue into the medium term.

30 **Other Key Government Grants** - Alongside the Core Police Grants are a number of other key grants issued by the Home Office / other Government bodies, the table below outlines the grants along with our current planning assumptions.

Grants	Assumption	2025/26	2026/27	2027/28	2028/29	2029/30
CTU Grants (All)	Inflationary Increases	69.603	73.469	75.443	77.401	79.200
VRP	Flat Cash	4.596	4.596	4.596	4.596	4.596
County Lines	Flat Cash	7.000	7.000	7.000	7.000	7.000
GRIP	Flat Cash	3.703	3.703	3.703	3.703	3.703
ROCU (multiple)	Flat Cash	6.454	6.454	6.454	6.454	6.454
MOJ Victims Grant	Flat Cash	3.259	3.259	3.259	3.259	3.259
IDVA and ISVA grants	Flat Cash	2.790	2.790	2.790	2.790	2.790

31 For those grants expected to have a flat cash award, any funding for an associated pay award is assumed to be included in the main grant.

32 **Pay cost inflation** - Annual inflationary increases to pay budgets are made with effect from September each year. Due to the significance of employee costs within our budgets, the assumptions made around pay awards are the single largest driver of change to cost over the medium term.

33 At this stage we have assumed pay awards for Police Staff follow the same pattern of increase as for Police Officers, which has been the case in almost every settlement in recent years.

Pay Factors		2025/26	2026/27	2027/28	2028/29	2029/30
Pay Award - Officers - 1st Sept	%	4.2%	3.0%	2.5%	2.5%	2.0%
Incremental drift - officers	%	1.5%	1.1%	0.8%	0.8%	0.8%
Pay Award - Staff - 1st Sept	%	4.2%	3.0%	2.5%	2.5%	2.0%

34 **Vacancy factor** - Pay underspends occur each year due to the length of time it takes to recruit and vet and also transfer starters between teams. In order to ensure a realistic budget which allows for the most efficient and effective use of funds, we include a “vacancy factor.”

Vacancy Factor		2026/27	2027/28	2028/29	2029/30
Officers	% level	0.00%	0.00%	0.00%	0.00%
Staff	% level	5.00%	5.00%	5.00%	5.00%

35 **Pension costs** - The below table illustrates the assumption that Police Officer pension rate itself is likely to remain the same in the coming years. The LGPS triennial review is currently underway, the West Midlands Pension Fund is in a positive position, and the expectation is that rates will, at worst, remain at the current levels.

Employers Pension Contribution Rates		2026/27	2027/28	2028/29	2029/30
Officers	% rate	35.30%	35.30%	35.30%	35.30%
WMP Staff	% rate	19.80%	19.80%	19.80%	19.80%
OPCC Staff	% rate	19.40%	19.40%	19.40%	19.40%

36 **Income and Non-pay general inflation** - Applying a general inflation factor to our non-pay budgets is best practice as without this, existing budgets cannot continue to maintain services and equipment to frontline officers and staff. We anticipate inflation will remain higher than the 2% government target during 2025/26 and into 2026/27 returning to 2% from 2027. The budget preparation process for the 2026/27 budget will allocation inflation as accurately as possible.

37 As a starting position, the following assumptions will be used for general inflation in 2026/27 through to 2029/30.

Inflation Rates		2026/27	2027/28	2028/29	2029/30
General	% increase	+3.00%	+2.00%	+2.00%	+2.00%
Income	% increase	+3.00%	+2.00%	+2.00%	+2.00%

38 **Non-pay specific inflation** - In some cases, the inflationary pressures are more specific (e.g. fuel costs, utilities, ICT and forensic costs) where the drivers behind the change may be contractual or linked to another factor or indicator and some of the costs can be particularly high.

39 Our assumptions in relation to the largest specific areas are set out below:

Specific Inflation		2026/27	2027/28	2028/29	2029/30
Gas	% Increase	5.00%	5.00%	5.00%	5.00%
Electricity	% Increase	5.00%	5.00%	5.00%	5.00%
Fuel	% increases	5.00%	5.00%	5.00%	5.00%
Forensic cost	% increases	3.00%	2.00%	2.00%	2.00%
ICT	% increases	3.00%	2.00%	2.00%	2.00%

40 **Financing** - The current assumptions in relation to borrowing and investment income are outlined in the table below. The assumption is that rates will remain high in early 2026/27, then reduce over the medium term as per the current forecasts provided by Link Group, our treasury management advisors.

Financing		2026/27	2027/28	2028/29	2029/30
New Borrowing	% rate	3.75%	3.50%	3.50%	3.00%
Investment income	% rate	3.75%	3.50%	3.50%	3.00%

41 **PCC Commissioning Budget** - It is assumed that the OPCC commissioning budget will increase in line with general inflation, if affordable:

PCC Commissioning		2026/27	2027/28	2028/29	2029/30
Community Safety Funding	£m	3.625	3.698	3.772	3.847
Helping Communities Fund	£m	0.412	0.420	0.428	0.437
Intervention and Prevention	£m	2.759	2.815	2.872	2.929

42 **Other Key Pressures** that have been built into the plan as are follows:

- The change in legislation to add XL Bully dogs to the dangerous dogs list has brought significant financial pressures, the forecast in the current year is £400k increase in costs for kennelling and vets' costs. This has been built into the MTFP going forward.
- The ESMCP business case is currently under review, the latest top-level estimates have been included in the MTFP whilst the programme develops an

implementation plan. ESMCP is a long-standing national project and the programme is subject to change.

43 **Other Key Principles** are as follows:

- The current planned contributions to / from reserves have been built in as required and consideration has been given to the use of the budget reserve in managing the current financial gap.
- The replacement programme is built in for equipment, fleet, body worn cameras, and tasers, subject to agreed asset lifecycles.
- The agreed Estates Strategy and approved Change Programme are included.
- We will continue to comply with the Living Wage Foundation’s minimum pay rates.
- Support for Operational Priorities is assured

Forecasted Staffing

44 The police officer establishment is built upon:

- Maintaining the Target National Uplift headcount of 8,086 in order to receive £21.4m funding.
- Maintaining the additional 30 FTE agreed by the Commissioner in the 2024/25, subject to affordability.
- Maintaining the 150 additional headcount increase agreed as part of year 1 of the Neighbourhood Policing Guarantee.
- Consideration will need to be given to the original uplift baseline depending upon the continuation of the CTU, County Lines and GRIP funding, where we currently employ approximately 500 officers.

45 The table below breaks down the officer headcount and FTE the MTFP is built upon, and is assumed to be maintained throughout the period.

Officer Headcount Breakdown	Headcount	FTE
Uplift Baseline	6,691	
Uplift Allocation	1,218	
Batch 1 additional recruitment (2023/24)	100	
Batch 2 additional recruitment (2024/25)	77	
Total 2025/26 Maintenance target	8,086	7,946
Precept Uplift	30	30
Neighbourhood Policing Guarantee	150	150
Total 2025/26 Target	8,266	8,126

46 As well as maintaining a police officer total headcount, consideration also needs to be given to achieving and then maintaining a target officer and PCSO FTE in Neighbourhood Policing linked to the Neighbourhood Policing Guarantee funding.

Neighbourhood Policing Guarantee	Officer FTE	PCSO FTE
31 st March 2025 Baseline	387	245
Year 1 funding uplift (funded)	150	20
Year 1 redeployed (no backfill)	139	0
2025/26 Neighbourhood Policing Guarantee	676	265

47 The PCSO establishment is therefore built on maintaining the Neighbourhood Policing Guarantee FTE plus a further 35 FTE key posts.

PCSO FTE Breakdown	FTE
Neighbourhood Policing Guarantee	265
Other PCSO roles	35
Total 2025/26 PCSO FTE	300

48 The police staff budget for 2025/26 was built on an establishment of 4,270 FTE (plus budget provision equivalent of 54 FTE for force contact where they are able to recruit to 10% above their establishment to maintain performance), the current authorised establishment at the 1st September 2025 is 4,436 FTE. The increase of 166 FTE is made up of the following:

- 82 FTE increase in the Central Ticket Office / Safer Roads for West Midlands. These are funded during 2025/26 by a reduction in the contribution to reserves whilst the team reaches establishment. The longer-term impact on the reserves / additional income generation will be considered as part of budget setting for 2026/27, but the working assumption is that the increased income generated will be sufficient to fund the posts going forward.
- 13 FTE increase in other externally funded posts including CTU and external secondments. This is offset by additional income.

49 25 FTE are either temporary or part of a restructure and will be disestablished by the end of the financial year.

50 46 FTE additional posts across the force in key operational areas to support increased demand. These come with additional budget pressures and have been added into the Medium-Term Plan for future years.

51 The Medium-Term Financial Plan assumes we maintain an establishment of 4,412 FTE throughout, subject to financial savings identified to balance the budget in each financial year.

Revenue Medium Term Financial Plan

52 The below table summarises the revenue medium term financial plan based on the key planning assumptions and principles and the forecast staffing levels outlined.

Police Force Net Expenditure £m	Decision Paper 2025/26	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Salaries including Overtime	790.7	839.4	870.7	902.2	930.6
Non-Pay Expenditure	190.7	199.6	208.4	221.4	220.5
Income	(133.0)	(137.7)	(140.1)	(142.4)	(145.1)
Change Programme including Estates	8.7	7.4	2.8	0.0	0.0
Total Police Force Expenditure	857.1	908.7	941.8	981.2	1,006.0
Police & Crime Commissioner	12.0	12.2	12.6	13.0	13.4
Total Expenditure	869.1	920.9	954.4	994.2	1,019.4
Police Grant	(579.1)	(614.4)	(634.5)	(645.3)	(658.3)
Specific Grants	(92.5)	(92.5)	(92.5)	(92.5)	(92.5)
Precept	(176.0)	(188.4)	(201.6)	(215.1)	(229.1)
Planned Contribution to / (from) Reserves	(21.5)	(10.2)	(5.0)	(6.4)	1.4
Potential Savings Required	0.0	15.4	20.8	34.9	40.9

53 The key movements in the MTFP from the decision paper are as follows:

Movement in MTFP Assumptions	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Potential Savings Required (from Decision Paper)	18.0	21.7	33.2	46.5
4.2% Pay Award for September 2025 (1.4% above the 2.8% planned)	13.7	14.0	14.3	14.4
Main Grant Funding Increase in line with CSR	(23.0)	(30.4)	(28.3)	(28.0)
Additional £1 precept flexibility from £13 to £14 (plus tax base change in 2029/30)	(0.8)	(1.6)	(2.4)	(3.4)
Pay Award Assumption increased from 2% throughout to 3%, 2.5%, 2.5% and 2%	4.8	11.1	15.8	18.1
Non-Pay Inflation Changes	0.6	0.7	0.8	1.0
XL Bully Dogs Change in Legislation	0.4	0.6	0.7	0.8
ESMCP Implementation	1.8	3.5	5.5	5.5
Officer Increments reassessed for final 2 years	0.0	0.0	(6.0)	(15.4)
Reprofile Fleet Replacement budgets	(0.2)	(2.2)	(2.3)	(2.4)
Remove provision for Data Centre (this will now be managed through BAU over the next few years)	(2.2)	0.0	0.0	0.0
Total Movement in MTFP since Budget Report	(2.6)	(0.9)	1.7	(5.6)
Removal of Savings / Benefits previously included in MTFP	2.3	3.4	3.6	3.8
Current Potential Savings Required	15.4	20.8	34.9	40.9

54 Plans to balance the budget for 2026/27 onwards will look to utilise:

- A cyclical Priority Based Budgeting (PBB) process to drive out cashable savings and non-cashable efficiencies on an annual basis, utilising the Data Analytics finance model to review staffing levels, budget allocations, and performance levels.
- Review and challenge all non-pay budgets including overtime.
- Building in the financial benefits of the Estates Strategy.
- Seek further income generation opportunities.

55 Reserves in place to provide flexibility in managing future years budget pressures.

56 The table below illustrated the target impact this will have on funding gap in the medium term.

Movement in MTFP Assumptions	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Forecast Savings Required	15.4	20.8	34.9	40.9
Priority Based Budgeting / review of non-pay budgets	(14.3)	(18.3)	(23.3)	(28.3)
Estates Strategy	(1.1)	(2.5)	(3.9)	(3.9)
Income Generation	0.0	0.0	TBC	TBC
Planned Use of Budget Reserve	0.0	0.0	(5.0)	(5.0)
Remaining Savings Requirement assuming Savings Achieved	0.0	0.0	2.7	3.7

Precept Scenarios

57 The force is more reliant on funding from Government and has the second lowest precept level nationally.

58 The table below illustrates the impact to the potential savings requirement if the PCC opted to take a lower precept increase than the expected £14 per year.

59 The funding gap would range from between £15.4m and £26.2m in 2026/27 growing to between £45.9m and £90.9m by 2029/30 and further savings would need to be identified.

Funding Gap with Different Precepts	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
£14 Current Planning Assumption	15.4	20.8	39.9	45.9
£12 Precept Increase	17.0	23.9	44.6	52.3
£10 Precept Increase	18.5	27.0	49.4	58.8
£5 Precept Increase	22.4	34.9	61.3	74.8
ZERO precept increase	26.2	42.7	73.1	90.9

Neighbourhood Policing Guarantee

60 The main funding assumption is that the Neighbourhood Policing Guarantee grant will be maintained at the current level of £12.2m and will continue to fund the full years costs of the additional 150 police officers and 20 PCSO's.

61 If the grant were to be increased, we expect this would have a negative impact on the funding gap as we would see a reduction in the main police grant and further investment in officer / PCSO numbers would be required to access the additional NPG grant.

62 Although this would fund additional resources into Neighbourhoods in line with the government's pledge to rebuild the link between policing and communities it would increase the pressures on other areas of policing.

Sensitivity Analysis

63 The table below illustrates the implication if our assumptions outlined above fluctuate by 1%:

Sensitivity Analysis	£m
1% change in Pay	7.9
1% change in grant	5.8
1% change in Council Tax	1.8
1% change in general inflation	1.9
1% change in income	(1.3)

Other Risk / Issues to Revenue Plans

64 Other potential risks / issues that have not been factored into the current plan include:

- Demand is increasing in a number of key areas in the force, including custody, force contact and public protection teams, consideration will be given as to how we manage the additional depend as we build the budget for the 2026/27 financial year.
- Market conditions escalating due to global events.
- Funding for local government may be reduced further due to governments rebalancing public finances.

65 Funding of further transformation projects beyond the current change programme.

66 Impact of any national policy changes or legal challenges that would affect the financial position.

- Increased costs for the National Police Air Support provision, or a change in the service provision
- Reductions in Home Office grants for key services such as CTU (Counter Terrorism Unit), Firearms, ROCU (Regional Organised Crime Unit), County Lines, VRU, GRIP
- It is assumed that although the uplift grant funding has not been baselined, that this funding is still awarded to WMP at current levels throughout the MTFP period, however there is a risk that this funding is reduced
- Risk of the loss of the remaining 50% special grant funding for Hillsborough (£2.5m)
- Main Trading Account (MTA) charges above inflationary increase put in as the Home Office try and recover the cost of replacing old IT systems in full as they transition them through Delivery Landscape Reform Programme (DLRP).

- The PCC commissioned the Carbon Trust with producing a greenhouse gas (GHG) emissions report, which will help WMP to be clear on a benchmark against which to demonstrate carbon reduction. This work is yet to be fully costed.
- Increasing insurance costs linked to motor and public liability due to a combination of claims inflation, expensive vehicle repairs (especially for EVs), higher compensation claims, increased medical expenses and increased economic pressures.
- Anticipated costs of the Sentencing Review on policing, with a shift away from custody into the community, which requires investment in alternatives sentences / initiatives.
- Operational Risks – associated with having fewer officers than our Most Similar Forces. If the funding formula had been fully implemented or we had council tax parity with Greater Manchester Police, we would have a significantly higher number of officers per 100,000 of population which would place significant pressure on the expenditure budget.

67 Additional levers to reduce the financial pressures will be considered depending upon the final settlement. These are outlined below:

68 Bringing forward planned cycles in the cyclical Priority Based Budgeting (PBB) process.

- Identify further investment to save opportunities including environmental projects.
- Review laptop, desktops, and mobility devices to ensure replacement plans align to needs in the future.
- Utilise vehicle telematics to reduce the fleet size where inefficiencies are identified.
- Consider partnership and collaboration options.
- Review the capital programme and hence the required revenue contributions. Or consider alternative ways of funding, such as short-term borrowing.

69 Further use of reserves to provide flexibility in managing future years budget pressures.

Capital Programme

- 70 Our capital programme is split between our business as usual (BAU) replacement strategy and our Estates Strategy. The table below breaks down capital programme, along with how the programme is funded:

Capital Programme, £m	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Fleet Replacement	7.5	6.7	6.8	7.0	7.1	35.1
Body Worn Video Replacement	0.4	1.0	1.3	1.3	1.4	5.4
IT Infrastructure / Laptop Replacement	4.7	4.3	4.4	11.9	4.3	29.6
Other Equipment	1.2	0.0	0.0	0.0	0.0	1.2
CTU Vehicles / Equipment	3.1	3.1	3.2	3.3	3.3	16.0
Estates Strategy	17.0	18.8	7.9	0.0	0.0	43.7
Total Capital Programme	33.9	33.9	23.6	23.5	16.1	131.0
Funded by:						
Revenue Contributions	14.5	12.6	13.3	20.2	12.8	73.4
Capital Receipts	12.3	18.1	7.1	0.0	0.0	37.5
Borrowing	4.0	0.0	0.0	0.0	0.0	4.0
Capital Grants	3.1	3.2	3.2	3.3	3.3	16.1

- 71 The fleet replacement programme has a rolling replacement of between 220-230 vehicles per year. The asset life for vehicles depends upon the vehicles use. Work is underway to transition to a greener fleet.
- 72 The Body Worn Video replacement is currently under contract with an asset life of 3 years; the contract is currently due to end in 2026/27.
- 73 The IT and Digital replacement programme is made up of 2 areas – Laptops / Desktops, and IT Infrastructure. The capital programme allows for a rolling replacement programme for laptops / desktops with an expected asset life of 5 years. The infrastructure programme allows for upgrades / replacements of our existing infrastructure, IT and Digital have a programme of work planned. Work is ongoing with IT and Digital to consider the mix between cloud v's on-premises application. The split between revenue and capital expenditure may then shift.
- 74 The estates strategy is in line with the programme and has been uplifted to include the barn for the mounted unit, the purchase of the leasehold and lift replacements for Lloyd House.

Estates Strategy

75 The current Estates Strategy was signed off by the Chief Constable and Police and Crime Commissioner in October 2023 and work is underway on delivering the strategy.

76 The table below breaks down the proposed capital and revenue costs of delivering the Strategy - subject to timing delays and operational changes.

Estates Strategy £m	2025/26	2026/27	2027/28	Total
Capital	17.0	18.8	7.9	43.7
Revenue	5.7	6.8	2.0	14.5
Total Cost of Estates Strategy	22.7	25.6	9.9	58.2
Funded by:				
Borrowing	4.0	0.0	0.0	4.0
Capital Receipts	12.3	18.1	7.1	37.5
Revenue Contributions (held in reserve)	6.4	7.5	2.8	16.7

77 The revised strategy will achieve capital receipts of an estimated £55m from the proposed site disposal programme and eliminate backlog maintenance exposure at those sites of £19m. The below table shows the expected timing of the capital receipts and usage of receipts. The remaining balance from the capital receipts is expected to be £23m, conversations will start to take place around the use of these capital receipts, early thinking is this could support the work to reduce our carbon footprint.

Capital Receipts £m	2024/25	2025/26	2026/27	2027/28
Opening Balance	6.5	11.3	13.0	20.4
Planned Use of Capital Receipts	(0.9)	(12.3)	(18.2)	(7.1)
Proposed Capital Receipts (from Sale of Buildings)	5.6	14.0	25.6	9.7
Vehicles Relates Capital Receipts (net)	0.1	0.0	0.0	0.0
Closing Balance	11.3	13.0	20.4	23.0

78 The planned enhancements at the remaining sites will also address their backlog maintenance issues currently estimated to be £3m.

79 The total ongoing savings due to lower running costs for the estate will £5m, to date we have achieved £1m with a further £4m due to be delivered over the medium term.

Reserves Strategy

80 Over the next 5 years we will look to use a net £41.7 of reserves as detailed in the table below:

Contribution (to) / From Reserves £m	Revised Budget 2025/26	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Uniform and Equipment Reserves	(0.6)	0.0	0.0	(8.0)	0.0
Estates Strategy	(5.7)	(6.8)	(2.0)	0.0	0.0
Change Programme	(1.6)	(2.0)	(1.6)	(0.9)	(1.1)
Budget Reserve	(4.6)	0.0	0.0	0.0	0.0
Budget Reserve (VCOP)	(0.1)	(0.2)	(0.2)	0.0	0.0
BAU Carry Forwards	(6.2)	(3.3)	(3.3)	0.0	0.0
OPCC including Commissioned Services	(1.0)	(0.4)	(0.4)	(0.4)	(0.4)
Regional / National Reserve	(1.1)	2.6	2.6	2.6	2.6
Police Property Act / Drug Squad Contributions	0.3	0.3	0.3	0.3	0.3
National contingency – Hillsborough	(0.4)	(0.4)	(0.4)	0.0	0.0
POCA Reserve	(0.5)	0.0	0.0	0.0	0.0
Total	(21.5)	(10.2)	(5.0)	(6.4)	1.4

81 This currently **excludes** any potential utilisation of the budget reserves to alleviate the financial pressures for 2026/27 onwards whilst we work through the budget setting process and await the final financial settlement in December 2025.

82 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.

Estimated Reserve Levels £m	31st March 2025	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030
Funding for Planned Expenditure on Projects & Programmes - Revenue						
Regional / National Reserve	8.7	7.6	10.2	12.8	15.4	18.0
PPA / Misuse of Drugs Act	2.1	2.0	1.9	1.8	1.6	1.5
POCA (Proceeds of Crime Act) Reserve	0.9	0.4	0.4	0.4	0.4	0.4
Change Programme / Estates Strategy Reserve	21.2	15.3	6.6	3.0	2.2	1.1
Carry Forward Reserve inc. Grant No Condition	17.1	10.3	6.9	3.6	3.6	3.6
Funding for Planned Expenditure on Projects & Programmes – Capital						
Useable Capital Receipts Reserve	11.3	13.1	20.5	23.0	23.0	23.0
Capital Grants Unapplied	0.8	0.8	0.8	0.8	0.8	0.8
Reserves held in accordance with sound principles of good financial management						
Uniform and Equipment Reserve	11.6	11.0	11.0	11.0	3.0	3.0
Budget Reserve	29.0	22.8	22.6	22.5	22.5	22.5
National Contingency Reserve	3.1	2.7	2.4	2.0	2.0	2.0
Total Earmarked Reserves	105.8	86.0	83.3	80.9	74.5	75.9
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
Total Useable Reserves	122.5	102.7	100.0	97.6	91.2	92.6
Provisions	27.5	24.2	20.7	18.0	16.1	16.1
Total Useable Reserves & Provisions	150.0	126.9	120.7	115.6	107.3	108.7

83 The total reserves of the West Midlands Police and Crime Commissioner as of 31 March 2025 comprised 19.4% of the net revenue budget (NRB). If all the funding for planned expenditure is utilised by March 2030 this will reduce to around 12% of the forecast NRB.

84 Reserves and provisions will continue to be monitored and reviewed regularly throughout the year and medium-term. The Reserves Strategy is included as **Appendix 2**.

Recommendation

85 The board is asked to note the content of this report.

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Appendix 1 – 2025/26 Revised Revenue and Capital Budgets

Appendix 2 – Reserves Strategy

Appendix 3 – Financial Risk Assessment

Appendix 1 – 2025/26 Revised Revenue and Capital Budgets

Revenue Budgets

Income and Expenditure Breakdown	2025/26 Approved Budget £,000	2025/26 Revised Budget £,000
Police Pay	557,360	555,241
Police Community Support Officers	12,485	12,485
Police Staff Pay	221,753	223,013
Other Employee Expenses	17,461	20,212
Sub Total	809,059	810,951
Premises	32,499	32,178
Transport	12,745	12,774
Supplies and Services	81,115	83,692
Third Party Payments	25,909	25,062
Capital Financing	15,918	16,767
External Income	(134,657)	(133,027)
Home Office Specific Grant	(73,435)	(73,435)
Change Programme including Estates Strategy	7,537	8,683
Police Force	776,690	783,645
Office of Police and Crime Commissioner	3,737	3,720
Community Safety Funding	3,519	3,519
Helping Communities Fund	400	468
External Commissioning	2,599	2,983
Victim Services Expenditure	6,697	7,054
Victim Services Income	(6,049)	(6,049)
Violence Reduction Unit Expenditure	5,839	6,290
Violence Reduction Unit Income	(5,515)	(5,965)
Total Office of the PCC	11,227	12,020
Total Revenue Budget	787,917	795,665
Government Grants	(598,077)	(598,077)
Council Tax including Surplus on Collection Fund	(176,018)	(176,018)
Net Use of Reserves	13,822	21,570

Appendix 1 – 2025/26 Revised Revenue and Capital Budgets

Planned Use of Reserves

Contribution (to) / From Reserves £m	Decision Paper 2025/26	Revised Budget 2025/26
Uniform and Equipment Reserves	(1.6)	(0.6)
Estates Strategy	(6.9)	(5.7)
Change Programme	(1.5)	(1.6)
Budget Reserve	(4.6)	(4.6)
Budget Reserve (VCOP)	0.0	(0.1)
BAU Carry Forwards	0.0	(6.2)
OPCC including Commissioned Services	(0.4)	(1.0)
Regional / National Reserve	1.8	(1.1)
Police Property Act / Drug Squad Contributions	0.3	0.3
National contingency – Hillsborough	(0.4)	(0.4)
POCA Reserve	(0.5)	(0.5)
Total	(13.8)	(21.5)

In Year Capital Programme

Capital Programme, £m	Decision Paper 2025/26	Revised Budget 2025/26
Fleet Replacement	7.0	7.5
Body Worn Video Replacement	0.4	0.4
IT Infrastructure / Laptop Replacement	4.8	4.7
Connect	1.5	0.0
Other Equipment	0.0	1.2
CTU Vehicles / Equipment	3.1	3.1
Estates Strategy	29.0	17.0
Total Capital Replacement Programme	45.8	33.9
Funded by:		
Revenue Contributions	13.7	14.5
Capital Receipts	25.0	12.3
Borrowing	4.0	4.0
Capital Grants	3.1	3.1

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.
- Ensuring reserves are 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 £41.2m of reserves as detailed in the table below:

Appendix 2 – Reserves Strategy

Contribution to / (from) Reserves £m	Revised Budget 2025/26	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Uniform and Equipment Reserves	(0.6)	0.0	0.0	(8.0)	0.0
Estates Strategy	(5.7)	(6.8)	(2.0)	0.0	0.0
Change Programme	(1.6)	(2.0)	(1.6)	(0.9)	(1.1)
Budget Reserve	(4.6)	0.0	0.0	0.0	0.0
OPCC – VCOP visibility	(0.1)	(0.2)	(0.2)	0.0	0.0
BAU Carry Forwards	(6.2)	(3.3)	(3.3)	0.0	0.0
Regional / National Reserve	(1.1)	2.6	2.6	2.6	2.6
Police Property Act / Drug Squad Contributions	0.3	0.3	0.3	0.3	0.3
OPCC – My Community Fund – PPA Reserve	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
OPCC Carry Forwards	(0.6)	0.0	0.0	0.0	0.0
National contingency – Hillsborough	(0.4)	(0.4)	(0.4)	0.0	0.0
POCA Reserve	(0.5)	0.0	0.0	0.0	0.0
Total	(21.5)	(10.2)	(5.0)	(6.4)	1.4

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

- **Uniform and Equipment Reserve** – This reserve is being utilised to fund the first year of the new Taser contract of £630k which was delayed from 2024/25, and to support the replacement laptop purchase in 2028/29.
- **Estates Strategy Reserve** – This utilises the estate strategy reserve to fund the revenue costs of the estate’s strategy.
- **Change Programme Reserve** – This reserve is being utilised to fund the redundancy costs linked to the reorganisation of the Crime Desk in Force Contact of £1.6m. Along with £4.0m in future years to support the development of Digital Media hubs across the force.
- **Budget Reserve** - Due to the scale of the savings required to balance the medium-term plan, the Force continued to drive savings in 2024/25 from increased income opportunities and reviewing staff vacancies. This was transferred to the budget reserve and £4.6m was planned to be drawn down in 2025/26 to help balance the medium-term plan whilst allowing time to generate further long-term sustainable solutions. The Commissioner will use £0.5M of this reserve to enhance the visibility of the Victims Code of Practice, driving an increase in public trust and confidence.
- **BAU Carry Forwards** – this draws down on the agreed carried forwards approved in 2024/25 £2.2m, along with year 1 of 3 income received during 2024/25 to fund the CBRN PPE to mitigate the risks around future supply.
- **Regional / National / Collaboration reserve** – This reserve draws down a net £1.1m in 2025/26. This is made up of use of reserves of £1.1m from the NaBIS reserve to update their vehicles and microscopes and £0.6m to support the setup of the mounted until (funding provided by the Premier League during 2023/24), offset by a net contribution to reserves of £0.6m relating to a considerable increase in planned chargeable activity, reflecting the force’s

Appendix 2 – Reserves Strategy

plans to maximise income where possible to mitigate the impact of budget savings.

- **Drug Squad / Police Property Act (PPA) Reserve** – This contribution is used to partially fund the Commissioner’s My Community Fund, which supports projects across the West Midlands.
- **POCA Reserve** – The Proceeds of Crime Act 2002, allows some of the value of seized criminal assets to be returned to Forces over time as criminal prosecutions come to court. Any amount over that relied upon in-year, to support economic crime and other teams targeting seizures, is returned to this reserve to smooth the time delay between workload, seizure of goods and the return of money through the POCA mechanism. In 2024/25 and 2025/26 this reserve is also being used to fund Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands

3.3 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.

3.4 The total reserves of the West Midlands Police and Crime Commissioner as of 31 March 2025 was 19.4% of the net revenue budget (NRB). If all the funding for planned expenditure is utilised by March 2030 this will reduce to around 12% of the forecast NRB.

Appendix 2 – Reserves Strategy

3.5 The table which follows details the current level of reserves held from the outturn for March 2024 through to the forecasted level by March 2030 based on use of / contribution to reserves detailed above.

Reserves £m	31st March 2025	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030
Funding for Planned Expenditure on Projects & Programmes - Revenue						
Regional / National Reserve	8.7	7.6	10.2	12.8	15.4	18.0
PPA / Misuse of Drugs Act	2.1	2.0	1.9	1.8	1.6	1.5
POCA (Proceeds of Crime Act) Reserve	0.9	0.4	0.4	0.4	0.4	0.4
Change Programme / Estates Strategy Reserve	21.2	15.3	6.6	3.0	2.2	1.1
Carry Forward Reserve inc. Grant No Condition	17.1	10.3	6.9	3.6	3.6	3.6
Funding for Planned Expenditure on Projects & Programmes – Capital						
Useable Capital Receipts Reserve	11.3	13.1	20.5	23.0	23.0	23.0
Capital Grants Unapplied	0.8	0.8	0.8	0.8	0.8	0.8
Reserves held in accordance with sound principles of good financial management						
Uniform and Equipment Reserve	11.6	11.0	11.0	11.0	3.0	3.0
Budget Reserve	29.0	22.8	22.6	22.5	22.5	22.5
National Contingency Reserve	3.1	2.7	2.4	2.0	2.0	2.0
Total Earmarked Reserves	105.8	86.0	83.3	80.9	74.5	75.9
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
Total Useable Reserves	122.5	102.7	100.0	97.6	91.2	92.6
Provisions	27.5	24.2	20.7	18.0	16.1	16.1
Total Useable Reserves & Provisions	150.0	126.9	120.7	115.6	107.3	108.7

Appendix 2 – Reserves Strategy

4. Reserves Breakdown

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

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

Regional / National Reserve

4.2 The Regional / National Reserve includes balances held for regional and national projects including the Regional Organised Crime Unit (ROCU), National Ballistics Intelligence Service (NaBIS), Lock-Up Museum, County Lines and Operations. This reserve is therefore held by West Midlands on behalf of ourselves and other forces. 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

4.3 The Police Property Act (PPA) and Misuse of Drug Act 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, Local Authority, Courts, Crown Prosecution Service and Police using a prescribed formula. This reserve is being used to fund the Commissioner's "My Community Fund" which supports projects that meet targets in the Police and Crime Plan.

POCA Reserve

4.4 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.

Change Programme / Estates Strategy Reserve

4.5 This reserve is to complete the refurbishment side of the estates strategy, the setup of the digital media hubs across the force and further developments in the Control Work system and Duty Management system.

Carry Forward Reserve

4.6 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 Business as Usual (BAU) Departments,
- PCC Carry forwards
- BAU requests to carry forward due to committed spend moving into future years.

Appendix 2 – Reserves Strategy

Useable Capital Receipts Reserve

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

Capital Grants Unapplied

- 4.8 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.

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

Uniform and Equipment Reserves

- 4.9 The Uniform and 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 as 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

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

Budget Reserve

- 4.11 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 2026/27 as part of the budget setting cycle.
- 4.12 The plan thereafter is to hold the Budget Reserve at the forecast level as of 31st March 2027 to fund any potential future funding gaps from 2027/28 and beyond, linked to the risks associated with potential increases in inflation over and above those forecast through the medium-term financial plan.

General Fund

- 4.13 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

Appendix 2 – Reserves Strategy

Balances should be retained to provide resilience against the effect of such a situation.

- 4.14 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 is shown in **Appendix 3**. 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.
- 4.15 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.
- 4.16 Nationally, Police and Crime Commissioners have provided financial guarantees to organisations in case they fail. This is in respect of the Police ICT Company 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.

Provisions

- 4.17 The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). A provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance West Midlands Police has established several provisions detailed in the table below:

Provisions £m	31st March 2025	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030
Insurance	16.1	16.1	16.1	16.1	16.1	16.1
Legal Compensation	10.5	8.1	4.6	1.8	0.0	0.0
Internal Reorganisation	0.9	0.0	0.0	0.0	0.0	0.0
Total Provisions	27.5	24.2	20.7	17.9	16.1	16.1

- 4.18 The insurance policies held by the PCC require a significant level of self-insurance, the level of this being recommended by independent advisers. The current provision is expected to be used within the next seven years, however future claims are also expected, the overall provision is expected to increase slightly year on year. The Insurance provision includes Public and Employers Liability, Motor Third Party and Fire and Uninsured Losses.
- 4.19 The Legal Compensation relates to Allard / Hillsborough prospective damages and legal costs in association with ongoing claims which are current live legal discussions.
- 4.20 The internal reorganisation includes a provision for exit costs and pension strain along with dilapidations.

Appendix 3 – Financial Risk Assessment

Risk	Likelihood	Impact	Comment
Medium-Term funding remains unclear.	Medium	High	The government have announced a 3-year settlement, the full details are not known, and assumptions are being made until the settlement in December 2025. £1 change in precept results in £0.7m movement and 1% change in grant results in £5.9m movement in grant
The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.	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.
Pay awards in the future differ from the assumptions in our financial planning	Medium	Medium	Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the savings requirement will increase as outlined in the sensitivity analysis above.
Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors	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.
Interest rates increase	Medium	Medium	The budget reflects the current rates of interest being received on investments. No further borrowing is planned at this time.
General inflation is different to the assumptions included in the budget.	Medium	Medium	A 1% increase would cost around £2.0m. Significant increases in building costs in the medium-term capital programme period could have an impact on some estimates.
Income levels not achieved	Low	Low	A 1% loss of income (excluding grants & interest) would cost around £0.5m.
Short Term Grants not extended beyond 2025/26	Medium	Medium	There are a number of short-term grants that are due to end in 2025/26. These include County Lines £7m, VRP £4.6m and GRIP (guardian) £3.7m
Planned savings from the estates strategy included within the Medium-Term Financial Plan are not achievable.	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.
Further Cost Transfer from National Programmes / Projects	High	High	Further cost transfers from the centre (for example, Emergency Services Network, Main Trading Account(MTA) Home Office IT charges and Police Digital Service (PDS) costs.