

**NOTICE OF
DECISION**

[007-2026]

Contact Officer: Jane Heppel, Chief Finance Officer to the West Midlands Police and Crime Commissioner

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Title: 2026/27 Revenue Budget, Precept and Capital Programme and Medium Term Financial Plan (MTFP) 2026/27 to 2030/31

Executive Summary

This report sets out the Police and Crime Commissioner's 2026/27 Revenue Budget, Precept and Capital Programme for 2026/27 to 2030/31 and MTFP to 2030/31.

Decision

That, for 2026/27, a total net revenue expenditure of **£877,666,000** be approved.

That, net contributions from Reserves to support the budget of **£17,074,400** be made in 2026/27.


That, a net budget requirement for 2026/27 of **£860,591,600** be approved as follows:

- a) The Commissioner's General Reserve remains at **£16,726,165**.
- b) The Band D precept for 2026/27 be set at **£244.50** per annum, an increase of **£15.00** per annum, when compared with 2025/26.
- c) A total precept on the Councils of the West Midlands be approved and apportioned between such Councils, based on the relevant tax base, as set out in **Appendix 5**.
- d) Billing authorities be required to make payments on account of such precept upon them, by way of ten instalments, commencing in April 2026, on dates to be advised by the PCC CFO.
- e) The Operational Budget for 2026/27 be delegated, in accordance with the Scheme of Consent, as set out in **Appendix 2**.
- f) The Police and Crime Commissioner's budget be delegated to the Chief Executive, in accordance with Section 6.
- g) The Medium-Term Financial Plan to 2030/31, as set out in Section 10, be noted.
- h) The Capital Strategy 2026/27-2030/31, as set out in **Appendix 3** be approved.
- i) The Capital Budget for 2026/27 be set at **£37,137,300**.

- j) The Capital Programme, as set out in Section 11 and **Appendix 4**, be approved.
- k) The Reserves Strategy 2026/27-2030/31, as set out in **Appendix 6** be approved.
- l) The Prudential Guidelines and Indicators, as set out in **Appendix 7** be approved.
- m) The Chief Finance Officer (CFO) to the Commissioner, be authorised to arrange the necessary financing for the Capital Programme, in accordance with the approved Treasury Management Strategy and the CIPFA Code of Treasury Management.

West Midlands Police and Crime Commissioner

I confirm that I do not have any disclosable pecuniary interests in this decision and take the decision in compliance with the Code of Conduct for the Police and Crime Commissioner for the West Midlands. Any interests are indicated below.

Signature..... 

Date.....06/02/2026.....

Non-Confidential Facts and Advice to the Police and Crime Commissioner

1 Purpose

1.1 Following the meeting of the Police and Crime Panel on 2 February 2026, this paper sets out the Police and Crime Commissioner's 2026/27 Revenue Budget, Precept, Capital Programme for 2026/27-2030/31 and an update on the Medium-Term Financial Plan up to 2030/31.

2 Background

2.1 This report follows the notice of intended decision that was presented to the Panel at its meeting on 2 February 2026 and follows the Government announcing the final Police Funding Settlement for 2026/27 on the 28 January 2026.

2.2 The final settlement letter included the main funding as outlined in the panel paper, along with additional details around the three separate funding streams for Serious Violence, County Lines and Knife Crime.

3 2026/27 Government Grant Settlement

3.1 The total grant settlement for the West Midlands in 2026/27 is £695.2m, which is an increase of £23.7m on the 2025/26 Settlement. The 2026/27 settlement is prioritising funding to boost visible policing and ensure policing can shape their workforce to meet modern crime demands. To support this priority, and in recognition of the vital role of police staff, the following grants will have been combined into the total core grant funding:

- The Year One Neighbourhood Policing Grant
- The Officer Maintenance Grant
- The Additional Recruitment Top Up Grant

3.2 The main points to note from the settlement are as follows:

- £623.2m in total Core Grant from the Home Office, this includes Home Office Police Main Grant, DCLG Formula Funding Grant, and legacy workforce grants.
- £19.0m from Legacy Council Tax grants.
- £18.9m from the Pensions Grant.
- £11.8m to support with increase in employers National Insurance Contributions at Autumn Budget 2024, allocated in line with the latest workforce shares as at 31st March 2025.
- Local council tax precept flexibility of £15 per Band D property.
- Up to £22.3m from the ringfenced grant for the neighbourhood policing uplift, made up of a ringfenced portion of forces' core grant funding, and a share of the £50m uplift, based on funding formula. Our initial share of the expected national growth in Year 2 of the Programme is 107 FTE, on top of maintaining Year 1.

3.3 The consolidation of the grants is a necessary first step to support the government's commitment to reform funding distribution, as set out in the White Paper for police reform. The paper, which sets out the ambitious plans to modernise the policing system and ensure it is better structured and equipped for the future. The settlement also provides £1.4b of funding for wider policing systems, broken down as follows:

- £967 million for police technology programmes.

- £119m for Police Reform, to kickstart delivery of the programme.
- £95m for Crime Programmes.

3.4 Other key grants announced as part of the settlement include:

- The Serious Violence Programmes, which includes the Violence Reduction Unit has been allocated £5.0m for 2026/27 to continue the vital work in supporting the halving of knife crime and making our streets safer. This is as per our 2025/26 allocation.
- A commitment to continue to invest in the County Lines Programme, but at a reduced level of £5.4m, down from £7.0m in 2025/26.
- Mainstreaming Hotspot Patrolling from 'project' activity, this is seen as a key element on the Neighbourhood Policing Guarantee. Therefore, the Hotspot Action Fund will cease at the end of 2025/26, a grant worth £3.7m to the West Midlands.
- A new grant for Knife Crime Concentrations, with an increased focus on tackling the worst concentrations of knife crime, worth £2.8m.

4 Balances and Reserves

4.1 The prudent use of reserves to support spending, continues to be a key factor in the Medium-Term Financial Strategy. The following table details the anticipated level of reserves as of 31 March 2026 and the estimated level of reserves by 31 March 2027, as per the plans outlined within this budget report. **Appendix 6** contains the proposed Reserves Strategy.

4.2 Planned Movements in Reserves replied upon in the 2026/27 budget are as follows:

Reserves £m	Balance @ 31st March 2026	Planned Movement in Reserves 2026/27	Balance @ 31st March 2027
Funding for Planned Expenditure on Projects & Programmes - Revenue			
Regional / National Reserve	8.4	0.0	8.4
PPA / Misuse of Drugs Act	2.0	(0.1)	1.9
POCA (Proceeds of Crime Act) Reserve	1.1	(0.3)	0.8
Change Programme / Estates Strategy Reserve	17.7	(7.2)	10.5
Carry Forward Reserve inc. Grant No Condition	7.4	(3.3)	4.1
Office of PCC	3.4	(0.6)	2.8
Reserves held in accordance with sound principles of good financial management			
Uniform and Equipment Reserve	11.0	0.5	11.5
Budget Reserve	34.4	(5.7)	28.7
National Contingency Reserve	2.7	(0.3)	2.4
Total Earmarked Reserves	88.1	(17.0)	71.1
General Fund Reserve	16.7	0.0	16.7
Total Reserves	104.8	(17.0)	87.8

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

4.3.1 **Regional / National / Collaboration reserve** – This reserve will be unused in 2026/27 as there are no plans which require drawdowns and the regional ROCU reserve is expected to be kept at a £0.25m with any underspend in 2025/26 being returned to Forces.

4.3.2 **Change Programme / Estates Strategy Reserve** – This reserve has been combined to more effectively use the reserve to meet the needs of change. In 2026/27 most of the planned usage is on large refurbishment programmes in the estate, as well as investing in digital media hubs to improve the investigation of digital crimes and the service to victims.

4.3.3 **Carry forward Reserve** - where approved one-off investments and changes cannot be made within a financial year it is customary to allow those to carry forward into the following year to enable work to complete. The use of this fund in 2026/27 is to enable key CBRN equipment to be purchased for regional use.

4.3.4 **Drug Squad / PPA Reserve** – The Police Property Act allows the Police to retain in full the money and other assets seized from criminals where that is not recovered under PACE. This contribution is used to partially fund the Commissioner's My Community Fund, which supports projects across the West Midlands.

4.3.5 **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. The money is also distributed to other parties involved in these prosecutions. 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 ARIS mechanism. In 2025/26 and 2026/27 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.

4.3.6 **Budget Reserve** - The budget reserve is held to reduce the impact of financial pressures on service delivery. Due to the scale of the savings required to balance the medium-term plan, the Force has continued to drive savings in 2025/26 from increased income opportunities and reviewing staff vacancies. This will be transferred to the budget reserve and drawn down to help balance the medium-term plan allowing time to generate further long-term sustainable solutions.

4.3.7 **Uniform and Equipment Reserve** – This reserve is being utilised to support the initial higher costs of purchasing non-ICE vehicles, along with smoothing out the replacement strategy for IT&D equipment such as mobility devices, airwaves and laptops.

4.3.8 **National Contingency Reserve** – This reserve is being utilised to support the purchase of new Tasers which is a nationally mandated upgrade.

4.4 The Commissioner needs to maintain an adequate General Reserve balance because:

- As a substantial organisation with a turnover of more than £0.9 billion, there are no other such reserves to call on.
- There are no budgeted contingencies for very major incidents, which may require significant resource levels for a long period.

4.5 The considerations in determining how much of the earmarked reserves should be used in 2026/27, are:

- Retaining the maximum level possible, to support spending in 2026/27 and later years, when resource levels may be constrained, within the context of a tough CSR settlement.
- Striking a fair balance between how much should be used to support spending over the planning period and by how much the precept should increase,
- Risks and uncertainties in key budget assumptions, any additional spending in 2026/27, which cannot be met from in year redirections would have to be met from reserves.

4.6 Given these considerations and a precept increase at the maximum permitted without a referendum, it will be necessary to use £17.0m of reserves to support revenue spending in 2026/27. The use of additional reserves will be subject to decisions and activities in year.

5 Proposed Revenue Budget 2026/27

5.1 The Commissioner is proposing a Revenue Budget for 2026/27, based on the following:

- The priorities in the Police and Crime Plan.
- The implications of the funding settlement.
- Existing budget commitments and inflationary pressures.
- The continued recruitment of Police Officers to ensure than planned numbers are maintained as detailed in **Section 11**.
- Providing recurring funding for Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands
- Investing in cyber security, artificial intelligence and robotic process automation to create a resilient police force which uses the most efficient and effective means possible for each task in hand
- Developing digital media hubs in each LPA to enhance the forensic capture from mobile devices and increase the speed and quality of investigations
- Providing improved equipment and technology to frontline officers to support capability, safety and welfare
- Continued work on efficiencies and productivity, to redirect resources to frontline policing as a priority
- Continued support for the Estates Strategy, and implementation of Continuous Improvement methodology to deliver savings and efficiencies in the short to medium term. These will help the Force to continually challenge the way

services are provided, maximise innovation and drive efficiency and productivity.

- 5.2 Recognising that in the medium term, there are significant cost pressures to the Force including inflation and other cost pressures. There is a need to strike a careful balance between spending levels, the use of reserves and a precept increase across medium term.
- 5.3 The table on the following page analyses the changes between the proposed 2026/27 Revenue Budget, compared to the 2026/27 budget. The subjective analysis of the proposed 2026/27 budget is shown in **Appendix 1**, along with the base budget from 2025/26.

Revenue Budget Movement	Revenue Budget £m	Reserve £m	Net Budget £m
2025/26 Budget	849.2	(13.9)	835.3
Inflation			
Cost of living pay awards 2025 (4.2%) and estimated 2025 (3.0%), incremental pay banding increases	36.4	0.0	36.4
Non-Pay Inflation / Contract Changes	7.7	0.6	8.3
Policing an additional 3 bank holidays	1.7	0.0	1.7
Funding from Reserves			
Remove reliance on reserves (PCC & ROCU)	0.0	0.1	0.1
Movement in Budget Reserve	0.0	(0.1)	(0.1)
Use of Reserves to Fund Ill Health Retirement	0.0	(1.0)	(1.0)
PCC Agreed funding from Reserves	0.3	(0.3)	0.0
Operation Fearless reduced funding from Reserves	(0.3)	0.3	0.0
ICT Mobility Devices (defer budget to 2027/28 when required)	(1.4)	1.4	0.0
CBRN equipment purchased in 2024/25 to cover 2025/26 to 2027/28	3.3	(3.3)	0.0
Other Budget Movements			
Additional Income Generation	(0.8)	(2.4)	(3.2)
Movement in Change Programme Profile	(2.0)	1.9	(0.1)
Change in Capital Spend Profile	0.6	1.0	1.6
New Costs			
Change in Demand	7.8	(1.0)	6.8
Approved investments	2.6	0.0	2.6
Neighbourhood Policing Guarantee			
Increase in NPG Grant (£3.0m additional, £7.1m transferred from PUP Grant (included in Government Grants below the line)	(10.1)	0.0	(10.1)
Full Year impact of 150 year 1 officers	4.9	0.0	4.9
Additional Expenditure to fund 107 year 2 officers	5.2	0.0	5.2
Changes in Serious Violence Funding and Re-distribution of Officer Top Up Grant			
Net Movement in Grant Income	2.5	0.0	2.5
Net Movement in Non-Pay Costs	0.3	0.0	0.3
Increased Use of Reserves	0.0	(0.4)	(0.4)
Redirection of 107 FTE Officer (due to changes in funding)	(4.6)	0.0	(4.6)
Savings			
Savings	(13.2)	0.0	(13.2)
Reduction in Police Staff Pension rate from 19.8% to 14.3%	(8.6)	0.0	(8.6)
Repayment of Dudley Debt, a PWLB loan and updated MRP profile plus additional interest receivable based on 2025/26 forecasts	(3.8)	0.0	(3.8)
2026/27 Provisional Budget	877.7	(17.1)	860.6

6 Savings

- 6.1 The revenue budget proposal contains plans to deliver £13.2m of savings derived from a Priority Based Budgeting review. This incorporates reductions from contract management in the cost of IT, utilities and staff restructures in corporate communications and Forensics as well as the continued implementation of reducing the size of the estate's footprint.
- 6.2 The draft triennial valuation for the LGPS should produce a rebate in the employers' pension contribution for staff, delivering savings of around £8.6m p.a. This is largely a return of monies from the Fund to the employer, recognising that the Fund itself is now more than fully funded. In future years we will not be able to use all this saving as we focus on rebuilding a pot to call upon if contributions need to rise again. This is likely but not definite as the contribution rate is calculated based on 70% of scenarios delivering a 110% funded position.
- 6.3 There are £3.8m of savings in treasury costs as loans are repaid, the Dudley debt relating to the old West Midlands County Council unwinds and some capital receipts are used to support Fleet expenditure. It also recognises an updated Minimum Revenue Provision profile and a predicted increase in interest receivable based on the 2025/26 forecast, but with an allowance for reducing interest rates.

7 Investment

- 7.1 The Force is growing in certain areas of high demand or growing need such as cyber security, artificial intelligence, robotics and process automation, intelligence and major crime. Some of this growth is as a result of a planned partnership with the National Crime Agency to focus on organised crime in the region.

8 Increased Demand

- 8.1 The increased numbers of positive outcomes over the past year have led to a need to spend more on custody services such as interpreters and doctors' statements, as well as Digital and Telecom forensics and detention escort officers.
- 8.2 There will be a £1.4m increase in vehicle costs and maintenance costs, which is the result of a larger fleet, supporting the highest number of officers that the Force has had since 2010.
- 8.3 There is an increase of £2.6m in the provision for the cost of ill health retirements, although the Force continues to work with external partners to promote measures to prevent ill health and deal with it quickly and effectively when it arises to successfully return people to work. In view of the fact that this may represent a backlog, this is supported by the use of £1 million in reserves.

9 Police and Crime Commissioner Office

- 9.1 The Office supports the functions of the PCC, including commissioned services, statutory external audit, supporting victims, engaging with the public, joint internal audit, running grants schemes, custody visiting, managing complaints

appeals and responsibility for overseeing, scrutinising, and leading the police force.

- 9.2 The Office is responsible for victim services in the region, including supporting victims of domestic abuse and sexual assault. For many of these grant funded schemes, the Office absorbs the overhead ensuring the maximum amount of money is allocated to the recipients of these services. The Office continues to support projects such as the Regional Criminal Justice Forum, on behalf of the four-regional force / OPCC areas.
- 9.3 The budget has been refocussed on improved governance and a commitment to invest in regular public engagement and surveys. This will improve the ability to hold the Force to account and measure public perceptions.
- 9.4 The proposed budget for the Police and Crime Commissioner's office for 2026/27, compared to the budget for 2025/26, is shown in the table below. The 2026/27 budget includes provisions for the impact of the pay awards and staff increments.

Office of the Police and Crime Commissioner Breakdown	Budget 2025/26	Proposed Budget 2026/27
	£,000	£,000
Governance	426	416
Staff and Office Support costs	2,756	2,877
Consultation, ICT and Supplies and Services	101	214
Police Misconduct Hearings including Legally Qualified Chairs	40	48
Subscriptions	95	99
Bank Charges and External Audit Fees	186	191
Custody Visiting	15	26
Professional Services	118	123
Gross Budget	3,737	3,994
Use of Reserves		(17)
Total Budget	3,737	3,977

- 9.5 The total budget of the Police and Crime Commissioner's office, including net spending on the Violence Reduction Unit, and Victims grants, as well as community safety funding, amounts to 1.4% of the overall net revenue budget of the Force and OPCC combined.

10 Operational Policing Budget

- 10.1 In accordance with the Scheme of Consent, it is necessary for the Commissioner to approve an operational policing budget, which can be delegated as detailed within the Scheme of Consent. It is consistent with policies and priorities included in the Police and Crime Plan. The proposed operational policing budget

is set out in **Appendix 2**. This represents, in more detail, a cost centre-based view of Operational and non-Operational policing in the West Midlands.

11 Staffing Budgets 2026/27

11.1 The Home Office have set one conditional workforce grant for 2026/27, the Neighbourhood Policing ringfence grant, worth £22.3m. We are awaiting full details around the final force-level targets linked to this grant; our current working assumptions are detailed in the table below.

Neighbourhood Policing Guarantee	Officer FTE	PCSO FTE
31 st March 2025 Baseline	387	245
Year 1 Uplift	289	20
Year 2 Uplift	107	0
31st March 2027 Target	783	265

11.2 To support the delivery of the Neighbourhood Policing Guarantee, whilst maintaining affordability, the police officer establishment is built upon:

- Maintaining the Target National Uplift headcount of 8,086, less 107 FTE, which will be redistributed to Neighbourhood Policing due to the reduction in Top Up grant funding following reallocation into the main Police Grant, mainstreaming the Hotspot Patrolling Grant and the reduction in the County Lines grant.
- Maintaining the additional 30 FTE agreed by the Commissioner in the 2024/25 budget for Local Policing and Public Protection.
- Maintaining the 150FTE increase agreed as part of the Year 1 Neighbourhood Policing Guarantee.
- Increase by a further 107 FTE as part of Year 2 of the Neighbourhood Policing Guarantee.

Officer Headcount Breakdown	Headcount	FTE
PUP Target from 2025/26	8,086	7,946
Precept Uplift	30	30
Neighbourhood Policing Guarantee	150	150
Total 2026/27 Target	8,266	8,126

11.3 The PCSO Establishment is 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
2026/27 PCSO Total	300

11.4 The police staff budget for 2026/27 is based on an establishment of 4,440 FTE, however, there is a 7.5% vacancy factor built (which equates to 333 FTE vacant posts) to set a balanced budget. The consequence of this is that if our strength goes above 4,107 FTE, we are at risk of overspending against this budget line. This will be monitored closely throughout the year.

12 Medium Term Financial Plan

12.1 The Medium-Term Financial Plan has been refreshed and updated, based on a number of key assumptions covering likely funding, inflationary increases, expenditure items and the maintenance the agreed officer, PCSO and staff headcount. The table below outlines these assumptions.

Planning Assumptions by Expenditure Type	2027/28	2028/29	2029/30	2030/31	1% Movement
	£m (+/-)				
Salaries	2.5%	2.5%	2.0%	2.0%	8.3
Supplies & Services	2.0%	2.0%	2.0%	2.0%	0.9
Premises including utilities	5.0%	5.0%	5.0%	5.0%	0.4
Income	2.0%	2.0%	2.0%	2.0%	0.4
Fuel	5.0%	5.0%	5.0%	5.0%	0.1
Other Transport	2.0%	2.0%	2.0%	2.0%	0.1
Third Party Payments	2.0%	2.0%	2.0%	2.0%	0.4
Police Grant	3.3%	1.7%	2.0%	2.0%	6.2
Tax Base	1.0%	1.0%	1.0%	1.0%	2.0
Precept (£)	£14	£14	£14	£14	0.8

12.2 The Medium-Term Financial Plan, reflecting the assumptions outlined above, is shown in the table below. Assuming a £14 precept increase from 2027/28 to

2030/31, the forecast funding gap is currently £14.1m in 2027/28 growing to £53.0m over the medium term.

Police Force Net Expenditure £m	Proposed Budget 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30	MTFP 2030/31
Salaries including Overtime	825.5	857.6	894.5	927.8	956.5
Non-Pay Expenditure	190.3	202.9	209.4	209.8	218.1
Income	(136.9)	(138.7)	(141.4)	(143.9)	(146.5)
Change Programme including Estates	8.8	8.2	4.0	3.8	2.6
Total Police Force Expenditure	887.7	930.0	966.5	997.4	1,030.8
Police & Crime Commissioner	12.3	12.8	13.1	13.6	14.1
Total Expenditure	900.0	942.7	979.6	1,011	1,044.9
Police Grant	(672.8)	(693.1)	(704.2)	(717.2)	(730.6)
Specific Grants	(22.3)	(22.3)	(22.3)	(22.3)	(22.3)
Precept	(187.8)	(201.5)	(214.5)	(228.0)	(241.8)
Planned Contribution to / (from) Reserves	(17.1)	(11.7)	(7.5)	3.0	2.8
Potential Savings Required	0.0	14.1	31.1	46.4	53.0

12.3 There are a number of outstanding risks yet to be added into the medium-term plan. These include:

- The impact if pay awards are higher than the 3% assumption for 2026/27, 2.5% for 2027/28 and 2028/29, and 2.0% for 2029/30 and 2030/31.
- Higher than anticipated non-pay inflation.
- Revenue consequences of nationally led ICT schemes, the NLED Programme, which will replace legacy data systems, such as Police National Computer and Police National Database, with the Law Enforcement Data Service (LEDS).
- Savings from adopting proposals in the Police Productivity Review.
- The cost of adequately refurbishing buildings and fleet to meet environmental targets for decarbonisation which have been reported to the Home Office as part of the Comprehensive Spending Review but not yet incorporated into this medium-term financial plan
- The plans set out in the Police Reform white paper to modernise the policing system and ensure it is better structured and equipped for the future.
- The impact the Sentencing Review may have on policing.

13 Capital Programme

13.1 The capital programme for 2026/27 to 2030/31, is detailed in **Appendix 4**. The Capital Programme will be financed by a combination of revenue contributions, capital receipts, and short-term internal borrowing, as required.

14 Prudential Guidelines

14.1 In relation to capital financing, the Commissioner is required to set a number of prudential indicators, and these are covered in detail in **Appendix 7**.

15 Risks and Uncertainties

15.1 Details of the risks and uncertainties inherent in these Budget proposals are summarised in **Appendix 8**.

16 Precept Implications

16.1 The statutory calculations, required by Local Government Finance Act 1992, are shown in **Appendix 5**.

17 Chief Finance Officer's Statement

17.1 Section 25 of the Local Government Act 2003, requires the CFO to report to the Commissioner on the robustness of the estimates made for the purposes of the statutory budget calculations and the adequacy of financial reserves and the Commissioner must have regard to that report when making decisions about the statutory budget calculations.

17.2 **Appendix 8** analyses the risks and implications if key budget assumptions vary during the year. Any overspendings which cannot be contained within approved budget levels will have to be financed from the Budget Reserve.

17.3 Details of the Commissioners general balances and reserves are set out in **Section 4** of the report.

17.4 I am recommending that the level of General Balances remains at £16.7m.

17.5 The 2026/27 Revenue Budget and Medium-Term Financial Plan require a use of reserves.

17.6 I have advised the Commissioner that I believe this represents an entirely reasonable, balanced and prudent approach, given current levels of crime and anti-social behaviour, the priorities set out in the Police and Crime Plan and the levels of Government resources likely to be available in the medium term.

17.7 The Insurance fund will continue to be maintained at a level consistent with the insurance cost borne by the Commissioner's reserve and the level of outstanding self-funding insurance claims at any time. Financing for the Capital Programme includes the use of borrowing, capital receipts, capital grant and

revenue contributions. Other earmarked reserves will be applied as expenditure levels and service requirements dictate.

17.8 It will be necessary to retain as much flexibility as possible over the levels of reserves.

17.9 The total level of revenue reserves is estimated to be around £87.8m by 31st March 2027, depending on the use of earmarked reserves and the other factors influencing the use of reserves in 2026/27.

17.10 I am therefore able to confirm that, in my professional opinion:

- The estimates made for the purposes of the calculations of the commissioner's budget requirement for 2026/27, 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 Commissioner, as a result of agreeing the proposals contained in this report are adequate.

18 Finance Implications

18.1 This report solely deals with financial issues.

19 Legal Implications

19.1 Section 40, Local Government Finance Act 1992, requires the Commissioner to set a budget and precept by 1 March each year.

19.2 The Commissioner must ensure that the precept is sufficient to provide for the expenditure estimates it will incur in the year in performing functions, defraying outstanding expenditure incurred earlier, an expenditure before precepts become sufficiently available and any payments into reserves.

19.3 The Localism Act 2011 abolished the council tax capping regime and replaced it with the requirement for precepting authorities to hold a taxpayer's referendum if excessive increase is proposed. In 2026/27, an excessive increase would be £15.01 or greater.

19.4 Information contained in this decision is subject to the Freedom of Information Act 2000 and other legislation. This decision will be made available on the Commissioner's website.

20 Equalities Implications

20.1 The budget provides for the continuation and development of policing services for all people in the West Midlands, irrespective of their protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, regional or belief, sex and sexual orientation. Both the Commissioner and the Force are committed to delivering the principles, strategies and priorities of their respective Equality Schemes.

Schedule of Background Papers

Appendix 1 – Summary of Revenue Budgets for 2025/26 and 2026/27

Appendix 2 – Operational Budget 2026/27

Appendix 3 – Capital Strategy 2026/27 – 2030/31

Appendix 4 – Capital Programme 2026/27 – 2030/31

Appendix 5 – Statutory Council Tax calculations 2026/27

Appendix 6 – Reserves Strategy 2026/27 to 2030/31

Appendix 7 – Statement of Prudential Indicators

Appendix 8 – Risk Assessment

Appendix 1 – Summary of Revenue Budgets for 2025/26 and 2026/27

Income and Expenditure Breakdown	2025/26 Budget £,000	2026/27 Budget £,000
Police Pay	557,361	589,994
Police Community Support Officers	12,485	12,490
Police Staff Pay	221,881	222,977
Other Employee Expenses	17,653	20,080
Sub Total	809,380	845,541
Premises	33,034	32,321
Transport	12,745	13,754
Supplies and Services	81,294	88,094
Third Party Payments	25,959	26,200
Capital Financing	16,089	9,851
External Income	(134,657)	(136,894)
Home Office Specific Grants	(12,211)	(22,330)
Change Programme including Estates Strategy	6,281	8,823
Police Force	837,914	865,360
Office of Police and Crime Commissioner	3,737	3,993
Community Safety Funding	3,520	3,625
Helping Communities Fund	400	412
External Commissioning	2,679	3,011
Victim Services Expenditure	6,697	7,070
Victim Services Income	(6,049)	(6,170)
Violence Reduction Unit Expenditure	5,911	5,483
Violence Reduction Unit Income	(5,587)	(5,118)
Total Office of the PCC	11,308	12,306
Total Revenue Budget	849,222	877,666
Net Use of Reserves	(13,902)	(17,074)
Net Budget Requirements	835,320	860,592
Government Grants	(659,302)	(672,830)
Council Tax including Surplus on Collection Fund *	(176,018)	(187,762)

Appendix 2 – Operational Budgets 2026/27

The tables below detail the operational budgets for the Force for 2026/27.

Operational Budget £,000	2026/27 Proposed Budget
Pay, Allowances & Overtime	825,461
Non-Pay Costs	180,449
Capital Financing	9,851
External Income	(136,894)
Total Operational Budget	878,867
Change Programme including Estates Strategy	8,823
Home Office Specific Grants	(22,330)
Total Police Force Budget	865,360

Operational Breakdown £,000	Budget	Pay, Allowances & Overtime	Non-Pay Costs	Capital Financing	Income	Total Operational Budget
Local Policing		294,003	3,439	0	(3,405)	294,037
Major Crime		213,723	21,029	0	(12,903)	221,849
Commercial & People Services inc. Student Officer Salaries		72,962	114,881	9,800	(14,587)	183,056
Force Contact & Change		76,779	467	0	(299)	76,947
Operations		77,231	11,655	49	(27,234)	61,701
Security		71,619	26,099	1	(78,154)	19,565
DCC		19,146	2,879	0	(313)	21,712
Total Operational Budget		825,463	180,449	9,850	(136,895)	878,867

Appendix 3 – Capital Strategy 2026/27 to 2030/31

1 Background and Introduction

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) 2021 Prudential and Treasury Management Codes, require all local authorities (which includes Policing Bodies), to prepare a capital strategy report and there is a need for the Capital Strategy to be approved before the start of each financial year.
- 1.2 The Capital Strategy for the Police and Crime Commissioner (PCC) for the West Midlands and West Midlands Police, is a key overarching document and sets out the policy framework for developing, managing, and monitoring capital investment.

2 Purpose

- 2.1 This Capital Strategy provides a framework for the development of the Capital Programme which sets out the investment in assets and identifies the resources required for that investment. It also represents the intentions for capital investment reflective of strategic priorities, objectives, and outcomes. Guiding the importance of a link from capital investment to strategic outcomes.
- 2.2 To sustain this service and meet the objectives set out in the Police and Crime Plan, the Capital Strategy also gives an overview of how the Police and Crime Commissioner (PCC) will apply the principles set out in the CIPFA Prudential Code to test the affordability of the Capital Strategy. It is therefore also closely linked to the Reserves Strategy and Treasury Management Strategy which includes the Investment Strategy, Borrowing Strategy and Prudential Indicators.
- 2.3 Additionally, this strategy aligns to the Police and Crime Plan and demonstrates how investment decisions properly take account of stewardship, value for money, prudence, risk, sustainability, and affordability.
- 2.4 The capital strategy sits below the Police and Crime plan and the Force Vision. The detailed strategies for Estates, Fleet, Environmental Sustainability and IT and digital are used to plan, prioritise and co-ordinate resources for the long-term capital plan.

3 Background and Introduction

- 3.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) 2021 Prudential and Treasury Management Codes, require all local authorities (which includes Policing Bodies), to prepare a capital strategy report and there is a need for the Capital Strategy to be approved before the start of each financial year.
- 20.2 The Capital Strategy for the Police and Crime Commissioner (PCC) for the West Midlands and West Midlands Police, is a key overarching document and

sets out the policy framework for developing, managing, and monitoring capital investment.

4 Purpose

- 4.1 This Capital Strategy provides a framework for the development of the Capital Programme which sets out the investment in assets and identifies the resources required for that investment. It also represents the intentions for capital investment reflective of strategic priorities, objectives, and outcomes. Guiding the importance of a link from capital investment to strategic outcomes.
- 4.2 To sustain this service and meet the objectives set out in the Police and Crime Plan, the Capital Strategy also gives an overview of how the Police and Crime Commissioner (PCC) will apply the principles set out in the CIPFA Prudential Code to test the affordability of the Capital Strategy. It is therefore also closely linked to the Reserves Strategy and Treasury Management Strategy which includes the Investment Strategy, Borrowing Strategy and Prudential Indicators.
- 4.3 Additionally, this strategy aligns to the Police and Crime Plan and demonstrates how investment decisions properly take account of stewardship, value for money, prudence, risk, sustainability, and affordability.
- 4.4 The capital strategy sits below the Police and Crime plan and the Force Vision. The detailed strategies for Estates, Fleet, Environmental Sustainability and IT and digital are used to plan, prioritise and co-ordinate resources for the long-term capital plan.
- 4.5 The operation of all these strategies and plans is underpinned by the Code of Corporate Governance which includes Contract Procedure Rules and the Force's Financial Regulations.
- 4.6 The strategy also considers how any associated risks are managed and the implications of future financial sustainability.

5 Scope

- 5.1 In managing capital investment for the Police and Crime Commissioner and West Midlands Police, this strategy considers the following areas:
- Governance Framework
 - Capital Expenditure Priorities
 - Capital Investment Priorities
 - Prioritisation Approach
 - Capital Funding
 - Monitoring Capital Projects
 - Benefits Realisation
 - Risk Management

6 Governance Framework

- 6.1 A Financial Governance Board has been established which meets monthly and has an overview of the progress in terms of financial position, and benefits realisation. It will ensure that capital priorities are aligned to organisational priorities and see reports on revenue impact as well
- 6.2 It sets the prioritisation framework, setting out the terms and approvals for business cases and business as usual capital plans against an agreed prioritisation framework.
- 6.3 This works in line with the 2-gateway process that is currently in place. An outline business case is prepared first and may inform the strategy and MTFP with provisional figures. However, then a full business case is prepared which may require modification.
- 6.4 The board decisions are made based upon the presentation of a business case / recommendation. These are considered and challenged at the meeting; attendees include the Director of Commercial Services, Chief Finance Officer for the PCC, Assistant Director of Finance & Procurement, and other key stakeholders as required.
- 6.5 The business case process includes a rigorous process of options appraisal including identifying the needs and benefits (both financial and non-financial) of the proposal, the associated risks and the costs profiled over the life of the project (revenue and capital).
- 6.6 All investment decisions made follow Force Standing Orders and the usual approvals process, via the Office of the Police and Crime Commissioner.
- 6.7 Plans will only be revised and updated following the approval given at the Investment Board. These will then be built into the longer-term capital plan which forms part of the revenue and capital budget setting process of the Force. The budget plans are presented to the Accountability and Governance Board and the West Midlands Police and Crime Panel to ensure that there is

a wide opportunity for challenge and scrutiny. Following on from this process the PCC formally approves the decision to accept the budget proposal.

- 6.8 The delivery of the capital plan is monitored monthly by the S151 Officers for the Force and the PCC and quarterly, via reports that are presented to the Accountability and Governance Board.
- 6.9 To underpin the capital investment, each year a Treasury Management Strategy is produced, which incorporates the Commissioner's investment strategy and approach to borrowing (The capital investment programme is the key driver of treasury management activity). This report is written by the CFOs of the PCC and the Chief Constable and is presented to the Joint Audit Committee in March each year for consideration before being approved by the Commissioner. Copies of the strategy can be found on <https://www.westmidlands-pcc.gov.uk/finance/annual-investment-strategies/> for each relevant year. The Joint Audit Committee also receive update reports throughout the year on the delivery of the Treasury Management Strategy.

7 Capital Expenditure

- 7.1 As part of the Medium-Term Financial Planning (MTFP), West Midlands Police take a forward view of the Forces' asset needs to meet its future objectives. The MTFP links very closely with the Police and Crime Plan 2025-29 in assessing where capital investment priorities may lie.
- 7.2 In addition to the change programme the capital programme also provides for business-as-usual expenditure (BAU) such as the replacement of fleet vehicles, replacement or upgrade of core IT systems and equipment not related to change programmes but meeting the definition of capital expenditure.
- 7.3 To meet the definition of capital, the expenditure incurred must result in the acquisition, construction, or enhancement of a fixed asset (either tangible or intangible). In the case of enhancement this must be to prolong the life of or increase the market value of the asset.
- 7.4 The overarching capital strategy considers and links in the various strategies including estates, fleet, environmental and IT.

8 Capital Investment Priorities

8.1 The PCC's draft Police and Crime Plan 2025-29 states the priorities and ambitions over the medium term. These are summarised as:

- Rebuilding Community Policing,
- Preventing and Tackling Violence,
- Improving Road and Travel Safety,
- Preventing and Reducing Neighbourhood Crime,
- Protecting Victims and Witnesses,
- Building Trust and Confidence,
- An equal and fair West Midlands,
- Bringing offenders to Justice,
- Prevention and Rehabilitation

8.2 In delivering those priorities, the Plan also sets goals for how Partnerships, People and Resources and Accountability and Governance will support and embed those goals.

8.3 The Plan contains the following statements from the PCC:

- The police estate is a significant asset for the benefit of the people and communities of the West Midlands and WMP. It is imperative that we drive the greatest possible value out of it by ensuring well designed spaces to maximise productivity, efficiency, accessibility to the public and personal wellbeing. This will include collaborating and sharing space with other public bodies including West Midlands Fire and Rescue Service and local authorities.
- I expect WMP to proactively scan for emerging trends and prioritise the effective and efficient use of new and existing technology, ensuring that police officers and staff have the right hardware and software to undertake their roles to the best of their abilities. Use of new technology will be lawful, ethical and proportionate at national, regional and local levels. I expect equality impact assessments to be undertaken for the deployment of new technology to ensure lawfulness, fairness and inclusivity.

- The resources of WMP and how they are used leave a carbon footprint. I expect WMP to play its part in delivering decarbonisation and Net Zero including: complying with the requirements of the Climate Change Act 2008 and working with partners to achieve this across the public sector; increasing the number of officers deployed on bicycles or foot; using technology to reduce its carbon footprint and enhance operational efficiency; reducing the carbon footprint of the police estate; increasing the proportion of its vehicle fleet that are electric or low carbon; and implementing the WMP Environmental and Sustainability Strategy 2022-2027.
- 8.4 The capital strategy and capital programme underpin both the local and national priorities in the investments it makes, particularly in relation to making the best use of resources and creating a modern police service. The investments made through the IT & Digital's new approach and the Estates strategy enhance and improve the service for both staff and citizens by providing up to date technology and systems and creating better working environments, optimising available space.
- 8.5 Given the significant scope of ambition of the strategy a prioritisation matrix is to be used in approval of capital investments as set out below against which business cases and BAU capital activity requests can be more objectively prioritised.

9 Prioritisation Approach

- 9.1 The Capital Strategy is led by the priorities outlined in the PCC's Police and Crime Plan. It translates these priorities into a programme of projects in the PCC's Capital Programme that will achieve the intended outcome whilst also factoring in other key criteria that make different business cases attractive when pursuing those aims.
- 9.2 West Midlands Police will set out which of the priorities are key based on the latest plans, to provide some initial rational to the prioritisation decisions and so people know where to focus their attention. Consideration will be given to the following key areas:
- Strength of the link to PCC priorities
 - Affordability / financial savings
 - Minimisation of Risk
 - Improvement of organisational functions.
- 9.3 This would allow a rational debate about the relative merits of projects and in the event of a restriction on resources a way of ordering schemes.
- Assets are vital to the delivery of efficient services, and so the optimum use of resources whilst securing best value in relation to both cost and quality are key considerations.
 - An asset management plan/strategy for each asset classification is held and contains specific details of each asset including the longevity and optimum replacement cycles.

- The capital investment priorities, because of the above will include:
 - Police Buildings to ensure they are fit for purpose and cost effective
 - ICT and systems to exploit the operational and organisational benefits of new technology
 - Operational equipment such as Tasers and Body Worn Cameras
 - Police Vehicles
 - Environmental Considerations

10 Capital Funding Strategy

- 10.1 Under the provision of the Prudential Code, the PCC can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.
- 10.2 The Capital Programme is reflected in the PCC’s Treasury Management Strategy, which is reviewed by the Joint Audit Committee. It sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence, and sustainability.
- 10.3 The PCC, in consultation with the Chief Constable, will identify available sources of funding for the Medium-Term Capital Programme including the identification of potential capital receipts from the disposal of property.
- 10.4 The sources of funding available to the PCC to finance capital expenditure are detailed below:
- 10.5 **Revenue Contributions** - In some circumstances the Force does allow revenue contributions to be made to fund capital expenditure. This is usually where a piece of equipment is locally purchased but meets the definition of a capital asset. Where affordable within achieving a balanced budget and cashflow – this method of finance avoids the need to pay interest. It is currently WMP preferred method of funding BAU – but this must be planned carefully and budgeted into the revenue budgets at a sustainable level, with due care that revenue to capital contributions do not affect front line service adversely.
- 10.6 **Government Grants** - The Force also receives a small number and low value of in year other specific grants, which could be spent as capital or revenue to fund specific projects. Where possible additional grant income and plans to deliver should be sought.
- 10.7 In addition to the funding given to the Force some specific grants are also received by the Counter Terrorism Unit (CTU) and these fund expenditures specific to the CTU.
- 10.8 **Capital Receipts** - The financing of the estate’s development programme is dependent on the release of property assets for sale. Achieving the full investment programme will be dependent on progressing schemes listed on the development schedule or identifying alternative assets for disposal.
- 10.9 **Prudential Borrowing** - The introduction of the 2004 Prudential Code enabled PCCs, like local Authorities, to determine their own level of capital

investment controlled by self-regulation. It gives PCCs the ability to borrow provided that the borrowing is prudent, sustainable, and affordable.

10.10 **Internal Borrowing** – allows the PCC / Force to use its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low.

10.11 In addition to revenue and funding considerations full cashflow considerations and appropriate treasury management advice should be considered in relation to levels of capital expenditure and financing decisions.

11 Monitoring Capital Projects

11.1 Capital projects are subject to high levels of scrutiny. The precise scrutiny will vary dependant on the type of project and may be influenced by size or by the makeup of regional involvement. Each project will have a Project Manager and potentially a team to implement the project.

11.2 Typically, projects will have a dedicated Project Board which, if part of a larger programme, may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer.

11.3 Heads of Department have overall responsibility for ensuring that the objectives are met for all projects, but particular focus will be placed on ensuring that high-profile projects are delivered on time, achieving the intended outcome and good progress is being made in delivering the programme within planned capital and revenue funding set out in the current year's budget, the Capital Programme and the MTFP.

11.4 Progress against the capital programme, including considerations of capital financing, is reported quarterly to our Investment Board and a summary position to Performance Panel / Force Executive and the Strategic Police and Crime Board.

11.5 The following measures have been put in place to mitigate the risk of slippage in the Capital Programme:

- Comprehensive assessment of project risks during the development of the business case for each scheme
- Continual monitoring of the project's progress will help to identify reasons for delays in delivery so that appropriate action can be taken.

12 Benefits Realisation Review

12.1 Upon completion of a capital project, consideration will be given to the use of a Post Implementation Review (PIR). This review will provide a check against the performance compared to the original proposal. It will focus on the outcomes achieved both financial and non-financial, the extent to which the benefits claimed are being realised, and the actual costs both revenue and capital. Using these types of review, we would look to capture learning that can inform our future projects and programmes for the better. The Investment

Board would receive updates on PIR's to ensure that it can act on lessons learned.

13 Risk Management

13.1 Risk in relation to capital investment projects should be escalated to the Investment Board. However, the normal risk register process is used to report on all risks. The effectiveness of the controls is tested as part of the Audit Plan and subject to the scrutiny of the Joint Audit Committee. Performance Panel will consider risk as part of the individual business cases and monitoring of activity. It can also identify risks and ensure their inclusion in the risk register. New risks can be added to the risk register at any time.

Appendix 4 – Capital Programme 2026/27 to 2030/31

The table below details the Capital Programme for 2026/27 to 2030/31.

Capital Programme £m	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Fleet	7.7	7.9	8.0	8.2	8.4	40.2
Body Worn Video	1.0	1.3	1.3	1.4	1.4	6.4
Laptops / Desktops	2.2	3.5	9.4	1.5	3.4	20.0
IT Infrastructure including CCTV	1.9	1.0	0.8	0.8	0.8	5.3
Airwave	0.0	0.0	11.2	5.6	0.0	16.8
CTU Capital Programme (estimate)	3.0	3.3	3.1	3.4	3.3	16.1
Estates Strategy	21.3	10.0	0.0	0.0	0.0	31.3
Total	37.1	27.0	33.8	20.9	17.3	136.1
Financed by:						
Revenue Contributions	12.4	14.6	19.5	11.9	14.0	72.4
Capital Grants	3.0	3.3	3.1	3.4	3.3	16.1
Capital Receipts	21.7	9.1	11.2	5.6	0.0	30.8
Total Funding	37.1	27.0	33.8	20.9	17.3	136.1

Appendix 5 – Statutory Council Tax calculations 2026/27

The table below shows a summary of the precept calculation, including the notified Collection Fund net deficit and compares the precept levels with last year's figures.

Summary Precept Calculation	2025/26 £m	2026/27 £m
Total Revenue Budget	849.2	877.7
Contribution to / from Reserves	(13.9)	(17.1)
Net Budget Requirement	835.3	860.6
Police Grant inc. DCLG	(579.1)	(623.3)
National Insurance Grant	(11.6)	(11.6)
Pension Grant	(18.9)	(18.9)
Additional Recruitment Top Up	(9.3)	0.0
Council Tax Support Grant	(19.0)	(19.0)
Ringfenced PUP Grant	(21.4)	0.0
Surplus / Deficit on Collection Fund	(0.6)	0.9
Precept Requirement	175.4	188.7
Total Tax Base	764,370.45	771,778.56
Band D Precept*	229.50	244.50
* An increase of £15.00 per annum		

This produces a charge for each property for 2026/27 as follows:

Band	Statutory Proportion	2025/26 Precept £: p	2026/27 Precept £: p	Change Annual £: p	Change Weekly £: p
Band A	6/9	153.00	163.00	10.00	0.19
Band B	7/9	178.50	190.17	11.67	0.22
Band C	8/9	204.00	217.33	13.33	0.26
Band D	9/9	229.50	244.50	15.00	0.29
Band E	11/9	280.50	298.83	18.33	0.35
Band F	13/9	331.50	353.17	21.67	0.42
Band G	15/9	382.50	407.50	25.00	0.48
Band H	18/9	459.00	489.00	30.00	0.58

The table below details the statutory Council Tax calculations for 2026/27.

West Midlands Police & Crime Commissioner Precept Calculation 2026/27				
				£
	Gross Budget Requirement			877,665,853
	Less: Balances and Reserves			(17,074,400)
	Net Budget Requirement			860,591,453
	Less: Police Grants			(672,830,150)
	Gross Council Tax Requirement			187,761,303
	Plus: Balance on Collection Funds			938,555
	Net Council Tax Requirement			188,699,858
Appportioned on the relevant tax base as follows:				
	Relevant	Total	Monthly Instalments	
	Tax base	Precept	1-9	10
	£	£	£	£
Birmingham	275,434.00	67,343,613	6,734,361	6,734,364
Coventry	91,413.30	22,350,552	2,235,055	2,235,057
Dudley	98,517.83	24,087,609	2,408,761	2,408,760
Sandwell	81,818.40	20,004,599	2,000,460	2,000,459
Solihull	80,829.00	19,762,691	1,976,269	1,976,270
Walsall	76,051.97	18,594,707	1,859,471	1,859,468
Wolverhampton	67,714.06	16,556,088	1,655,609	1,655,607
	771,778.56	188,699,858	18,869,986	18,869,984
			Monthly Instalment x 9	169,829,874
			Total Precept	188,699,858
			Net Precept for Band D property	£244.50
	Proportion	Calculated	Rounded	
	of Band D	Value	Value	
	£	£	£	
Band A	6/9	163.0000	163.00	
Band B	7/9	190.1667	190.17	
Band C	8/9	217.3333	217.33	
Band D	9/9	244.5000	244.50	
Band E	11/9	298.8333	298.83	
Band F	13/9	353.1667	353.17	
Band G	15/9	407.5000	407.50	
Band H	18/9	489.0000	489.00	

Appendix 6 – Reserves Strategy

1 Purpose

- 1.1 This document sets out the Police and Crime Commissioner for the West Midlands Reserves strategy up until March 2031. This includes details of reserves currently held, the purpose of the reserves and the predicted balances by 31 March 2031.

2 Reasons for holding reserves

- 2.1 The PCC must consider the required level of general policing fund balances that should be retained before deciding the level of council tax precept. General balances are maintained as a matter of prudence and to meet financial risks. They enable the PCC to provide for known and unknown risks and offer financial resilience.
- 2.2 Earmarked reserves are retained for specific risks and planned investments.
- 2.3 Provisions are retained for specific purposes or for known future financial obligations.
- 2.4 The reserves strategy has been drawn up within the parameters of the Financial Regulations adopted by the Police and Crime Commissioner. The use and maintenance of reserves is based on the following principles:
- Maintaining a working balance or general reserve to cover the effects of uneven cash flows and to avoid temporary borrowing.
 - Reserves in place to provide flexibility in managing future year's budget pressures.
 - Funding investment in the Change Programme including the Estates Strategy.
 - Earmarking specific funds to meet known or predicted requirements in the future.
 - Creating contingencies to cushion the impact of unexpected events or emergencies.
- 2.5 The reserves are split into two categories:
- i. Funding for planned expenditure on projects and programmes
 - ii. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

3 Reserves Strategy

- 3.1 The Commissioner's overall reserves strategy is to use reserves over the medium term up to 2031 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 £30.4m of reserves as detailed in the table below:

Contribution to / (From) Reserves £m	2026/27	2027/28	2028/29	2029/30	2030/31
Estates Strategy / Change Programme	(7.1)	(4.6)	(1.4)	(1.1)	(1.0)
Carry Forward Reserve	(3.3)	(3.3)	0.0	0.0	0.0
Uniform and Equipment Reserves	0.4	(3.5)	(6.0)	4.2	3.9
Budget Reserve	(5.7)	0.0	0.0	0.0	0.0
Police Property Act / Drug Squad	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Office of PCC	(0.6)	(0.2)	0.0	0.0	0.0
POCA	(0.2)	0.0	0.0	0.0	0.0
National contingency	(0.4)	0.0	0.0	0.0	0.0
Total	(17.0)	(11.7)	(7.5)	3.0	2.8

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

- The uniform and equipment reserve is being utilised to support the conversion of our fleet to non-ICE vehicles, along with smoothing out the costs of our IT&D replacement programme for mobility devices, laptops and airwaves.
- The Estates Strategy / Change Programme is being used to support the refurbishment costs of the estate's strategy (where expenditure cannot be capitalised), along with the one-off investment costs of our change projects.
- Balancing the 2026/27 budget utilising the budget reserve, including £1m to support the increased provision for the cost of ill health retirements whilst the Force continues to work with external partners to promote measures to prevent ill health and deal with it quickly and effectively when it arises to successfully return people to work.
- The carry forward is the draw down of the years 2 and 3 of the income received during 2024/25 to fund the CBRN PPE to mitigate the risks around future supply.
- The office of the PCC is drawing down prior year underspends to support ongoing activity along with £0.5m use of reserve to enhance the visibility of the Victims Code of Practice, driving an increase in public trust and confidence.
- The POCA reserve is being utilised to support Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands.
- The national contingency reserve is being support the legal costs associated with the ongoing Hillsborough legal compensation claims.

3.3 The budget reserve will be held at current levels from 2027/28 onwards, however, we will look to draw down on this to support setting a balanced budget over the medium term.

3.4 The table below details the current level of reserves held from the outturn for March 2026 through to the forecasted level by March 2031 based on use of / contribution to reserves detailed above.

Reserves £m	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030	31st March 2031
Funding for Planned Expenditure on Projects & Programmes - Revenue						
Regional / National Reserve	8.4	8.4	8.4	8.4	8.4	8.4
PPA / Misuse of Drugs Act	2.0	1.9	1.7	1.6	1.5	1.3
POCA (Proceeds of Crime Act) Reserve	1.1	0.8	0.9	0.9	0.9	0.9
Change Programme / Estates Strategy Reserve	17.7	10.5	5.9	4.6	3.5	2.5
Carry Forward Reserve inc. Grant No Condition	7.4	4.1	0.8	0.8	0.8	0.8
Office of PCC	3.4	2.8	1.0	1.0	1.0	1.0
Funding for Planned Expenditure on Projects & Programmes – Capital						
Useable Capital Receipts Reserve	14.8	17.7	19.2	8.0	2.4	2.4
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	11.0	11.5	8.0	2.0	6.2	10.2
Budget Reserve	34.4	28.7	28.7	28.7	28.7	28.7
National Contingency Reserve	2.7	2.4	2.4	2.4	2.4	2.4
Total Earmarked Reserves	103.7	89.6	77.8	59.2	56.5	59.3
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
Total Useable Reserves	120.4	106.3	94.5	75.9	73.2	76.0
Provisions	24.2	20.7	18.0	16.1	16.1	16.1
Total Useable Reserves & Provisions	144.6	127.0	112.5	92.0	89.4	92.2

3.5 The total reserves of the West Midlands Police and Crime Commissioner forecast as of 31 March 2026 is 17.3% of the net revenue budget (NRB), if funding is used as planned by March 2027 this will reduce to around 15.3% of the forecast NRB, dropping to 9.8% by the end of March 2031.

4 Individual Reserves

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

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

- **Regional / National / Collaboration Reserve**

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

- **Change Programme / Estates Strategy Reserve**

This reserve has been combined to more effectively use the reserve to meet the needs of change. In 2026/27 most of the planned usage is on large refurbishment programmes in the estate, as well as investing in digital media hubs to improve the investigation of digital crimes and the service to victims.

- **Carry Forward Reserve**

This reserve is used to carry forward specific / agreed under spends from the revenue budget and will usually be utilised the following year. where approved one-off investments and changes cannot be made within a financial year it is customary to allow those to carry forward into the following year to enable work to complete Any unutilised carry forwards will be transferred to the budget reserve. This includes:

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

- **Drug Suad / PPA Reserve**

The Police Property Act allows the Police to retain in full the money and other assets seized from criminals where that is not recovered under PACE. 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. The money is also distributed to other parties involved in these prosecutions. 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 ARIS mechanism. In 2025/26 and 2026/27 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.

- **Useable Capital Receipts Reserve**

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

- **Capital Grants Unapplied**

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

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

- **Budget Reserve**

The budget reserve is held to reduce the impact of financial pressures on service delivery. Due to the scale of the savings required to balance the medium-term plan, the Force has continued to drive savings in 2025/26 from increased income opportunities and reviewing staff vacancies. This will be transferred to the budget reserve and drawn down to help balance the medium-term plan allowing time to generate further long-term sustainable solutions.

- **Uniform and Equipment Reserves**

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

- **National Contingency Reserve**

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

4.4 **General Fund**

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

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

The balance of the general fund has been assessed considering the financial risks included within the PCC and Force Risk Registers. A breakdown of these alongside the financial risk assessment against each category is shown in **Appendix 8**.

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

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

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

Appendix 7 – Statement of Prudential Indicators

- 1 The Prudential Code for Capital Financing in Local Authorities (Prudential Code) is applicable to the Police and Crime Commissioner and has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003. PCCs, like Local Authorities, are free to determine their own level of capital investment controlled by self-regulation.
- 2 The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.
- 3 The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the PCC should operate to ensure the objectives of the Prudential Code are met.
- 4 In setting the prudential indicators, the PCC must give due regard to the following matters:
 - Service objectives, e.g. strategic planning for the authority
 - Stewardship of assets,
 - Value for money, e.g. option appraisal
 - Prudence and sustainability
 - Affordability
 - Practicality, e.g. achievability
- 5 The Prudential Indicators below will also be reported in the PCC's 2026/27 Treasury management strategy statement which will be reported to Joint Audit Committee in March 2026. The PCC has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA): Code of Practice for Treasury Management in the Public Services. The Prudential Indicators for which the PCC is required to set limits are as follows.
- 6 The first prudential indicator is Capital Expenditure – this prudential indicator is a summary of the PCC's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. It also forms the background to all other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment.

- 7 The actual amount of capital expenditure that was incurred during 2024/25, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2026/27 Budget are as follows.

	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Capital Expenditure	14.9	30.0	37.1	27.0	33.8	20.9

- 8 The second prudential indicator is the PCC's Capital Financing requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of indebtedness and so is the underlying borrowing need. Any capital expenditure above which has not been paid for through a revenue or capital resource, will increase the CFR. That does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.
- 9 This Prudential Indicator also provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows - "In order to ensure that over the medium term net borrowing will only be for a capital purpose, the PCC should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".
- 10 In considering the proposed capital programme for 2026/27, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

	31 st March 2025 £m	31 st March 2026 £m	31 st March 2027 £m	31 st March 2028 £m	31 st March 2029 £m
<i>Capital financing requirement (CFR)</i>	86.5	85.4	80.3	75.4	72.7
<i>Net External borrowing</i>	(82.3)	(80.3)	(80.3)	(73.3)	(73.3)
Variance	4.2	5.1	0	2.1	(0.6)

- 11 The third indicator, Ratio of Financing Costs to Net Revenue Stream is intended to demonstrate the affordability of capital investment decisions in

terms of the ratio of capital financing costs to overall resources, expressed as a percentage.

- 12 Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the PCC is required to set aside to repay debt, less interest and investments income.
- 13 The Net Revenue Stream is the amount to be met from government grants and local taxation. The prediction of the Net Revenue Stream for future years assumes increases in the PCC's funding from government and the local taxpayer consistent with expectations in the Medium-Term Financial Plan.
- 14 The estimates of the ratio of financing costs to net revenue stream, which are at very low levels, are as follows.

	2025/26	2026/27	2027/28	2028/29
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<i>Financing Costs</i>	7.2	5.9	5.8	4.7
<i>Net Revenue Stream</i>	813.9	860.6	894.6	918.7
<i>Ratio</i>	0.89%	0.68%	0.65%	0.51%

- 15 The next set of indicators are Authorised Limit, Operational Boundary and Actual External Debt, these indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the current PCC's Capital Expenditure and Financing Plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it would be necessary for the PCC to determine if it is prudent to raise the limit or to instigate procedures to ensure that such a breach does not occur.
- 16 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. It is a management tool for day-to-day monitoring and has been calculated with regard to the PCC's Capital Expenditure and Financing Plans allowing for the most likely, prudent, but not worst-case scenario for cash flow. Temporary breaches of the Operational Boundary, due to variations in cash flow, will not be regarded as significant.

17 The following limits are recommended.

	2026/27	2027/28	2028/29
	£m	£m	£m
Authorised Limit for external debt: Borrowing	120	120	120
Operational Boundary: Borrowing	115	115	115

18 The PCC's actual external debt as of 31st March 2026 is anticipated to be £80.3m.

19 It is recommended that:

- (a) That the PCC sets an upper limit on **fixed interest rate exposure** as follows:

Fixed Interest Exposure	2025/26	2026/27
	%	%
Upper Limit	100	100

- That the PCC sets an upper limit on **variable interest rate exposures** as follows:

Variable Interest Rate Exposure	2025/26	2026/27
	%	%
Upper Limit	20	20

20 This is the maximum external borrowing judged prudent that the PCC should expose to variable rates.

21 These gross limits are set to reduce the PCCs exposure to large, fixed sums falling due for refinancing and are required for upper and lower limits. It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Period of Maturity	Upper Limit %	Lower Limit %
<i>Under 12 months</i>	25	0
<i>12 months and within 24 months</i>	25	0
<i>24 months and within 5 years</i>	50	0
<i>5 years and within 10 years</i>	75	0
<i>10 years and above</i>	100	25

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed.

22 It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £30m for 2026/27, 2027/28 and 2028/29.

Appendix 8 – Risk Assessment

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

Financial Risk Assessment	Likelihood	Impact	Comment
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.
Planned savings 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 (e.g., Emergency Services Network and IT company costs.)
Headcount is not kept at the target, to secure Neighbourhood Grant funding	Medium	High	The numbers must be maintained to keep grant funding. Terms and Conditions of the grant funding are not confirmed for 2026/27, neither is the penalty regime to be applied.
Medium-Term funding remains unclear.	Medium	High	A one-year settlement was received for 2026/27. Due to the nature of the funding settlement the future years funding remains unclear and could vary significantly to that planned. £1 change in precept results in £0.8m movement and 1% change in grant results in £7.5m movement in grant
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 budget reserve will be used in year to meet any difference, net of increasing turnover and holding posts vacant to meet costs.
General inflation is different to the assumptions included in the budget.	Medium	Medium	A 1% increase would cost around £1.5m. Significant increases in building costs in the medium-term capital

			programme period could have an impact on some estimates.
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 currently.
Short Term Grants not extended by 2025/26	Medium	Medium	There are several short-term grants that are due to end in 2026/27. The mitigation is to stop the expenditure however this has a cost in terms of efficiency and positive outcomes. These include County Lines £5.4m, VRP £5.0m and Knife Crime Concentration Fund £2.8m
Income levels not achieved	Medium	Low	A 1% loss of income (excluding grants & interest) would cost around £1.4m.